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Application Proof of

QuantumPharm Inc.

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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XtalPi
晶泰科技

QuantumPharm Inc.

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED] per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**US$0.00001 per Share**
Stock Code	**:**	**[REDACTED]**

***Sole Sponsor,* [REDACTED], [REDACTED], [REDACTED] *and* [REDACTED]**

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The [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) may, with the consent of our Company, reduce the number of [**REDACTED**] and/or the indicative [**REDACTED**] range below that stated in this document (which is [**REDACTED**] to [**REDACTED**]) at any time prior to the morning of the last day for lodging applications under the [**REDACTED**]. In such a case, a notice of the reduction in the number of [**REDACTED**] and/or the indicative [**REDACTED**] range will be published on our website at **www.xtalpi.com** and the Stock Exchange's website at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the [**REDACTED**]. Further details are set forth in "[**REDACTED**]" and "[**REDACTED**]." If applications for [**REDACTED**] have been submitted prior to the day which is the last day for lodging applications under the [**REDACTED**], then such applications can be subsequently withdrawn if the number of [**REDACTED**] and/or the indicative [**REDACTED**] range is so reduced.

The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the subscription for, the [REDACTED], are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in "[REDACTED]." It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this document, including but not limited to the risk factors set forth in "Risk Factors" in this document.

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Our Company is a Specialist Technology Company (as defined in Chapter 18C of the Listing Rules). The securities of Specialist Technology Companies carry high investment risks including risks of share price volatility and inflated valuation due to the difficulty in valuing such companies. Investors should fully understand the investment risks of a Specialist Technology Company and the risks disclosed by our Company before making their investment decisions. In addition, our Company is a Pre-Commercial Company (as defined in Chapter 18C of the Listing Rules). Pre-Commercial Companies are Specialist Technology Companies that cannot meet the revenue requirement as set out in Rule 18C.03(4) of the Listing Rules, and so are subject to a higher risk of corporate failure if they are unable to secure sufficient external funding and/or cannot generate sufficient revenue to sustain their operations after [REDACTED].

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

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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 a Pre-Commercial Company seeking to* [REDACTED] *on the Main Board of the Hong Kong Stock Exchange under Chapter 18C 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 ours. In addition, we have incurred net losses since our inception, and we may incur net losses for the foreseeable future. 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 may not pay any dividends in the foreseeable future. Your* [REDACTED] *decision should be made in light of these considerations.

***There are risks associated with any* [REDACTED]. *Some of the particular risks in* [REDACTED] *in the* [REDACTED] *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to* [REDACTED] *in the* [REDACTED].**

Our mission is a world of smarter science, better lives.

We aim to accelerate the design and discovery of novel drugs and materials leveraging quantum physics, AI and robotic automation.

OVERVIEW

We are a globally leading, quantum physics-based, AI-powered, and robotics-driven, innovative R&D platform. We adopt a combination of quantum physics-based first-principles calculation, advanced AI, high-performance cloud computing, and scalable and standardized robotic automation to provide drug and material science R&D solutions and services to global conglomerates and innovative companies in the pharmaceutical and material science (including agritech, energy and new chemicals, and cosmetics) industries and beyond.

We have been at the forefront of the industry norms for several years by leveraging our core advanced technologies, and believe the following capabilities differentiate us from our competitors:

- our advanced AI capabilities anchored by quantum physics calculations;
- our quantum physics-based first-principles calculation supported by high-performance computing;
- our flexible and extensive AI capabilities backed by various multi-modality, customer-driven, scenario-based algorithms and models;
- clusters of intelligent robot scientists with AI brain driving wet lab automation, scalability, standardization and high throughput;

- iterative and mutually informing and reinforcing feedback loop between dry lab and wet lab;

- accumulated meaningful and extensive data assets generated through synergistic dry lab and wet lab; and

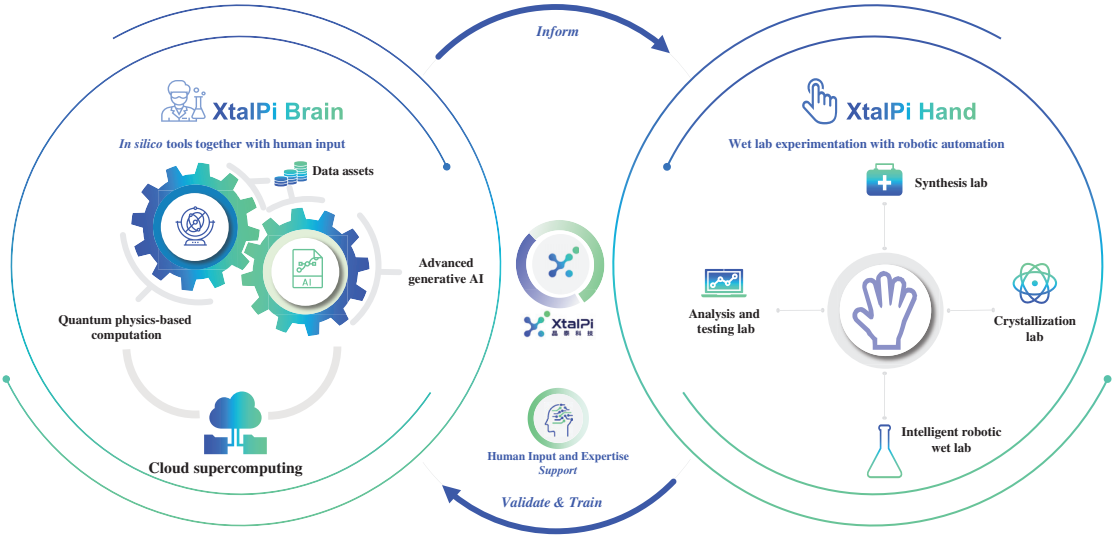
- our domain expertise, creative thinking, and entrepreneurial mindset.

In 2014, cloud-based computing power started growing exponentially, when our Co-founders immediately realized that would make large-scale high precision and fast computation a reality. Established in 2015 by three MIT-trained physicists, underpinned by our quantum physics-based first-principles calculation and advanced AI capabilities, we seek to transform the way drugs and new materials are designed and discovered at a pace and scale well beyond traditional alternatives. In 2016, we participated in a global crystal structure prediction ("**CSP**") blind test held by Pfizer and achieved accurate prediction, which led to our long-term strategic master partnership in technological innovation and drug R&D with Pfizer. Since then, we gradually became a global leader in providing computational solid-state R&D services. Our CSP capability and long-lasting cooperation with Pfizer eventually enabled us to have contributed to the development and production of Paxlovid, the world's first FDA-approved oral COVID-19 drug in 2021 at a critical juncture of the global fight against Coronavirus.

As CSP and drug design and discovery share similar fundamental methodologies and problem-solving patterns where target functions are deployed to search for solutions within a vast array of possible outcomes, we naturally expanded into the drug R&D industry driven by our customers' evolving needs. To validate the compounds generated from our drug R&D activities, we built our wet lab experimental capabilities. Along with our rapid business growth, we had increasing customer demand for compound synthesis, which is one of the most time-consuming and costly parts of the entire drug R&D process according to Frost & Sullivan. To expedite our synthesis process and further scale our business, we further developed robotic automation in our wet lab to enable scalable, flexible, multi-project, faster, and more cost-efficient experiment cycles. As we function as a molecular search engine, we have been able to explore the applicability of novel molecular-level material design and discovery in a wide array of industries.

We have established a proprietary integrated technology platform, which integrates cloud supercomputing-powered *in silico* tools, including quantum physics-based first-principles calculation and AI, for dry lab calculation and evaluation, and wet lab experimentation with robotic automation. Our platform is designed to improve dry lab calculations with experimental data generated by our wet lab and to enhance the efficiency of our wet lab by insights derived from dry lab calculations. We are one of the few drug and material science R&D companies in the world with quantum physics-based first-principles calculation, advanced AI technologies, and automated wet lab capabilities, according to Frost & Sullivan. As such, we believe that we are well positioned at this moment to capture the opportunities arising from the increasing importance of the combination of AI, computing power, data analysis, and scalable and standardized automation for the design and discovery of novel drugs and materials. We believe that quantum physics-based computation, AI, and robotic automation technologies will play indispensable roles as AI-age basic infrastructure components underpinning drug and material science R&D, like water and electricity in the industrial age.

The following diagram illustrates the structure of our closed-loop integrated technology platform combining our dry lab and wet lab capabilities:



We have made significant contributions in the field of drug design and discovery by improving speed, scale, novelty and success rate. We have recently expanded our business into the field of material science (such as the design and discovery of bio-based materials, novel chemical compounds for agritech applications, new chemical surfactants and catalysts, and cosmetics products) and automation (such as automated chemical synthesis) and are focused on continuing to expand this business going forward. With operations in both China and the U.S., we strive to take advantage of the best capabilities and resources available to us in each region to meet the evolving needs of our customers and collaborators and academic partners.

We have well-established and longstanding relationship with many of the world's leading biotechnology and pharmaceutical conglomerates, such as Pfizer Inc. ("**Pfizer**"), Johnson & Johnson, and Merck KGaA, Darmstadt, Germany, many of which are our repeat customers. Since our founding, we have received substantial investments and support from world-renowned private equity and strategic investors, including HongShan, Mirae Asset, Google, Tencent, and China Life. We believe our blue-chip shareholder base and prominent customer base is a testament to our capabilities and prospects.

As of the Latest Practicable Date, we had more than 700 scientists and technologists with experience in leading global academic institutions and well-recognized industry participants, a majority of whom have a master's degree or above. We also had more than 120 granted patents, approximately 27 ongoing drug discovery programs, and four R&D facilities with more than 10,000 sq.m. of lab space, as of the same date. Our talents, operational infrastructure, and scientific and commercial achievements have contributed to, and in turn demonstrated, our strong R&D capabilities.

During the Track Record Period, we achieved significant growth in revenue generated from our drug discovery solutions and intelligent automation solutions businesses. Our revenue increased significantly from RMB35.6 million in 2020 to RMB62.8 million in 2021, and further to RMB133.4 million in 2022, representing a CAGR of 93.4%. Our revenue further increased significantly by 86.3% from RMB42.9 million in the six months ended June 30, 2022 to RMB80.0 million in the six months ended June 30, 2023. The substantial increase in our revenue and our rapid business growth during the Track Record Period demonstrates our commercialization capability and business sustainability. Currently, we are serving more than 100 global biotechnology and pharmaceutical companies and research institutions; at the same time, centering on our key upstream and downstream industry chains and technologies, we have incubated and invested in a number of innovative companies, including Geode Therapeutics Inc. ("**Geode**"), META Pharmaceuticals Inc. ("**META**"), Signet Therapeutics (Shenzhen) Co., Ltd. (希格生科(深圳)有限公司) ("**Signet**"), and Leman Biotech Co., Ltd (深圳莱芒生物科技有限公司) ("**Leman**").

OUR BUSINESS AND REVENUE MODEL

Our business primarily comprises (i) drug discovery solutions providing modular solutions spanning the full spectrum of the drug discovery and research process, and (ii) intelligent automation solutions consisting primarily of solid-state R&D services and automated chemical synthesis services.

Our drug discovery solutions focus on identifying and developing molecules that exhibit pharmaceutically active functions on particular disease-related targets. Our drug discovery solutions span the whole drug discovery and research process, from target validation, hit identification, lead generation, lead optimization to pre-clinical candidate nomination, covering various modalities, including small molecules, antibodies, peptides, ADC, and PROTAC. We also collaborate with certain drug developers ("**collaborators**") to jointly work on various therapeutic targets ("**collaboration programs**"), from which we expect to receive royalty, milestone or contingent payments if such collaboration programs reach milestones or events specified in the respective contracts, such as successful commercialization in particular regions. See "Business—Our Drug Discovery Solutions."

Our intelligent automation solutions consists primarily of solid-state R&D services and automated chemical synthesis services. Our solid-state R&D services focus on analyzing the physical and chemical properties of solid materials, which are key to drug and material science R&D. We began leveraging our automation technology and capabilities to provide automated chemical synthesis services in 2021, aiming to accelerate the chemical synthesis process, where chemical reactions are performed to convert a reactant or starting materials into compound and which is time-consuming and costly. We are also leveraging our robotic automation capability and expertise to scale our intelligent automation solutions business by providing standard or customized automation solutions to customers in the pharmaceutical and material science industries and beyond. See "Business—Our Intelligent Automation Solutions."

The table below sets forth our revenue by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2020		2021		2022		2023	
	(RMB'000, except for %)							
Drug discovery solutions	12,666	35.5	39,346	62.7	87,666	65.7	36,096	45.1
Intelligent automation solutions	22,970	64.5	23,453	37.3	45,687	34.3	43,871	54.9
Total	**35,636**	**100.0%**	**62,799**	**100.0%**	**133,353**	**100.0%**	**79,967**	**100.0%**

As our business has evolved, we have begun to provide R&D solutions to other high value industries, by initiating our XtalPi R&D Solutions program, leveraging our proprietary in-house technologies and expertise derived from our drug discovery and intelligent automation businesses. Our XtalPi R&D Solutions program aims to enable synergies across our technologies to better serve the different and evolving R&D needs of, and cross sell our diversified service offerings to, our customers and collaborators in a wide array of industries, such as material science (including agritech, energy and new chemicals, and cosmetics). For example, we have been able to leverage our quantum physics-based computation and AI capabilities to develop a new type of furan-based bio-based surfactant. See "—Our Future Development" for future developments regarding our XtalPi R&D Solutions.

We have a diverse customer base, ranging from start-ups to global biotechnology and pharmaceutical companies. Our customer base includes 16 of the top 20 global biotechnology and pharmaceutical companies ranked by revenue in 2022, according to Frost & Sullivan, which we believe is an indicator of the caliber of our solutions and services.

OUR MAIN TECHNOLOGIES AND CLOSED-LOOP INTEGRATED TECHNOLOGY PLATFORM

Our Main Technologies

We pioneered the adoption of quantum physics-based first-principles calculation, AI, and robotic automation in drug and material science R&D and have become one of the most well-reputed drug and material science R&D companies in China and globally with combined capabilities of quantum physics-based first-principles calculation, AI, and robotic automation, according to Frost & Sullivan.

Fundamentally, quantum physics-based computation methods form the core of our technology platform. Quantum physics-based first-principles calculation enables us to model drug properties *ab initio*, which helps us to design and discover promising drug candidates promptly without having to first accumulate empirical data. The data we generate from our quantum physics-based calculation in turn help us to train our AI models to predict critical properties at various levels of complexity, from atomic, molecular, crystal, biological target, to *in-vitro* and *in-vivo*. Such capabilities allow us to identify candidate compounds and crystal forms suitable for drug R&D. We consider that the fundamental approaches and technologies underlying our quantum physics-based computation capability can equally be applied in the field of material science R&D, naturally extending our services to cover material science R&D.

We integrate our AI capabilities into many of our core technologies, including automated chemical synthesis, crystal structure screening, and our multiple-modality drug discovery platforms covering small molecule, peptide, ADC, PROTAC, and antibody, to optimize the efficiency and performance of these technologies. Unlike some of our competitors whose primary technology is either quantum physics-based computation or AI, we combine our quantum physics-based first-principles calculation with our advanced generative AI technologies. The quantum physics-based first-principles calculation method is difficult and time-consuming to develop for R&D purpose; while AI on its own has significant limitations and has therefore on its own had a limited effect on improving the efficiency of drug and material science R&D, because AI models are expected to accurately predict molecular properties similar to the training set, but are incapable of extrapolating molecules that are not similar to the training set. In contrast, by combining quantum physics-based computation with AI, we are able to enjoy both the benefits of rapid processing of data at scale and computing molecular properties that are well beyond existing industry capabilities and data. More significantly, we have developed our proprietary ProteinGPT, an AI-based biomedical generative tool, designed to predict and screen protein sequences and generate protein drugs that meet specific pre-set criteria by incorporating LLM into our algorithms.

Our wet lab with robotic automation can validate the predictions generated by our *in silico* tools, while the data produced at scale from our wet lab experimentation function as the feedback to further train our *in silico* tools, creating a mutually reinforcing cycle of learning. The improved *in silico* tools then produce better insights into the design and performance of wet lab experimentation. Therefore, the iteration of *in silico* and wet lab experimentation creates a virtuous cycle where data generation, learning and confirmation enhance each other and continually strengthen our integrated technology platform with real world experimental data on molecules and chemical synthesis.

For more details regarding our core technologies, see "—Our Technologies and Closed-loop Integrated Technology Platform."

Our Closed-Loop Integrated Technology Platform

Our technology platform is designed to efficiently search chemical and material space for the rapid identification and analysis of lead molecules and materials with desired functional properties for applications in various areas, including drug and material science, as well as to provide insights and assistance to our customers and collaborators in their drug and new materials discovery processes.

Our technology platform integrates (i) cloud supercomputing-powered *in silico* tools, including quantum physics-based computation and AI, for dry lab calculation and evaluation, and (ii) wet lab experimentation with robotic automation, backed up by our domain expertise, to develop R&D solutions with the potential to accelerate the process, expand the scale, address challenging targets, and improve success rate over traditional alternatives. We believe the combination of *in silico* tools and robotic wet lab experimentation brings benefits over the traditional methods, where the two pillars are informed and reinforced by each other creating a full-stack, closed-loop technology platform. In addition to constantly improving our *in silico* tools by fine-tuning our algorithms and training our AI with accumulated data, we have recently enhanced our wet lab capabilities with the aim of replacing manual experiments with robotic automation, to the largest extent applicable, to improve the speed, scale and efficiency of our wet lab experimentation. See "Business—Our Technologies and Closed-loop Integrated Technology Platform, —Our Drug Discovery Solutions, and—Our Intelligent Automation Solutions" for details regarding our technological capabilities.

OUR STRENGTHS

We believe that we have the following competitive strengths:

- A leading, global quantum physics-based, AI-powered drug and material science R&D platform with remarkable achievements
- Quantum physics-based, AI-powered, and robotics-driven integrated technology platform
- A suite of elite customers and collaborators as well as reputable investors
- Irreplaceable value to our customers and collaborators and synergies within our ecosystem
- Our visionary senior management team and talented key employees with scientific expertise

OUR MARKET OPPORTUNITIES

We primarily operate in the drug discovery and solid-state R&D service markets, and plan to continue to expand our business to cover automation and material science, leveraging our established technologies, including quantum-based computation, AI, high performance computing, and standardized and automated wet lab capabilities. Driven by the efficient, time-saving, low cost, and accurate new technologies, the markets we operate and plan to operate in are expected to grow significantly, according to Frost & Sullivan.

The global drug and material science R&D market has grown steadily in recent years, and is expected to further grow in the future. Driven by technological advancement, robust governmental support, and strategic emphasis on fostering innovation, China's drug and material science R&D market is also expected to grow rapidly and significantly. As a leader

and first mover in the drug and material science R&D industry, we believe that we will benefit from the significant market opportunities globally and in China. In addition, we plan to devote more resources internationally, particularly in the U.S. and Europe, to further expand our global footprint.

In particular, the size of global drug R&D outsourcing service market for drug discovery is expected to increase at a CAGR of 14.9% from US$12.3 billion in 2023 to US$32.5 billion in 2030, and the size of drug R&D outsourcing service market for drug discovery in China is expected to increase at a CAGR of 19.6% from US$3.4 billion in 2023 to US$11.9 billion in 2030; The size of the global solid-state R&D service market is expected to increase at a CAGR of 27.7% from US$3.8 billion in 2023 to US$20.9 billion in 2030; The size of the global automated R&D lab market is expected to increase at a CAGR of 39.5% from US$5.9 billion in 2023 to US$60.7 billion in 2030; Global material science R&D expenditure is expected to increase at a CAGR of 12.8% from US$76.3 billion in 2023 to US$177.9 billion in 2030, and material science R&D expenditure in China is expected to increase at a CAGR of 18.5% from US$17.8 billion in 2023 to US$58.5 billion in 2030, according to Frost & Sullivan.

OUR GROWTH STRATEGIES

We plan to implement the following growth strategies:

- Enhance our service capabilities and expand our service offerings in the biotechnology and pharmaceutical industries and beyond
- Advance the science underpinning our integrated technology platform
- Broaden customer base, and deepen relationships with customers and collaborators and enable cross-selling
- Create more value within our ecosystem
- Expand our global footprint
- Pursue selective acquisitions, joint ventures, and strategic alliance opportunities

SIGNIFICANT COOPERATIONS AND COLLABORATIONS

We have formed several strategic cooperations and collaborations with leading global biotechnology and pharmaceutical conglomerates and research institutions on the R&D of novel technologies, advanced discovery platform, and drug candidates with huge unmet medical needs. We believe that these strategic cooperations and collaborations are testament to our market leadership, technological capabilities, and prospect. See "Business—Significant Cooperations and Collaborations" for details.

OUR CUSTOMERS AND SUPPLIERS

Our Customers and Suppliers

During the Track Record Period, our customers (including our drug discovery collaborators) consisted primarily of China- and U.S.-based biotechnology and pharmaceutical companies. The revenue generated from our five largest customers in 2020, 2021 and 2022, and

the six months ended June 30, 2023 was RMB29.9 million, RMB38.8 million, RMB66.1 million and RMB33.1 million, respectively, representing approximately 83.9%, 61.8%, 49.6% and 41.4% of our total revenue in the same periods, respectively.

We had 43, 75, 120 and 107 customers in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. We believe that our cutting-edge technologies, strong R&D capabilities, and cost-efficient solutions and services enable us to retain repeat customers, including Pfizer, Johnson & Johnson, Chia Tai Tianqing Pharmaceutical Group Co., Ltd. (正大天晴藥業集團股份有限公司) ("**CTTQ Pharma**"), Daewoong Pharmaceuticals Co., Ltd. ("**Daewoong Pharma**"), and Merck KGaA, Darmstadt, Germany. Our customer retention rate was approximately 53.8%, 67.5%, 51.4% and 51.4%, respectively, in 2020, 2021 and 2022 and the six months ended June 30, 2023.

During the Track Record Period, our suppliers for our main business operations consisted primarily of R&D equipment suppliers and R&D service providers. Our suppliers also included property owners and renovation services providers during the Track Record Period. Purchases from our five largest suppliers in 2020, 2021 and 2022 and the six months ended June 30, 2023 amounted to RMB15.2 million, RMB116.2 million, RMB77.1 million and RMB34.6 million, respectively, representing approximately 37.6%, 33.7%, 17.7% and 19.5% of our total purchases in the same periods, respectively.

Pricing

We price our solutions and services considering a variety of factors, such as our contract fulfillment costs, the value of our solutions or services to the customer, the scarcity of our solutions or services in the market, the urgency and certainty of the delivery of our solutions or services, our delivery capacity, competition in the market, market's willingness to pay, the overall market condition, and competitors' pricing strategies. Taking these factors into account, we may adopt either cost-driving pricing or target-return pricing for different solutions or services. For further details regarding pricing, see "Business—Business Development and Marketing—Pricing" and "Financial Information—Significant Accounting Policies and Estimates—Revenue Recognition."

RESEARCH AND DEVELOPMENT

Our R&D team possesses multi-disciplinary expertise and is led by our three MIT-trained scientists and Co-founders, Dr. Wen, Dr. Ma, and Dr. Lai. Dr. Wen, our Co-founder, Chairman of the Board and executive Director, leads our global strategies and contributes to our cooperation with world-leading research institutes and biotechnology and pharmaceutical companies. Dr. Wen is a quantum physicist with over 14 years of research experience in the field of computational physics and quantum chemistry, and has published 36 papers with more than 2,100 citations. Dr. Ma, our Co-founder, Chief Executive Officer and executive Director, has extensive experience in quantum information and numerical simulation. Dr. Lai, our Co-founder, Chief Innovation Officer and executive Director, has extensive research experience in AI and quantum physics applications in pharmacology.

During the Track Record Period, we invested significant amounts of resources, financial or otherwise, in our R&D activities, and expect to continue to focus our R&D upgrade and innovations. In 2020, 2021 and 2022, our R&D expenditure was RMB83.8 million, RMB214.4 million, RMB359.0 million, accounting for approximately 51.8%, 52.4% and 53.5% of our total operating expenditure in the same years, respectively.

COMPETITIVE LANDSCAPE

The global markets for drug and material science R&D and solid-state R&D are rapidly evolving and subject to intense competition as a result of technology innovation and shifting customer needs. Given our presence in China and globally, we face potential competition from many different sources both locally and globally, while the solutions and applications offered by our competitors, including both AI-powered and traditional drug discovery solutions providers, vary in size, breadth, and scope.

We believe that our proprietary integrated *in silico* and wet lab platform, technical expertise and technology innovation provide us with significant competitive advantages over existing and new entrants. According to Frost & Sullivan, we compete favorably in China and pioneered the adoption of quantum physics-based computation, AI, and automation technologies in drug R&D. While we believe that we can compete favorably on the basis of these factors, many emerging and established companies have also built upon their technologies and competencies in the business areas we operate.

For our drug discovery solutions, we face competition from many sources, including major pharmaceutical companies, specialist biotechnology and pharmaceutical companies, technology companies, academic institutions and government agencies, and public and private research institutions. For our solid-state R&D, we face competition from companies providing computational and/or experimental solid-state R&D services, including specialized solid-state CROs, other large CROs, AI-focused CROs, as well as pharmaceutical companies that develop solid-state R&D internally.

RISK FACTORS

We are a Pre-Commercial Company seeking to [**REDACTED**] on the Main Board of the Stock Exchange under Chapter 18C of the Listing Rules. We believe there are certain risks and uncertainties involved in our operations and the [**REDACTED**] in our [**REDACTED**], some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our research and development, (ii) risks related to the commercialization of our solutions and services, (iii) risks related to our operations, (iv) risks related to our intellectual property, (v) risks related to our financial prospects and need for additional capital, (vi) risks related to doing business in the jurisdictions we operate, and (vii) risks related to the [**REDACTED**].

If any of such risks and uncertainties materializes, the market price of our Shares could decline, and you may lose all or part of your [**REDACTED**]. See "Risk Factors" for details of our risk factors, which we urge you to read in its entirety before making an [**REDACTED**] in our Shares. Some of the major risks that we face include:

- Our commercial success depends on our closed-loop integrated technology platform and technological capabilities, and their acceptance by our customers and collaborators. Failure to maintain our technological advantages or gain market acceptance of our platform or technology may have a material and adverse impact on our commercial success.
- The industries that we operate in are characterized by constant changes. If we are not able to upgrade, enhance or innovate our technologies and solutions, our business could be adversely affected.
- We intend to continue investing significantly in R&D, which may adversely impact our profitability and operating cash flow in the short-term and may not generate the results we expect to achieve.
- If our current research collaborators or key R&D employees terminate their relationships with us or develop relationships with a competitor or delay their delivery of adequate research results, our ability to conduct R&D, the progress of our R&D programs, and our ability to protect our intellectual property could be adversely affected.
- The data and information that we gather in our R&D process could be inaccurate or incomplete, which could harm our business, reputation, financial condition and results of operations.
- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.
- Our historical performance may not be indicative of our future growth, and we may not be able to sustain similar growth in the future.
- The size of our addressable markets and the demand for our solutions and services may not increase as rapidly as we anticipate due to a variety of factors, which could materially and adversely affect our business, results of operations, financial condition and prospects.
- The markets in which we participate are competitive, and if we do not compete effectively, our business and results of operations could be adversely affected.
- We have limited experience in the commercialization of our solutions and services.
- We may not be able to manage our growth, and failure to do so may adversely and materially affect our business, financial condition, results of operations, and reputation.
- If we fail to retain existing customers or attract new customers, our business, financial condition and results of operation will suffer.

OUR CO-FOUNDERS

As of the date of this document, our Co-founders, namely Dr. Wen, Dr. Ma and Dr. Lai, through their aggregated interests in 13.45% of the total number of issued Shares, are collectively entitled to control the exercise of 60.68% of the voting rights at our general meetings.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs), the Co-founder Group, namely Dr. Wen, Dr. Ma, Dr. Lai, QuantumPharm Holdings, SSBL Holdings Limited, Crete Helix, Jian Guo Pai, SeveningBAlpha and Sevening B Holdings, will control [**REDACTED**]% of the voting power at our general meetings and will continue to be the group of Shareholders with the largest voting power at our general meetings.

For further details, see "Relationship with our Co-founders."

[**REDACTED**] INVESTMENTS

We completed several rounds of [**REDACTED**] Investments, namely the Series Pre-A Financing, the Series A-1 Financing, the Series A-2 Financing, the Series B Financing, the Series B+ Financing, the Series B++ Financing, the Series C Financing and the Series D Financing. See "History, Development and Corporate Structure—Major Corporate Developments of Our Group" and "History, Development and Corporate Structure—[**REDACTED**] Investments" for the identities of [**REDACTED**] Investors and further details regarding [**REDACTED**] Investments.

SHARE INCENTIVE SCHEMES

As of the Latest Practicable Date, we had one share incentive scheme subsisting, being the [**REDACTED**] ESOP, and had granted options thereunder. For the purpose of the [**REDACTED**], we have adopted the [**REDACTED**] ESOP, which will take effect upon the [**REDACTED**] and will replace the [**REDACTED**] ESOP in its entirety. The principal terms of the ESOPs are summarized in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I. You should read this summary in conjunction with our consolidated financial information included in the Accountant's Report in Appendix I, including the accompanying notes, and the information set forth in "Financial Information."

Summary of Consolidated Statements of Profit or Loss

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(unaudited)			
Revenue	**35,636**	**100.0**	**62,799**	**100.0**	**133,353**	**100.0**	**42,915**	**100.0**	**79,967**	**100.0**
R&D expenses	(83,537)	(234.4)	(212,603)	(338.5)	(358,952)	(269.2)	(159,678)	(372.1)	(234,421)	(293.1)
General and administrative expenses	(47,486)	(133.3)	(137,035)	(218.2)	(204,401)	(153.3)	(87,833)	(204.7)	(101,165)	(126.5)
Contract fulfillment costs	(13,402)	(37.6)	(30,014)	(47.8)	(67,266)	(50.4)	(23,303)	(54.3)	(58,254)	(72.8)
Selling and marketing expenses	(17,076)	(47.9)	(27,413)	(43.7)	(40,427)	(30.3)	(18,374)	(42.8)	(29,640)	(37.1)
Impairment losses on financial assets	(2,828)	(7.9)	(673)	(1.1)	(874)	(0.7)	–	–	(104)	(0.1)
Other income	5,807	16.3	8,625	13.7	21,367	16.0	8,452	19.7	7,736	9.7
Other (losses)/gains, net	(3,435)	(9.6)	36,882	58.7	(8,114)	(6.1)	(8,136)	(19.0)	(99,109)	(123.9)
Operating loss	**(126,321)**	**(354.5)**	**(299,432)**	**(476.8)**	**(525,314)**	**(393.9)**	**(245,957)**	**(573.1)**	**(434,990)**	**(544.0)**
Finance income	5,772	16.2	14,055	22.4	50,478	37.9	5,323	12.4	50,716	63.4
Finance expenses	(747)	(2.1)	(3,575)	(5.7)	(5,746)	(4.3)	(2,943)	(6.9)	(3,846)	(4.8)
Finance income, net	5,025	14.1	10,480	16.7	44,732	33.5	2,380	5.5	46,870	58.6
Changes in fair value of CRPS and other financial liabilities	(607,847)	(1,705.7)	(1,843,883)	(2,936.2)	(957,799)	(718.2)	(99,875)	(232.7)	(231,164)	(289.1)
Impairment losses of investments accounted for using equity method	(3,602)	(10.1)	–	–	–	–	–	–	–	–
Share of net losses of investments accounted for using equity method	(1,613)	(4.5)	(4,497)	(7.2)	(236)	(0.2)	(119)	(0.3)	(1,013)	(1.3)
Loss before income tax	**(734,358)**	**(2,060.7)**	**(2,137,332)**	**(3,403.4)**	**(1,438,617)**	**(1,078.8)**	**(343,571)**	**(800.6)**	**(620,297)**	**(775.7)**
Income tax expense	–	–	–	–	–	–	–	–	–	–
Loss for the year/period	**(734,358)**	**(2,060.7)**	**(2,137,332)**	**(3,403.4)**	**(1,438,617)**	**(1,078.8)**	**(343,571)**	**(800.6)**	**(620,297)**	**(775.7)**
Adjusted net loss (non-IFRS measure)	**(121,920)**	**(342.1)**	**(270,967)**	**(431.5)**	**(437,434)**	**(328.0)**	**(224,050)**	**(522.1)**	**(357,522)**	**(447.1)**

We experienced strong growth during the Track Record Period. Meanwhile, as the absolute dollar amounts of our fair value changes in CRPS and other financial liabilities increased throughout the Track Record Period as the valuation of our business increased continuously, while our R&D expenses, general and administrative expenses, contract fulfillment costs and selling and marketing expenses increased as our business grew, we recorded net losses of RMB734.4 million, RMB2,137.3 million, RMB1,438.6 million, RMB343.6 million and RMB620.3 million in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively.

Non-IFRS Measure

In evaluating our business, we consider and use adjusted net loss, a non-IFRS financial measure, to supplement the review and assessment of our operating performance. We believe such non-IFRS measure facilitates comparisons of our operating performance from period to period by eliminating the potential impact of items that our management does not consider to be indicative of our operating performance. We believe that the measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for analysis of, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

We define adjusted net loss (non-IFRS measure) as net loss adjusted by adding back (i) changes in fair value of CRPS and other financial liabilities and (ii) share-based compensation expenses. We eliminate the potential impacts of these items as they are non-operating and non-cash expenses, so that our management does not consider to be indicative of our operating performance. In addition, CRPS will be automatically converted into Ordinary Shares upon [**REDACTED**] and are not expected to recur after such conversion. The following table reconcile our adjusted net loss for the years/periods presented to net loss for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000) (unaudited)*	*(RMB'000)*
Net loss for the year/period	**(734,358)**	**(2,137,332)**	**(1,438,617)**	**(343,571)**	**(620,297)**
Add:					
Changes in fair value of CRPS and other financial liabilities	607,847	1,843,883	957,799	99,875	231,164
Share-based compensation expenses	4,591	22,482	43,384	19,646	31,611
Adjusted net loss (non-IFRS measure)	**(121,920)**	**(270,967)**	**(437,434)**	**(224,050)**	**(357,522)**

Summary of Consolidated Balance Sheets

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Current assets				
Contract costs	1,365	17,051	33,280	45,054
Trade receivables	11,203	30,717	37,936	43,688
Prepayments, deposits and other receivables	50,246	30,090	51,734	63,087
Financial assets at FVTPL	–	–	356,361	270,397
Restricted cash	32,627	12,751	5,432	3,058
Term deposits	481,139	305,308	2,537,703	1,895,926
Cash and cash equivalents	1,430,913	3,523,647	574,219	1,041,727
	2,007,493	**3,919,564**	**3,596,665**	**3,362,937**
Non-current assets	**86,239**	**462,207**	**719,441**	**903,291**
Total assets	**2,093,732**	**4,381,771**	**4,316,106**	**4,266,228**
Current liabilities				
Trade payables	3,173	10,573	13,979	5,841
Other payables and accruals	21,982	98,077	104,250	85,868
Short term bank borrowings	15,000	22,280	36,000	34,000
Other financial liabilities	190,679	–	–	–
Derivative financial instruments	378	811	2,531	1,261
Deferred government grants	1,500	1,959	1,118	2,996
Contract liabilities	4,838	9,871	15,519	35,835
Lease liabilities	3,136	17,297	24,248	43,553
	240,686	**160,868**	**197,645**	**209,354**
Non-current liabilities	**3,357,803**	**7,824,871**	**9,428,254**	**10,219,071**
Total liabilities	**3,598,489**	**7,985,739**	**9,625,899**	**10,428,425**
Net current assets	**1,766,807**	**3,758,696**	**3,399,020**	**3,153,583**
Total equity and liabilities	**2,093,732**	**4,381,771**	**4,316,106**	**4,266,228**

See "Financial Information—Net Current Assets" for details regarding our net current assets.

As of December 31, 2020, 2021, 2022 and June 30, 2023 and September 30, 2023, we had liabilities in relation to CRPS of RMB3,308.5 million, RMB7,701.3 million, RMB9,320.8 million, RMB9,948.6 million and RMB9,999.1 million, respectively, reflecting our increasing valuation. All the CRPS which were accounted for as liabilities will be converted into Ordinary Shares and accounted as an increase in equity upon the [**REDACTED**] such that our net liabilities position will turn into net assets position.

Summary of Consolidated Statements of Cash Flows

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

	Years ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000) (unaudited)*	*(RMB'000)*
Net loss	(734,358)	(2,137,332)	(1,438,617)	(343,571)	(620,297)
Operating loss before movements in working capital	(104,548)	(273,475)	(406,697)	(202,085)	(257,236)
Working capital changes	(62,733)	19,729	(22,407)	(8,956)	(41,752)
Net cash used in operating activities	(167,281)	(253,746)	(429,104)	(211,041)	(298,988)
Net cash (used in)/generated from investing activities	(355,882)	(70,466)	(2,757,786)	(1,723,670)	788,030
Net cash generated from/(used in) financing activities	1,997,178	2,476,013	57,988	(12,286)	(20,094)
Net increase/(decrease) in cash and cash equivalents	**1,474,015**	**2,151,801**	**(3,128,902)**	**(1,946,997)**	**468,948**
Cash and cash equivalents at beginning of the year/period	38,715	1,430,913	3,523,647	3,523,647	574,219
Effects of exchange rate changes on cash and cash equivalents	(81,817)	(59,067)	179,474	151,342	(1,440)
Cash and cash equivalents at end of the year/period	**1,430,913**	**3,523,647**	**574,219**	**1,727,992**	**1,041,727**

We recorded net cash used in operating activities of RMB167.3 million, RMB253.7 million, RMB429.1 million, RMB211.0 million and RMB299.0 million in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Our increased net cash used in operating activities during the Track Record Period was primarily due to our increased operating expenses, reflecting the continuous upgrade and innovation of our technological capabilities and our rapid business expansion.

See "Financial Information—Liquidity and Capital Resources—Cash Flows" for details regarding our cash flows.

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	**2021**	**2022**	**2023**
Revenue growth rate[(1)]	N/A	76.2%	112.3%	86.3%
	As of December 31,			**As of June 30,**
	2020	**2021**	**2022**	**2023**
Current ratio[(2)]	8.3	24.4	18.2	16.1
Cash ratio[(3)]	8.1	23.9	17.6	15.3

Notes:

(1) Revenue growth rate is calculated by dividing revenue growth for the relevant period by revenue for the previous period and multiplied by 100%.

(2) Current ratio is calculated by dividing total current assets by total current liabilities as of the year/period end.

(3) Cash ratio is calculated by dividing the sum of cash and cash equivalents, term deposits, restricted cash, and current portion of financial assets at FVTPL by total current liabilities as of the year/period end.

See "Financial Information—Key Financial Ratios" for details regarding the above ratios.

Burn Rate

Our cash burn rate refers to the average monthly aggregate amount of (i) net cash used in operating activities, (ii) capital expenditures, and (iii) lease payment. Our historical monthly average cash burn rate was RMB15.2 million, RMB37.8 million, RMB53.3 million and RMB60.7 million in 2020, 2021, 2022 and six months ended June 30, 2023, respectively. We had cash and cash equivalents, current portion of term deposits, current portion of financial assets at FVTPL and restricted cash of RMB3,211.1 million in aggregate as of June 30, 2023. We estimate that we will receive [**REDACTED**] of approximately [**REDACTED**] after deducting the [**REDACTED**] expenses payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range in this document. Assuming that the average cash burn rate going forward will be similar to the cash burn rate level in the six months ended June 30, 2023, we estimate that our cash and cash equivalents, current portion of term deposits, current portion of financial assets at FVTPL and restricted cash as of June 30, 2023 will be able to maintain our financial viability for approximately 53 months or, if we take into account 10% of the estimated [**REDACTED**] from the [**REDACTED**] (namely, the portion allocated for our working capital and other general purposes), approximately [**REDACTED**] months or, if we take into account 100% of the estimated [**REDACTED**] (based on the mid-point of the indicative [**REDACTED**]) from the [**REDACTED**], for approximately [**REDACTED**] months. Our Directors and our management will continue to monitor our working capital, cash flows, and our business development status. We have no immediate plan for future financing in the next 12 months after the [**REDACTED**].

We expect our costs and expenses will continue to increase as our business grows, but we do not expect such increase to outpace our revenue increase in the foreseeable future.

COMMERCIALIZATION AND BUSINESS SUSTAINABILITY

Commercialization

We believe our commercialization efforts have and will continue to contribute to our rapid growth and market leadership in China and globally. Our revenue generated from China accounted for the largest portion of our total revenue, while according to Frost & Sullivan, the U.S. and Europe still dominate the biotechnology and pharmaceutical industries and have the largest market shares in the world. Therefore, to further our growth and commercialize our solutions or services more efficiently, our short-term commercialization plan is to invest more efforts and resources to expand our business globally, particularly in the U.S. and Europe, while maintain our established business in China. Our main commercialization efforts will focus on scaling our existing business, expanding into more modalities and business scenarios, and global expansion. See "Business—Commercialization and Business Sustainability—Commercialization" for detail of our short-term commercialization plan.

To date, we have served more than 100 global biotechnology and pharmaceutical companies and research institutions, including 16 of the top 20 global biotechnology and pharmaceutical companies in terms of revenue in 2022, according to Frost & Sullivan. In addition, we have been and will continue to explore collaborative opportunities with global biotechnology and pharmaceutical conglomerates to sustain our growth. For example, we had well-established long-term relationship with Pfizer and Johnson & Johnson, which showcases our superiority and demonstrates our prospects.

Business Sustainability

During the Track Record Period, we achieved significant growth in revenue generated from our drug discovery solutions and intelligent automation solutions. Several of the drug discovery programs developed for our customers and our drug discovery collaboration programs have achieved remarkable progress, which has entered into the IND-enabling stage. The substantial increase in our revenue and our rapid business growth during the Track Record Period demonstrate our commercialization capability and business sustainability.

We had a net loss during the Track Record Period, primarily due to the significant amounts of fair value changes in CRPS and other financial liabilities, and to a lesser extent, due to our R&D expenses, general and administrative expenses, contract fulfillment costs and selling and marketing expenses incurred during the Track Record Period. Eliminating impact of (i) share-based compensation expenses and (ii) fair value changes in CRPS and other financial liabilities issued to investors, our net loss would be significantly reduced.

We have adequate cash reserves and available funds to support our business operations and future expansion, including cash and cash equivalents, term deposits, restricted cash, current portion of financial assets at FVTPL, short-term bank borrowings, and unutilized bank facilities. We believe our total cash balance and available funds are sufficient to cover our cash outflows used in operating activities and provide adequate liquidity for our business expansion. As such, we believe that we possess sufficient working capital, including sufficient cash and liquidity assets, after taking into account the financial resources available to us.

We also have robust ongoing programs in our businesses of drug discovery solutions, solid-state R&D services, and automated chemical synthesis services. For example, we are collaborating with a global leading pharmaceutical company headquartered in Indianapolis, Indiana on a drug discovery program worth up to US$250 million.

We will further enhance commercialization efforts for our solutions or services, and we will continue to upgrade our closed-loop integrated technology platform and our solutions offerings. Based on (i) certain upfront payments we have received are expected be recognized as revenue as we continue fulfilling our contracts, (ii) certain milestone payments will be recognized as revenue as they are approaching the completion stage, and (iii) the increase in the number of contracts to be signed as we continuously expand our drug discovery solutions and intelligent automation solutions business, we anticipate that we will be able to qualify as a Commercial Company (as defined in Chapter 18C of the Listing Rules) by 2025. See "Risk Factors—Risks Related to the Commercialization of Our Solutions and Services" for relevant risks associated with the commercialization of our solutions and services. Benefiting from the solid foundation we have built, the momentum we have seized, as well as our pipeline programs, we believe that we are able to maintain the sustainable growth of our business.

RECENT DEVELOPMENTS

Expected Loss in 2023

We expect that we will continue to be loss-making in 2023 primarily due to the anticipated costs and expenses associated with (i) our increased R&D activities, (ii) the implementation of our commercialization plan, particularly in the U.S. and Europe, and (iii) increased share-based payment expenses.

Recent Developments on Our Regulatory Environment

Regulations on Overseas Listing

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures which came into effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a domestic enterprise: (1) any of the total assets, net assets, revenue or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (2) its major operational activities are carried out in the PRC or its main places of business are located in the PRC, or a majority of the senior management in charge of operation and management of the issuer are PRC citizens or are domiciled in the PRC. The filing is required to be conducted within three business days after the submission of the application for initial public offering overseas to the overseas regulators. Our PRC Legal Advisor is of the view that this [**REDACTED**] shall be deemed as an indirect overseas [**REDACTED**] and [**REDACTED**] by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit application for [**REDACTED**]. We will file with the CSRC within the specific time limit as required by the Overseas Listing Trial Measures and seek guidance from the relevant regulator and/or legal advisors to ensure our compliance in all respects.

Regulations on Cross-Border Data Transfer

On July 7, 2022, the CAC promulgated the Cross-Border Data Transfer Security Assessment Measures (《數據出境安全評估辦法》), or the Security Assessment Measures, which became effective on September 1, 2022. The Security Assessment Measures provide that, among others, data processors shall apply to competent authorities for security assessment when the cross-border data transfer activities trigger some numerical thresholds. On February 24, 2023, the Provisions on the Prescribed Agreement on Cross-border Data Transfer of Personal Information (《個人信息出境標準合同辦法規定》), or the Provisions on Prescribed Agreement, were promulgated by the CAC, which took effect on June 1, 2023. The Provisions on Prescribed Agreement attach the prescribed template for cross-border data transfer agreement that could be used as an available option to satisfy the condition for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law. Furthermore, the CAC issued the Provisions on Standardizing and Promoting Cross-Border

Data Flows (Draft for Comments) (《規範和促進資料跨境流動規定(徵求意見稿)》), or the Draft Provisions, for public consultation on September 28, 2023. According to the Draft Provisions, if the estimated volume of personal information to be transferred abroad is less than 10,000 individuals within one year, such company is exempted from applying for the security assessment, submitting the prescribed agreement filing, or obtaining the compliance certification. Our business does not require processing of personal data in general and we only need to process and transfer the personal information of contact persons of its corporate clients and its employees outside of China for business and employee management purpose, and the estimated number of these individuals whose personal data may be transferred outside China is less than 10,000 within one year. Therefore, if the Draft Provisions were finalized in its current form, we may have the opportunity to benefit from such exemption.

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 or trading position or prospects since June 30, 2023, being the end of the period reported on as set out in the Accountant's Report included in Appendix I to this document.

APPLICATION FOR THE [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the approval of the [**REDACTED**] of, and permission to [**REDACTED**], the Shares in issue and to be issued pursuant to (i) the [**REDACTED**], (ii) the exercise of the [**REDACTED**], and (iii) the Shares which may be issued under the ESOPs on the basis that, among other things, we satisfy the requirements under Rule 18C.03 of the Listing Rules as a Pre-Commercial Company with reference to our expected market capitalization at the time of [**REDACTED**], which, based on the mid-point of the indicative [**REDACTED**] range stated in this document, exceeds [**REDACTED**] billion.

[REDACTED] STATISTICS

	Based on an [REDACTED] of [REDACTED] per [REDACTED]	**Based on an [REDACTED] of [REDACTED] per [REDACTED]**
Market capitalization of our Shares upon completion of the [**REDACTED**] assuming no exercise of the [**REDACTED**]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
[**REDACTED**] adjusted net tangible assets per [**REDACTED**][(1)]	[**REDACTED**]	[**REDACTED**]

Note:

(1) See "Appendix II—[**REDACTED**] Financial Information" for further details regarding the assumptions used and the calculations method.

[REDACTED] EXPENSES

Based on the mid-point of the indicative [**REDACTED**] of [**REDACTED**] per Share, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] are [**REDACTED**] million ([**REDACTED**] million), assuming the [**REDACTED**] is not exercised, which constitute approximately [**REDACTED**]% of the [**REDACTED**]. Our total estimated [**REDACTED**] expenses consist of (i) [**REDACTED**]-related expenses of [**REDACTED**] million ([**REDACTED**] million), and (ii) non-[**REDACTED**]-related expenses of [**REDACTED**] million ([**REDACTED**] million), including (a) fees payable to our legal advisors and Reporting Accountant of [**REDACTED**] million ([**REDACTED**] million) and (b) other fees and expenses, including fees payable to the sponsor and the fees of other professional parties, of [**REDACTED**] million ([**REDACTED**] million). We did not incur any [**REDACTED**] expenses during the Track Record Period. Subsequent to the Track Record Period, we expect [**REDACTED**] million ([**REDACTED**] million) will be recognized as expenses in our consolidated statements of profit or loss, and [**REDACTED**] million ([**REDACTED**] million) is to be accounted for as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DIVIDENDS

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will be subject to our constitutional documents and the Cayman Companies Act, pursuant to which a company may declare and pay a dividend out of either profits or share premium account. Any dividends we pay will be determined at the recommendation of our Board at its absolute discretion, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend was proposed, paid or declared by us during the Track Record Period. Currently, we do not have a formal dividend policy or a fixed dividend payout ratio. See "Financial Information—Dividends."

USE OF [REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**] million, assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this document), after deducting the [**REDACTED**] commissions, and estimated expenses paid or payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised.

We intend to use the [**REDACTED**] from the [**REDACTED**] for the following purposes:

Percentage of [REDACTED]	**Future Plans**	**Approximately HK$ in millions**
[**REDACTED**]	To continuously enhance our R&D capabilities and solutions provision	[**REDACTED**]
[**REDACTED**]	To improve our commercialization capability	[**REDACTED**]
[**REDACTED**]	Working capital and general corporate purposes	[**REDACTED**]

To the extent that the [**REDACTED**] of the [**REDACTED**] are not immediately used for the purposes described above, and to the extent permitted by the relevant laws and regulations, we intend to deposit the [**REDACTED**] in short-term interest-bearing deposits with licensed commercial banks or financial institutions in the PRC or Hong Kong (as defined under SFO or applicable laws and regulations in the PRC). See "Future Plans and Use of [**REDACTED**]" for further details regarding use of [**REDACTED**].

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.

"Accountant's Report"	the accountant's report for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, details of which is set out in Appendix I to this document
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company adopted on [●], which will come into effect upon the [**REDACTED**], a summary of which is set out in "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company," as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Beijing Jingtai"	Beijing Jingtai Technology Co., Ltd. (北京晶泰科技有限公司), a company established in the PRC with limited liability on March 14, 2016 and an indirect wholly-owned subsidiary of our Company
"Board"	the board of Directors
"Business Day"	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
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result

[**REDACTED**]

"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not apply to Hong Kong, the Macao Special Administrative Region and Taiwan
"CK Life Sciences"	CK Life Sciences Int'l., (Holdings) Inc. and its subsidiaries, one of our collaborators
"Class A Ordinary Share(s)"	the class A ordinary share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, the holder of which is entitled to one vote per Share at our Company's general meetings prior to the [**REDACTED**], which will be re-designated as the Ordinary Share(s) upon the [**REDACTED**]
"Class B Ordinary Share(s)"	the class B ordinary share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, the holder of which is entitled to super-voting rights of ten votes per Share at our Company's general meetings prior to the [**REDACTED**], which will be re-designated as the Ordinary Share(s) upon the [**REDACTED**]
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Companies Act" or "Cayman Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

"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" or "our Company"	QuantumPharm Inc., an exempted company incorporated in the Cayman Islands with limited liability on April 28, 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entity(ies)"	the entities we control, the financial results of which have been consolidated and accounted for as subsidiaries of our Company through the Former Contractual Arrangements, namely Shenzhen Jingtai and its then subsidiaries, prior to the termination of the Former Contractual Arrangements
"Co-founder Group"	the group comprising Dr. Wen, Dr. Ma, Dr. Lai, QuantumPharm Holdings, SSBL Holdings, Crete Helix, Jian Guo Pai, Sevening B Holdings and SeveningBAlpha
"Co-founders"	the co-founders of our Company, namely Dr. Wen, Dr. Ma and Dr. Lai
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Crete Helix"	Crete Helix Ltd., a company incorporated in the BVI with limited liability on May 25, 2021, which is owned as to 1% by Jian Guo Pai and 99% by MH International
"CRPS"	convertible redeemable preferred shares
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
	[**REDACTED**]
"Director(s)" or "our Director(s)"	the director(s) of our Company

"Dr. Lai"	Dr. Lai Lipeng (賴力鵬), one of our Co-founders, an executive Director and our chief innovation officer
"Dr. Ma"	Dr. Ma Jian (馬健), one of our Co-founders, an executive Director and our chief executive officer
"Dr. Wen"	Dr. Wen Shuhao (溫書豪), one of our Co-founders, the chairman of the Board and an executive Director
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"ESOPs"	the [**REDACTED**] ESOP, the [**REDACTED**] Share Option Scheme and the [**REDACTED**] RSU Scheme
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"FDA"	the U.S. Food and Drug Administration
	[**REDACTED**]
"Former Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Shenzhen Zhiyao, Shenzhen Jingtai and its registered shareholders on November 6, 2017, and terminated on July 12, 2021, further details of which are described in "History, Development and Corporate Structure—Former Contractual Arrangements"
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant, 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**]
"Group," "our Group," "we," "our," "us," or "XtalPi"	our Company, its subsidiaries and the Consolidated Affiliated Entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entities, such subsidiaries and Consolidated Affiliated Entities (or their predecessors) as if they were subsidiaries of our Company at the relevant time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants

[**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hong Kong Share Register"	the register of members of our Shares maintained by the Hong Kong Share Registrar

[**REDACTED**]

"IASB"	International Accounting Standards Board

"IFRSs"	IFRS Accounting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and Interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	individual(s) or company(ies) which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is/are not our connected persons

[**REDACTED**]

"IP"	intellectual property

[**REDACTED**]

"Jian Guo Pai"	Jian Guo Pai Ltd., a company incorporated in the BVI with limited liability on April 20, 2017, which is wholly owned by Dr. Ma
"Latest Practicable Date"	November 24, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"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
"LPHappy Family Trust"	the discretionary trust established on June 28, 2021 by Dr. Lai as the settlor with TMF (Cayman) Ltd. as the trustee
"LPHappy Holding"	LPHappy Holding Limited, a company incorporated in the BVI with limited liability on June 28, 2021, which is a holding vehicle wholly owned by TMF (Cayman) Ltd., the trustee of the LPHappy Family Trust
"M&A Rules"	the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission, the STA, the SAMR, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, 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 GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association adopted on [●], a summary of which is set out in "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company," as amended, supplemented or otherwise modified from time to time
"MH Fund Trust"	the discretionary trust established on June 29, 2021 by Dr. Ma as the settlor with TMF (Cayman) Ltd. as the trustee
"MH International"	MH International Holdings Limited, a company incorporated in the BVI with limited liability on June 28, 2021, which is a holding vehicle wholly owned by TMF (Cayman) Ltd., a trustee of MH Fund Trust
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOST"	the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)
"NMPA"	the National Medical Products Administration of the PRC (中華人民共和國國家藥品監督管理局)
"Nomination Committee"	the nomination committee of our 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]

[**REDACTED**]

"Ordinary Share(s)"	the ordinary share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, including the Class A Ordinary Share(s) and the Class B Ordinary Share(s) prior to the [**REDACTED**]

[**REDACTED**]

"Overseas Listing Trial Measures"	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》) and five supporting guidelines promulgated by the CSRC on February 17, 2023 and effective on March 31, 2023
"Pathfinder SII(s)"	has the meaning ascribed to it in the Guidance Letter HKEX-GL115-23 issued in March 2023 by the Stock Exchange, and unless the context otherwise requires, refers to the [**REDACTED**] Investor(s) the details of which are set out in "History, Development and Corporate Structure—[**REDACTED**] Investments—Our Sophisticated Independent Investors—Our Pathfinder SIIs and Sophisticated Independent Investors"

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"[**REDACTED**] RSU Scheme"	the restricted share unit scheme conditionally adopted by our Shareholders on [●] which will come into effect upon [**REDACTED**], principal terms of which are set out in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—3. [**REDACTED**] RSU Scheme"
"[**REDACTED**] Share Option Scheme"	the share option scheme conditionally adopted by our Shareholders on [●] which will come into effect upon [**REDACTED**], principal terms of which are set out in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—2. [**REDACTED**] Share Option Scheme"
"PRC Legal Advisor"	Fangda Partners, our legal advisors as to PRC law
"Pre-Commercial Company"	has the meaning ascribed to it under Chapter 18C of the Listing Rules
"Preferred Share(s)"	the Series Pre-A Preferred Share(s), the Series A-1 Preferred Share(s), the Series A-2 Preferred Share(s), the Series B Preferred Share(s), the Series B+ Preferred Share(s), the Series B++ Preferred Shares, the Series C Preferred Shares and the Series D Preferred Shares
"[**REDACTED**] ESOP"	the QuantumPharm Inc. 2021 Omnibus Incentive Plan as adopted by our Shareholders on July 14, 2021 and amended on August 5, 2021, principal terms of which are set out in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. [**REDACTED**] ESOP"
"[**REDACTED**] Investment(s)"	the [**REDACTED**] investment(s) in our Company, the details of which are set out in "History, Development and Corporate Structure—[**REDACTED**] Investments"
"[**REDACTED**] Investor(s)"	the investor(s) of the [**REDACTED**] Investments

[**REDACTED**]

[**REDACTED**]

"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"QuantumPharm HK"	QuantumPharm Limited, a company incorporated in Hong Kong with limited liability on May 19, 2017 and a direct wholly-owned subsidiary of our Company
"QuantumPharm Holdings"	QuantumPharm Holdings Limited, a company incorporated in the BVI with limited liability on April 25, 2017, which is owned as to 1% by SSBL Holdings and 99% by WSH Family Holdings
"QuantumPharm Roc"	QuantumPharm Roc Holdings Limited, a company incorporated in the BVI with limited liability on April 12, 2019, which is wholly owned by QuantumPharm Holdings
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"RSU(s)"	the restricted share unit award(s) to be granted to participants under the [**REDACTED**] RSU Scheme
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), the predecessors of which is the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SEC"	the Securities and Exchange Commission of the United States
"Series A-1 Preferred Share(s)"	the series A-1 preferred share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, which will be converted to the Ordinary Share(s) on a one-for-one basis upon the [**REDACTED**]
"Series A-2 Preferred Share(s)"	the series A-2 preferred share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, which will be converted to the Ordinary Share(s) on a one-for-one basis upon the [**REDACTED**]
"Series B Preferred Share(s)"	the series B preferred share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, which will be converted to the Ordinary Share(s) on a one-for-one basis upon the [**REDACTED**]
"Series B+ Preferred Share(s)"	the series B+ preferred share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, which will be converted to the Ordinary Share(s) on a one-for-one basis upon the [**REDACTED**]
"Series B++ Preferred Share(s)"	the series B++ preferred share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, which will be converted to the Ordinary Share(s) on a one-for-one basis upon the [**REDACTED**]
"Series C Preferred Share(s)"	the series C preferred share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, which will be converted to the Ordinary Share(s) on a one-for-one basis upon the [**REDACTED**]
"Series D Preferred Share(s)"	the series D preferred share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, which will be converted to the Ordinary Share(s) on a one-for-one basis upon the [**REDACTED**]

"Series Pre-A Preferred Share(s)"	the series pre-A preferred share(s) of US$0.00001 each (or such par value as adjusted from time to time) in the share capital of our Company, which will be converted to the Ordinary Share(s) on a one-for-one basis upon the [**REDACTED**]
"Sevening B Holdings"	Sevening B Holdings Limited, a company incorporated in the BVI with limited liability on April 20, 2017, which is wholly owned by Dr. Lai
"SeveningBAlpha"	SeveningBAlpha Limited, a company incorporated in the BVI with limited liability on May 20, 2021, which is owned as to 1% by Sevening B Holdings and 99% by LPHappy Holding
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Jingtai"	Jingtai Zhiyao Technology (Shanghai) Co., Ltd. (晶泰智藥技術(上海)有限公司), a company established in the PRC with limited liability on September 21, 2022 and an indirect wholly-owned subsidiary of our Company
"Shanghai Zhiyao"	Shanghai Zhiyao Technology Co., Ltd. (上海智藥科技有限公司), a company established in the PRC with limited liability on December 2, 2019 and an indirect wholly-owned subsidiary of our Company
"Share(s)"	the Ordinary Share(s), including the Class A Ordinary Share(s), the Class B Ordinary Share(s) and the Preferred Share(s), which will be converted or re-designated to Ordinary Share(s) upon the [**REDACTED**]
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen Jingtai"	Shenzhen Jingtai Technology Co., Ltd. (深圳晶泰科技有限公司), a company established in the PRC with limited liability on September 11, 2015 and an indirect wholly-owned subsidiary of our Company

"Shenzhen Zhiyao"	Shenzhen Zhiyao Technology Co., Ltd. (深圳智藥科技有限公司), a company established in the PRC with limited liability on July 5, 2017 and an indirect wholly-owned subsidiary of our Company
"Shenzhen Zhongge"	Shenzhen Zhongge Biotechnology Co., Ltd. (深圳眾格生物科技有限公司), a company established in the PRC with limited liability on January 20, 2022 and an indirect wholly-owned subsidiary of our Company
"Signet Group"	Signet Therapeutics (Shenzhen) Co., Ltd. (希格生科(深圳)有限公司) and Signet Therapeutics Inc., two of our collaborator-investees
"Sole Sponsor"	CITIC Securities (Hong Kong) Limited
"Sophisticated Independent Investor(s)" or "SII(s)"	has the meaning ascribed to it under Chapter 18C.05 of the Listing Rules and in the Guidance Letter HKEX-GL115-23 issued in March 2023 by the Stock Exchange, and unless the context otherwise requires, refers to the [**REDACTED**] Investor(s) the details of which are set out in "History, Reorganization and Corporate Structure—[**REDACTED**] Investments—Information about the [**REDACTED**] Investors—Our Sophisticated Independent Investors"
"Specialist Technology Company"	has the meaning ascribed to it under Chapter 18C of the Listing Rules
"Specialist Technology Product(s)"	has the meaning ascribed to it under Chapter 18C of the Listing Rules
"SSBL Holdings"	SSBL Holdings Limited, a company incorporated in the BVI with limited liability on April 20, 2017, which is wholly owned by Dr. Wen
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局);
	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)

[**REDACTED**]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Codes"	the Code on Takeovers and Mergers approved by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023

[**REDACTED**]

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"US$," "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise
"VIE"	variable interest entity

"WSH Family Holdings"	WSH Family Holdings Limited, a company incorporated in the BVI with limited liability on August 27, 2021, which is a holding vehicle wholly owned by TMF (Cayman) Ltd., a trustee of the WSH Family Trust
"WSH Family Trust"	the discretionary trust established on June 28, 2021 by Dr. Wen as the settlor with TMF (Cayman) Ltd. as the trustee
"WVR Structure"	the weighted voting rights structure adopted by our Company on November 17, 2017, which confers the holder of each Class B Ordinary Share the right to exercise ten votes at our Company's general meetings prior to the [**REDACTED**], which will be terminated upon the [**REDACTED**]
"XtalPi Investment"	XtalPi Investment Inc., an exempted company incorporated in the Cayman Islands with limited liability on December 22, 2021 and a non-wholly owned subsidiary of our Company, which is owned as to 87.69% by our Company
"XtalPi US"	XtalPi Inc., a company incorporated in Delaware, the United States, on February 10, 2016 and a direct wholly-owned subsidiary of our Company

Unless the content otherwise requires, references to "2020," "2021" and "2022" in this document refer to our financial year ended December 31 of such year, respectively.

Certain amounts and percentage figures included in this document were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

For the purpose of this document, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"*ab initio*"	starting from or based on first principles
"ADC"	antibody-drug conjugates, a rapidly emerging class of therapeutic agents that combine the target specificity of a monoclonal antibody with the lethality of cytotoxic cellular poison, which are widely used for the management or treatment of cancer
"ADMET"	absorption, distribution, metabolism, excretion and toxicity, five key processes to describe the disposition of a pharmaceutical compound within an organism
"ADMET properties"	including properties such as absorption, distribution, metabolism, excretion and toxicity of drugs, which allow drug developers to understand the safety and efficacy of a drug candidate, and are necessary for regulatory approval
"affinity"	the extent or fraction to which a drug binds to receptors at any given drug concentration or the firmness with which the drug binds to the receptor. Affinity describes the strength of the attraction between two chemicals, or an antigen and an antibody
"AGV"	automated guided vehicle, automated, custom-made vehicles that are able to transport packets, materials and/or products in logistical or production factory environment
"AI"	artificial intelligence, simulation of human intelligence processes by machines, especially computer systems
"algorithm"	a finite sequence of well-defined instructions, typically used to solve a class of specific problems or to perform a computation

GLOSSARY OF TECHNICAL TERMS

"antibody"	also known as an immunoglobulin, a protective Y-shaped protein produced by immune system in response to invading foreign particles (antigens), such as bacteria and viruses
"assay"	an investigative or analytic procedure in laboratory medicine and molecular biology for qualitatively assessing or quantitatively measuring the presence, amount, or functional activity of a target entity (the analyte)
"API"	active pharmaceutical ingredient, the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body
"B-cell"	B lymphocyte, a type of white blood cell that produces antibodies
"binding free energy"	the free energy difference between the bound and completely unbound states
"binding sites"	one of the key elements in drug discovery, being hot spots in the pharmacological targets, where the designed drug-like molecule should bind
"CADD"	computer-aided drug design, is a new technology and accelerates the process of drug development using the accumulated knowledge of existing drugs and diseases in combination with other interdisciplinary inputs
"CAGR"	compound annual growth rate
"cGMP"	current Good Manufacturing Practice regulations enforced by the FDA
"ChatGPT"	chat generative pre-trained transformer, an AI chatbot that uses natural language processing to create humanlike conversational dialogue developed by OpenAI
"chemical synthesis"	the process by which one or more chemical reactions are performed with the aim of converting a reactant or starting material into a product or multiple products

"clinical trial/study"	a research study for finding or validating the therapeutic and protective effects and side-effects of test drugs to determine the safety and efficacy of such drugs
"cloud"	the computers and connections that support cloud computing
"cloud computing"	the practice of storing computer data and programs on multiple servers that can be accessed through the internet
"CMC"	chemistry, manufacturing and controls
"collaborator"	our drug developer customers for drug discovery collaboration programs
"compound"	a substance formed by two or more ingredients in union
"conformation"	any spatial arrangement of the atoms in a molecule which can be interconverted by rotations about formally single bonds
"counterion"	an ion having a charge opposite to that of the substance with which it is associated that can affect the crystallization of coordination polymers, leading to different coordination structures
"CRO"	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
"cryo-EM"	cryogenic electron microscopy, a cryomicroscopy technique for structure determination applied on samples cooled to cryogenic temperatures, which could reveal the high-resolution structure of biological drug targets, such as membrane proteins, ion channels, enzymes and hormone receptors, and is crucial to reveal the structure of the virus binding sites
"crystal morphology"	a key element in many industrial processes and has an enormous impact at the processing and postprocessing stages of pharmaceuticals, agrochemicals, petrochemicals, and cements
"customer retention rate"	the percentage of our existing customers in the immediately preceding period which remain as our customers in the current period

"crystal structure prediction" or "CSP"	the ability to identify the correct crystal structure(s) that will form from a given molecule, based on its molecular structure
"data lake"	a centralized repository designed to store, process, and secure large amounts of structured, semi-structured, and unstructured data, which can store data in its native format and process any variety of it, ignoring size limits
"*de novo*"	from the beginning
"digital twin"	a digital representation of a physical object, person, or process that is contextualized in a digital version of its environment
"dihydrochloride"	a chemical compound consisting of two molecules of hydrochloric acid components that associated with the same chemical species
"dry lab"	a laboratory for making computer simulations or for data analysis especially by computers
"ECL"	electrogenerated chemiluminescence, the process where species generated at electrodes undergo electron-transfer reactions to form excited states that emit light
"efficacy"	the beneficial change resulted from a given intervention (vaccination and medicine)
"fast-follower"	synthesizing analogs of an existing drug in the hope of obtaining a compound with at better profile than the starting drug
"FEP"	free energy perturbation, the approach to predict the binding strength between the candidate molecules and their biological target
"first-principles"	the fundamental concepts or assumptions on which a theory, system, or method is based
"first-principles calculation"	a method to calculate physical properties directly from basic physical quantities, such as the mass and charge, and the electrostatic force of an electron, based on the principle of quantum mechanics

"force field"	a collection of equations and associated constants designed to reproduce molecular geometry and selected properties of tested structures
"GLP"	Good Laboratory Practice, a quality management system concerned with the organizational process and the conditions under which non-clinical health and environmental safety studies are planned, performed, monitored, recorded, archived and reported
"GMP"	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
"GPU"	graphic processing unit, a specialized electronic circuit designed to rapidly manipulate and alter memory to accelerate the creation of images
"hERG"	human ether-a-go-go-related gene, a gene (KCNH2) that codes for a protein known as Kv11.1, the alpha subunit of a potassium ion channel
"high-throughput"	describing a process that is scaled up, usually via increased levels of automation using robots
"High-throughput screening" or "HTS"	a drug discovery process that uses automated equipment to rapidly test thousands to millions of samples for biological activity at the model organism, cellular, pathway, or molecular level
"hit molecules"	the output of a compound screen, which has been demonstrated to have specific activity at the target protein
"hybridoma"	a culture of hybrid cells that results from the fusion of B cells and myeloma cells
"hygroscopicity"	the tendency of a solid substance to absorb moisture from the surrounding atmosphere
"immunogenicity"	the ability of a particular substance, such as an antigen, to provoke an immune response in the body of a human and other animal

"immunometabolism"	an emerging field that focuses on the role of cellular metabolism in the regulation of immune cells
"immunotherapy"	use of the immune system to treat disease
"indication"	a valid reason to use a specific test, drug, device, procedure or surgery
"*in situ*"	in the original place, or the place where something should be
"*in silico*"	conducted or produced by means of computer modeling or computer simulation
"*in vitro*"	within in the glass, studies that are conducted using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells, or biological molecules
"*in vivo*"	within the living, 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
"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
"IRAK4"	interleukin-1 receptor-associated kinase 4, an essential component of the signal transduction complex downstream of the IL-1- and toll-like receptors
"isoforms"	any of two or more functionally similar proteins that have a similar but not identical amino acid sequence and are either encoded by different genes or by RNA transcripts from the same gene which have had different exons removed
"kJ/mol"	kilojoule per mole
"LaaS" or "Lab-as-a-Service"	a service that enables test teams to conduct research and development experiments in virtual labs without having to buy lab infrastructure

"lead molecule"	chemical compound that exhibits biological or pharmacological properties with therapeutic characteristics
"LIMS"	laboratory information management system, a software-based system that enables companies to effectively manage laboratory and associated data in order to improve lab efficiency
"large language model" or "LLM"	large language machine learning model, an AI algorithm that uses deep learning techniques and massively large data sets to understand, summarize, generate and predict new content
"machine learning" or "ML"	the scientific study of algorithms and statistical models that computer systems use to effectively perform specific tasks without being explicitly programmed to do so
"MD"	molecular dynamics, a computational simulation method to understand the movement of particles in a system
"mg/L"	milligrams per liter
"MicroED"	microcrystal electron diffraction, an emerging technique in structural biology in which micro- or nanosized crystals are studied in the transmission electron microscope under cryogenic conditions
"molecular mechanics" or "MM"	an empirical method for calculation of properties of molecules which goes beyond molecular geometry, involving heat of formation, strain energy, dipole moment, and vibrational frequencies
"molecular simulations"	computer simulation with atoms and/or molecules interacting using some basic laws of physics
"monotherapy"	therapy that uses a single drug to treat a disease or condition
"NGS"	next-generation sequencing, a technology for determining the sequence of DNA or RNA to study genetic variation associated with diseases or other biological phenomena

"new materials"	any new or significantly improved material that provides a distinct advantage in (physical or functional) performance when compared to conventional materials
"orthogonal validation"	an enhanced validation method where the antibody staining is verified by a non-antibody based method
"PCT"	Patent Cooperation Treaty
"pharmacodynamic" or "PD"	the branch of pharmacology concerned with the effect of drugs and their action on the body
"pharmacokinetics" or "PK"	the branch of pharmacology concerned with the movement of drugs within the body, including bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"Phase I clinical trial"	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"	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
"PI3K"	one or more phosphoinositide 3-kinase enzymes, which are part of the PI3K/AKT/mTOR pathway, an important signaling pathway for many cellular functions, such as growth control, metabolism and translation initiation
"polymorphic risk"	the risk of unanticipated late-appearing polymorphs
"polymorphism"	the phenomenon in which a solid chemical compound exists in more than one crystalline form, which such forms have identical solutions and vapours but have slightly different physical and, in some cases, chemical properties

GLOSSARY OF TECHNICAL TERMS

"PROTAC"	Proteolysis-targeting chimera, a heterobifunctional small molecule composed of two active domains and a linker, which is capable of removing specific unwanted proteins
"pre-clinical studies"	studies or programs testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetics and safety information and to decide whether the drug is ready for clinical trials
"protein sequence"	the arrangement of amino acids in a protein
"PTEN"	phosphatase and tensin homolog gene, one of the most frequently inactivated tumor suppressor genes in cancer
"QSAR"	quantitative structure-activity relationship, a way of mapping the way a molecule is linked with a process, such as biological activity or chemical reactivity
"Quantum Mechanics" or "QM"	the science dealing with the behavior of matter and light on the atomic and subatomic scale
"quantum physics"	also known as quantum mechanics, the study of matter and energy at the most fundamental level, aiming to uncover the properties and behaviors of the very building blocks of nature
"R&D"	research and development
"RNA"	ribonucleic acid, a polymeric molecule essential in various biological roles in coding, decoding, regulation and expression of genes
"scaffold"	the core structure of a molecule, compound or series
"selectivity"	the ability of a drug to affect a particular cell population in preference to others
"SMILES"	simplified molecular-input line-entry system, a chemical notation that allows a user to represent a chemical structure in a way that can be used by the computer
"solvent"	any substance, usually liquid, which is capable of dissolving one or several substances, thus creating a solution

"sq.m."	square meter
"structure—activity relationships" or "SAR"	a method to investigate the qualitative association between pharmacophore or chemical moieties or functional groups present in the active ligand compound and their desired pharmacological activity
"supercomputing"	the processing of massively complex or data-laden problems using the concentrated compute resources of multiple computer systems working in parallel
"swarm robotics"	a novel approach to the coordination of large numbers of relatively simple robots which takes its inspiration from social insects
"vaccine"	a biological preparation that provides active acquired immunity to a particular disease
"wet lab"	a laboratory equipped with appropriate plumbing, ventilation, and equipment to allow for hands-on scientific research and experimentation
"XFEP"	an FEP prediction platform that can evaluate the binding affinity between candidate molecules and their biological target at scale, from which false positives can be filtered out before conducting wet lab experiments
"XFF"	XForce Field, a next-generation general molecular force field platform for drug or new materials discovery and development
"XPose"	a binding pose prediction technique combining with the advantages of different sampling and evaluation algorithms to predict the binding pose of small molecule target-ligand more accurately

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

This document and the documents incorporated by reference herein may contain certain forward-looking statements and information relating to our Company and our subsidiaries 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 "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to our Group 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 other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and market in which we operate;
- our financial condition and operating results and performance;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs and offer competitive prices;
- our ability to attract customers and build our brand image;
- our dividend policy;

- our ability to attract and retain senior management and key employees;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- certain statements in "Business" and "Financial Information" with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this document that are not historical facts.

This document also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the [**REDACTED**] of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the AI-powered drug and materials R&D service industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in "Risk Factors" in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

An* [REDACTED] *in our Shares involves significant risks. You should carefully consider all of the information set out in this document, including the risks and uncertainties described below, before making an* [REDACTED] *in our Shares. Particularly, we are a Pre-Commercial Company seeking to* [REDACTED] *on the Main Board of the Stock Exchange under Chapter 18C of the Listing Rules. Our operations and the specialist technology industry in which we operate involve certain risks and uncertainties, some of which are beyond our control and may cause you to lose all your* [REDACTED] *in our Shares.

The following is a description of what we consider to be our material risks. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The* [REDACTED] *of our Shares could decline due to any of these risks, and you may lose all or part of your* [REDACTED]. *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."

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 our research and development, (ii) risks related to the commercialization of our solutions and services, (iii) risks related to our operations, (iv) risks related to our intellectual property, (v) risks related to our financial prospects and need for additional capital, (vi) risks related to doing business in the jurisdictions we operate, and (vii) 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 results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATED TO OUR RESEARCH AND DEVELOPMENT

Our commercial success depends on our closed-loop integrated technology platform and technological capabilities, and their acceptance by our customers and collaborators. Failure to maintain our technological advantages or gain market acceptance of our platform or technology may have a material and adverse impact on our commercial success.

We utilize our closed-loop integrated technology platform to facilitate our R&D activities, such as computational predictions and experimental assessments on the physiochemical and pharmaceutical properties of small- and large-molecule candidates, solid-form selection, and other critical aspects of drug and material science R&D. As a result, the quality, sophistication and efficiency of our platform and technologies is critical to our

ability to conduct discovery and research activities, deliver more promising molecules, perform accurate solid-state R&D studies, and ultimately to accelerate and lower the costs of drug and material science R&D as compared to traditional methods. In particular, the successful performance of our platform and technologies depends, among other things, on:

- the relative reliability and robustness of our platform;
- whether our platform reliably provides advantages over legacy and other alternative technologies and is perceived by customers and collaborators to be cost-effective;
- our platform's ability to successfully identify molecules with the optimal properties in given conditions on the desired timeframes that can ultimately be used for basis of drug and material science R&D and patent protection;
- our ability to develop new solutions for our customers and collaborators;
- our ability to constantly upgrade, advance and innovate our platform and technologies;
- our ability to keep abreast of technology and industry trends and continue to advance our integrated platform;
- our ability to enhance the capabilities of our AI-powered intelligent robotic wet lab, boost automation and increase the throughput, improve efficiency and enhance reproducibility of the wet lab experimentation;
- if our competitors can develop a platform that performs AI-powered computational predictions at a greater accuracy and efficiency than us;
- our ability to increase brand awareness of the capabilities of our technology and solutions;
- our customers' and collaborators' willingness to adopt our new technologies;
- the rate of adoption of our solutions by pharmaceutical companies, biotechnology companies of all sizes, academic and research institutions and others; and
- market sentiment regarding the accuracy and security of our technologies and data.

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 technologies. 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.

The industries that we operate in are characterized by constant changes. If we are not able to upgrade, enhance or innovate our technologies and solutions, our business could be adversely affected.

Our businesses operate in industries that are subject to rapid technological advances, regulatory changes, and evolving customer needs and preferences. In order to remain competitive and responsive to customer demands, we continually upgrade, enhance, and innovate our existing technologies and solutions. If we fail to respond successfully to technological challenges and customer needs and preferences, the demand for our solutions and services may diminish. We will also need to enhance and create new features and functionalities of our technologies and solutions to enhance their utility to our customers and adapt to evolving customer preferences, in order to retain existing customers and attract new customers. If we are unable to provide new features or applications for our technologies and solutions, our solutions or services may lose market acceptance or fail to keep pace with rapid technological developments, which could have material adverse effect on our business, financial condition, results of operations, and reputation. In addition, the success of our enhancements and innovation depends on several factors, such as continuous investment, timely introduction and completion of such enhancements or innovations. Failure to do so may significantly impair our business and future growth.

We intend to continue investing significantly in R&D, which may adversely impact our profitability and operating cash flow in the short-term and may not generate the results we expect to achieve.

To compete successfully, we must maintain successful R&D efforts, upgrade and innovate our technologies, and improve or develop new solutions and services, all ahead of any competitors. We are focusing our R&D efforts across several technologies, including quantum physics-based computation, AI, cloud supercomputing, and automation technologies. We have been investing heavily in our R&D efforts, with R&D expenditure increasing from RMB83.8 million in 2020, to RMB214.4 million in 2021, and further to RMB359.0 million in 2022, accounting for approximately 51.8%, 52.4% and 53.5% of our total operating expenditure in the same years, respectively. The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial and human resources, in R&D to achieve technological advances in order to improve and expand our services to keep us innovative and competitive in the market. As a result, there is no assurance that that our R&D expenses will not continue to increase significantly, which may adversely impact our profitability and operating cash flow in the short-term.

Furthermore, we cannot guarantee that our R&D efforts will deliver the benefits we anticipate or be recognized as expected. R&D activities are inherently uncertain, and we may not be able to obtain and retain sufficient resources, including qualified R&D personnel. Even if we succeed in our R&D efforts and generate the results we expect, we may still encounter practical difficulties in commercializing our R&D results. Given the fast pace of development in the markets in which we operate, we may not be able to timely upgrade or innovate our technologies in an efficient and cost-effective manner, or at all. New technologies in the industry could render our technologies and the technological infrastructure or services that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover the related R&D costs, which could result in a decline in our revenue, profitability and market share.

Additionally, our R&D efforts may not contribute to our future results of operations for several years, if at all, and such contributions may not meet our expectations or even cover the costs of the R&D efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

We may not be able to identify or discover new product candidates, and may allocate our limited resources to pursue a particular product candidate and fail to capitalize on product candidates that may later prove to be more profitable, or for which there is a greater likelihood of success.

As we will continue to focus part of our R&D efforts on drug discovery and pre-clinical studies, our success depends in part upon our ability to identify, discover and design new product candidates for our customers and collaborators. Research programs to identify, discover and design new product candidates require substantial technical, financial, and human resources, among others. 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 that potential product candidates may not be effective in treating their targeted diseases.

Because we have limited financial and managerial resources, we 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. 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 develop suitable potential product candidates, which could materially and adversely affect our future growth and prospects.

In addition, our scientific approach focuses on using our integrated platform technology and leveraging our deep understanding of quantum physics modeling and computation to design molecules and predict their critical properties to prioritize a small set of molecules with

potentially optimal property profile for time-consuming and expensive chemical synthesis and physical experiments. While the results of certain of our drug discovery customers' or collaborators' programs suggest that our platform is capable of accelerating drug discovery and identifying high quality product candidates, these results do not assure future market viability and commercial success.

Even if our drug discovery customers or collaborators are able to develop product candidates that demonstrate potential in pre-clinical studies, such product candidates may not succeed in demonstrating their safety and efficacy in clinical trials by our customers or collaborators. Moreover, pre-clinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in pre-clinical studies and clinical trials have nonetheless failed to obtain marketing approval of their product candidates. Failure to obtain approval for such product candidates could render our R&D efforts futile, affect the commercial viability of our customers or collaborators' product candidates, and may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

If our current research collaborators or key R&D employees terminate their relationships with us or develop relationships with a competitor or delay their delivery of adequate research results, our ability to conduct R&D, the progress of our R&D programs, and our ability to protect our intellectual property could be adversely affected.

In advancing our integrated technology platform and improving our capabilities in providing drug and material science R&D and intelligent automation solutions, we work with a number of research collaborators and key R&D employees. There can be no assurance that there will not be a detrimental impact on us if one or more of these research collaborators and key R&D employees were to cease their relationship with us or as a result of their collaboration with competitors. As a result, this may adversely affect our ability to advance our integrated technology platform and further develop our drug and material science R&D and intelligent automation solutions.

Furthermore, our ability to continue to conduct and expand operations depends on our ability to attract and retain a large and growing number of key R&D personnel. The ability to meet our expertise needs, including the ability to find qualified personnel to fill positions that become vacant in our R&D department, while controlling our costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the market, prevailing wage rates, changing demographics, health and other insurance costs, and the adoption of new or revised employment and labor laws and regulations. If we are unable to locate, attract or retain qualified R&D personnel, our technological capabilities and quality of services provided to customers or collaborators may decrease, our competitive advantage may be impaired, and our financial performance may be adversely affected.

In addition, collaborative relationships in our industry can be complex, particularly with respect to intellectual property rights. Although our research collaborators are generally bound by agreements with us not to disclose our confidential information, any breach of such

confidentiality obligation could cause leakage of valuable proprietary knowledge to the public, third parties or even our competitors, which would compromise our competitive advantage and adversely affect our results of operations in a significant manner. Disputes may arise in the future regarding ownership rights to technology developed by or with other parties. These and other possible disagreements between us and third parties with respect to our intellectual property rights or our collaborative relationships could lead to delays in the research, development or commercialization of the product candidates we design or discover. These disputes could also result in litigation or arbitration, both of which are time-consuming and costly.

There is also no assurance that our research collaborators or key R&D employees would deliver adequate research results to support our R&D. In particular, although the contracts with our research collaborators generally set out research goals and specific program requirements, it is possible that the research partners may face significant delays or difficulties in conducting research or may be unable or unwilling to complete the research due to the limit of their research capabilities, the unpredictability of research results, and other potential restraints in research programs. As a result, they may not be able to deliver the anticipated R&D results, leading to a partial or complete failure of the research program. Failure to complete such research as planned may delay the product developments by our customers or collaborations, which could harm our competitive strength as well as results of operations.

In addition, if costs of labor to attract or retain key R&D personnel or related costs to maintain relationships with research collaborators increase for other reasons, or if new or revised labor laws, rules or 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.

The data and information that we gather in our R&D 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 and material science R&D activities. Because data in the AI-powered drug and material science R&D 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 and material science R&D services may be materially harmed and our business, prospects and reputation may suffer.

In addition, we may collaborate with other third parties to monitor and manage data for some of our ongoing pre-clinical studies and other future programs and control only certain aspects of their activities. If any of these third parties does not perform to our standards in terms of data accuracy or completeness, data from those pre-clinical studies and other future programs may be compromised as a result, and our reliance on these parties may expose us to regulatory or other liabilities, which may materially and adversely affect our business, reputation, financial condition and results of operations.

RISKS RELATED TO THE COMMERCIALIZATION OF OUR SOLUTIONS AND SERVICES

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

We have a limited operating history. Since our inception in 2015, we have been focused on building our closed-loop integrated technology platform with both dry lab and automated robotic wet lab capabilities, and establishing our capability in AI-powered drug and material science R&D. We generate revenue primarily from the provision of (i) drug discovery solutions and (ii) intelligent automation solutions, comprising primarily solid-state R&D services and automated chemical synthesis services.

Our operations to date have focused on providing drug and material science R&D, enhancing our integrated technology platform, and building our intellectual property portfolio. These operations provide a limited basis for you to assess our ability to successfully market and commercialize our solutions and services. 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. If we do not address these risks and difficulties successfully, we may not be successful in our future business and operations.

In addition, we have a limited operating history compared to some of our competitors, and certain of our solutions and services are still at various stages of development. As a result of our limited operating history, and particularly in light of the rapidly evolving and competitive nature of our industries, it may be difficult to evaluate our current business and reliably predict our future performance based on our historical performance. Our historical results may not provide a meaningful basis for evaluating our business, results of operations, financial condition, or prospects. We may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors, and may not be able to achieve promising results in future periods. If we cannot address these risks and overcome these difficulties successfully, our business and prospects will suffer.

Our historical performance may not be indicative of our future growth, and we may not be able to sustain similar growth in the future.

We have experienced rapid growth since our inception in 2015. Our revenue increased from RMB35.6 million in 2020 to RMB62.8 million in 2021, and further to RMB133.4 million in 2022, and increased from RMB42.9 million in the six months ended June 30, 2022 to RMB80.0 million in the six months ended June 30, 2023. However, you should not rely on the revenue growth of any prior period as an indication of our future performance, as our growth in a relatively short period of time is not necessarily indicative of results that we may achieve in the future. There are a wide array of factors that will affect our performance and growth, including our customers' budget and R&D demand, the overall economy, market acceptance of our solutions and services, competitive differentiated technologies in the market, and pricing pressures exerted by our competitors, many of which are beyond our control. We cannot assure you that we will be able to maintain our growth at the same rate as we did in the past, or avoid any decline in the future.

The size of our addressable markets and the demand for our solutions and services may not increase as rapidly as we anticipate due to a variety of factors, which could materially and adversely affect our business, results of operations, financial condition and prospects.

We are pursuing opportunities in markets that are undergoing rapid changes, including technological and regulatory changes, and it is difficult to predict the timing and size of the opportunities for our key specialist technology services. See "—Risks Related to Our Research and Development—The industries that we operate in are characterized by constant changes. If we are not able to upgrade, enhance or innovate our technologies and solutions, our business could be adversely affected."

This document contains estimates and forecasts concerning our industries, including estimates of the addressable markets of our current and anticipated future solutions and services, that are based on industry publications and reports or other publicly available information as well as our internal estimates and expectations. These estimates and forecasts involve a number of assumptions and limitations, and are subject to significant uncertainty, and you are cautioned not to give them undue weight. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of the included information. We have not independently verified this third-party information. Similarly, our internal estimates and forecasts are based on a variety of assumptions, including assumptions regarding market acceptance of the various technologies and solutions in connection with drug and material science R&D as well as intelligent automation. While we believe our assumptions and the data underlying our estimates and forecasts are reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. As a result, our estimates and forecasts may prove to be incorrect. If third-party or internally generated data prove to be inaccurate or we make errors in our assumptions based on that data, the addressable markets for our solutions and services may be smaller than we have estimated, our future growth opportunities and sales growth may be smaller than we estimate, and our future business, results of operations and financial condition may be materially and adversely affected.

Our future financial performance will depend on our ability to make timely investments to seize the correct market opportunities. If one or more of these markets experience a shift in customer demand, our solutions and services may not compete as effectively, or at all. Given the evolving nature of the markets in which we operate, it is difficult to predict customer demand for or market acceptance of our solutions and services or the future growth of the markets in which we operate. Even if our addressable markets grow substantially, there is no guarantee that demand for our solutions and services will correlate with that growth. There is also no guarantee that our business will be successful simply because of the growing trends of our addressable markets.

The markets in which we participate are competitive, and if we do not compete effectively, our business and results of operations could be adversely affected.

The global markets for AI-powered drug and material science R&D are rapidly evolving and subject to intense competition as a result of changing technology innovation and shifting customer needs. Given our presence in China and globally, we face potential competition from many different sources both locally and globally, while the solutions and applications offered by our competitors vary in size, breadth, and scope, including both AI-powered and traditional drug and material science R&D service providers.

Our drug discovery solutions business faces competition from many sources, including major pharmaceutical, specialty biotechnology companies, technology companies, academic institutions and government agencies, and public and private research institutions. In particular, we face competition from competitors in the business of conducting AI-powered early-stage drug design and discovery. In some cases, these competitors possess well-established capabilities in drug R&D and have long-standing relationships with many of our current and potential customers and collaborators, including large biotechnology and pharmaceutical companies and academic institutions. We also face competition from biotechnology and pharmaceutical companies that develop AI-powered drug R&D solutions internally, smaller companies that offer drug R&D solutions directed at more specific markets than we target, as well as a large number of market entrants with the goal of applying AI and computational technologies to drug R&D.

Our intelligent automation solutions business faces competition from competitors providing solid-state R&D services and automated chemical synthesis services, including AI-focused technology company, like us, specialized solid-state CROs, or other large CROs. We also face competition from pharmaceutical companies that develop solid-state R&D internally. We may also face competition from companies engaged in automation business in the future.

Many of our competitors may be 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 solutions and/or service offerings or resources. If (i) our competitors' solutions, services, or technologies become more accepted than ours; (ii) our competitors are successful in bringing their solutions or services to market earlier than ours; (iii) our competitors are able to respond more quickly and effectively to new or changing opportunities, technologies, or customer requirements; or (iv) their solutions or services are more technologically capable than ours, then our revenue could be adversely affected.

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

We have limited experience in the commercialization of our solutions and services.

We have relatively limited experience in launching, commercializing, sales and marketing of our solutions and services. For example, we have limited experience in building a commercial team, conducting comprehensive market analysis, obtaining licenses and approvals, or managing the sales force for our solutions and services. Therefore, our ability to successfully commercialize our solutions and services may involve more inherent risks, take longer, and cost more than it would if we were a company with more experience in sales and marketing. In particular, the commercialization of new solutions and services requires additional resources. The success of our sales and marketing efforts depends on our ability to attract, motivate and retain qualified and professional employees in our commercialization team who have, among other things, adequate industry knowledge to communicate effectively with industry professionals, sufficient experience in sales and marketing of our cutting-edge solutions and services, and extensive industry connections with biotechnology and pharmaceutical companies as well as academic and research institutions. Furthermore, along with our market expansion after the commercialization of our solutions and services, we expect to hire more employees with relevant industry experience and knowledge to strengthen our marketing and sales workforce. However, competition for experienced sales and marketing personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified sales and marketing personnel to support our business, the commercialization of our solutions and services may be adversely affected. Our business, results of operations, and prospects may also be adversely affected if our investment and efforts to expand our sales force do not generate a corresponding increase in revenue.

We may not be able to manage our growth, and failure to do so may adversely and materially affect our business, financial condition, results of operations, and reputation.

We expect to further grow our business by expanding our service offerings, broadening our customer base and strengthening our technological capabilities, among others. Our growth requires significant financial, human and other resources and will continue to place significant demands on our management. Our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. To effectively manage the expected growth of our business and operations, we will be required to refine our operational, financial and management controls and reporting systems and procedures. We may not be able to implement improvements to our systems and procedures in an efficient or timely manner or at all, and may discover deficiencies in existing systems and controls. In addition, as our development and commercialization plans and strategies evolve, and as we transition into operating as a public company, we expect to devote more resources on management, operational, financial and other related functions. In the future, we also expect to enter into additional relationships with collaborators or partners, suppliers and other organizations, and expand our business development team, marketing team and market analysis team in preparation for commercialization activities. The expansion of our operations or hiring of additional personnel may lead to significant costs and divert our management attentions and development resources. We will also need to purchase additional equipment, some of which can take several months or more to procure, set up, and validate, and increase our software and

computing capacity to support our growth. There is no assurance that any of these increases in scale, expansion of personnel, equipment, software and computing capacities or process enhancements will be successfully implemented.

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 existing business, and investing in R&D to build digitalized infrastructure. The anticipated benefits from these efforts are based on assumptions that may prove to be inaccurate later.

If we fail to efficiently manage the expansion of our business, our costs and expenses may increase faster than planned, and we may not successfully attract a sufficient number of customers in a cost-effective manner, respond timely to competitive challenges, provide quality services, or otherwise execute our business strategies. A failure in any of these areas could make it difficult for us to meet market expectations for our solutions and services, and could damage our reputation and business prospects. Our inability to successfully manage our growth and expand our operations could have a material and adverse effect on our business, financial condition, results of operations and prospects.

If we fail to retain existing customers or attract new customers, our business, financial condition and results of operation will suffer.

We have served more than 100 global biotechnology and pharmaceutical companies and academic and research institutions since our inception. We expect to continue to maintain business relationship with these existing customers by not only providing the current services but also exploring their evolving needs to cross sell our other services. Our customer retention rate was approximately 53.8%, 67.5%, 51.4% and 51.4%, respectively, in 2020, 2021, 2022 and the six months ended June 30, 2023. We also intend to further grow our business by attracting new customers, by expanding our global footprint. As a result, retaining our existing customers and engaging new customers are critical to our future operating results. Factors that may affect our ability to retain, and cross sell additional services to, our customers include:

- the demand of our customers for drug discovery solutions and intelligent automation solutions. In particular, our customers may develop their in-house AI platforms related to drug discovery and intelligent automation;

- the price, performance, and functionality of our drug discovery solutions and intelligent automation solutions;

- the availability, price, performance, and functionality of competing solutions and services;

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

- our ability to develop complementary solutions, applications, and services that combine both computational services and experimental services that are tailored to our customers' needs;

- the effectiveness of our solutions and services;

- the success of our upgraded or innovative services or technologies;

- the financial performance, the budget of the R&D activities and the overall business environment of our customers; and

- the overall business environment of the industry.

We deliver our drug discovery solutions and intelligent automation solutions on a program-by-program basis. Therefore, our customers have no obligation to enter into new service agreements after the specified programs are completed. In addition, many of our service agreements may be terminated or reduced in scope either immediately or upon notice due to changed plans. In addition, our customers may negotiate terms less advantageous to us when procuring new services from us, which may reduce our profitability. Factors that are not within our control may result in a reduction in our revenue or profitability. The loss, reduction in scope, or delay of large or multiple contracts, could materially and adversely affect our business.

Our future growth also depends, in part, on our ability to enter into new program agreements or generate more purchase orders under the existing agreements, which is in turn dependent on our ability to scale and adapt our drug discovery solutions and intelligent automation solutions to meet our customers' evolving needs.

In addition, we generate large unique data sets from our computation and wet lab experimentation during the provision of our solutions and services. Wherever appropriate, we use the computation results to inform wet lab experimentation and use the wet lab results as the basis for training our AI models. As a result, in addition to reduced revenue, the loss of one or more of these relationships or our inability to render innovative or effective solutions and services may reduce our access to meaningful data assets, thus hindering our ability to further our technological differentiation and improve our platform.

We engage in conversations with biotechnology and pharmaceutical companies and academic and research institutions regarding potential drug discovery solutions and intelligent automation solutions 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, due to a number of factors, including our customers' inability to advance the research, regulatory fairs or commercialization of such drug product candidates. In such circumstances, we may not be able to generate substantial revenue from such unsuccessful collaboration, including service fees, upfront fee, milestone payments, and contingent payments.

Failure of our customers or collaborators to meet their contractual obligations to us could adversely affect our business.

We have entered into a number of service and collaboration agreements with biotechnology and pharmaceutical companies, start-ups, and academic and research institutions under which our customers and collaborators are pursuing research in a number of therapeutics areas. Such relationships pose a number of risks, including the risk that they may not perform their contractual obligations to our standards, in compliance with applicable legal or contractual requirements, in a timely manner or at all; they may not maintain the confidentiality of our proprietary information; and disagreements or disputes could arise that could cause delays in, or termination of, the research, development or commercialization of the relevant technologies or products using our technologies or result in litigation or arbitration.

In addition, certain of our customers and collaborators run many programs concurrently, and we are dependent on their ability to accurately track and make milestone payments to us pursuant to the terms of our agreements with them. Any failure by them to inform us when milestones are reached and make related payments to us could adversely affect our results of operations. Our financial success depends upon the creditworthiness and ultimate collection of amounts due from our customers and collaborators, including our smaller-scale counterparties with fewer financial resources. If we are not able to collect amounts due from our customers and collaborators, we may be required to write-off significant accounts receivable and recognize bad debt expenses, which could materially and adversely affect our operating results.

Moreover, some of our customers and collaborators are located in markets that may be subject to political and social risk, corruption, infrastructure problems and natural disasters, and are often subject to country-specific privacy and data security risk as well as burdensome legal and regulatory requirements. Any of these factors could adversely impact their financial condition and results of operations, which could impair their ability to meet their contractual obligations to us, which may have a material adverse effect on our business, financial condition and results of operations.

If our customers or collaborators are unable to successfully complete clinical development, obtain regulatory approval for, or commercialize any product candidates, or experience delays in doing so, our business may be materially harmed.

The success of our customers' and collaborators' development and commercialization programs will depend on several factors, including:

- successful completion of our pre-clinical studies to enable the initiation of clinical trials;
- successful enrollment of patients in, and the completion of, the clinical trials;
- acceptance by the FDA, NMPA or other regulatory agencies of regulatory filings for any product candidates that we discover and design and our customers or collaborators may develop;

- expanding and maintaining a workforce of experienced scientists and others to continue to develop any product candidates;

- obtaining and maintaining intellectual property protection and regulatory exclusivity for any product candidates that we discover and design and our customers or collaborators may develop;

- making arrangements with third-party manufacturers for, or establishing, clinical and commercial manufacturing capabilities;

- establishing sales, marketing, and distribution capabilities for drug products and successfully launching commercial sales, if and when approved;

- acceptance of any product candidates that we discover and design and our customers or collaborators may develop, if and when approved, by patients, the medical community, and third-party payors;

- effectively competing with other therapies;

- obtaining and maintaining coverage, adequate pricing, and adequate reimbursement from third-party payors, including government payors;

- patients' willingness to pay out-of-pocket in the absence of coverage and/or adequate reimbursement from third-party payors; and

- maintaining a continued acceptable safety profile following receipt of any regulatory approvals.

Many of these factors are beyond our control, including clinical outcomes, the regulatory review process, potential threats to our intellectual property rights, and the manufacturing, marketing, and sales efforts of any customers or collaborators. Clinical drug development involves a heavily regulated, lengthy and expensive process, with an uncertain outcome. If our customers or collaborators are unable to develop, receive marketing approval for, and successfully commercialize any product candidates that we discover and design, or if they experience delays as a result of any of these factors or otherwise, we may not be able to receive milestone payments and royalties, which would adversely affect our business, prospects, financial condition, and results of operations.

If we are unable to increase the sales of our solutions and services, or if our customers and collaborators are unable to commercialize their drug products, our revenue may be insufficient for us to achieve or maintain profitability.

To achieve and maintain profitability, we must succeed in significantly increasing sales of our solutions and services, or our customers and collaborators must succeed in developing and eventually commercializing their drug products. We generated a significant portion of revenue from the provision of our drug discovery solutions and intelligent automation solutions during the Track Record Period, and expect to continue to derive a large percentage of our revenue from such business in the near future. As such, increasing sales of our solutions and services to our existing customers and successfully marketing such services to new customers are critical to our success. Demand for our solutions and services may be affected by a number of factors, including but not limited to continued market acceptance by the biotechnology and pharmaceutical industries and other high value industries we desire to enter into, the accuracy and efficiency of our computational services and compound synthesis, the quality and costs of our experimental services, upgrade of our dry lab and wet lab, 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 condition, results of operations, and prospects will be adversely affected.

Achieving success in drug and material science R&D will require us to further enhance our service capabilities to our customers and to foster additional collaborations, from which we expect to generate multiple types of revenue, or require us or our customers and collaborators to be effective in a range of challenging activities, such as molecule discovery and optimization and pre-clinical testing. We and our customers and collaborators may never succeed in these activities. Even if we are successful in our R&D activities, we may never generate revenue that are significant enough to achieve profitability. Even if our collaborators are successful in developing and commercializing the product candidates, we may not receive enough milestone or contingent payments from them to achieve profitability. Because of the intense competition in the market for our solutions and services and the numerous risks and uncertainties associated with 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 R&D efforts, increase sales of our solutions and services, 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**].

The industries we operate in are heavily regulated internationally, and we are subject to changing laws and regulations and non-compliance with such laws and regulations subjects us to sanctions and other adverse regulatory actions.

All jurisdictions in which we conduct our drug R&D activities regulate these activities in great depth and detail. We focus our activities in the major markets such as the U.S., the Europe, and China. These jurisdictions strictly regulate the biotechnology and pharmaceutical industries, and in doing so they employ broadly similar regulatory strategies, including regulation and approval of drug R&D. However, there are differences in the regulatory regimes that make for a more complex and costly regulatory compliance burden for companies like many of our customers and collaborators and us that plan 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 drug R&D 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 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 the business and operations of our customers and collaborators and us.

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 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 and our customers or collaborators may be subject to penalties and/or regulatory actions, and such failure may significantly affect our customers' or collaborators' ability to commercialize their products which will in turn adversely affect our ability to generate revenue from our solutions and services. Further, any government investigation of alleged violations of laws or regulations could require our customers or collaborators to expend significant time and resources in response, and could generate negative publicity. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results will be adversely affected.

If the commercialization of AI and automation technologies does not meet our expectation, our business, growth and prospects may be significantly affected.

Commercialization of AI and automation technologies and solutions and services powered by our AI and automation technologies depends on a number of factors, including the technological upgrade and innovation of our technologies, the accuracy and reliability of our technologies and related solutions and services, the increasing application of AI and automation in R&D, the performance and perceived value of our technologies and the related solutions and services, and laws and regulations governing our technologies and the related solutions and services. If AI and automation technologies and related solutions and services do not achieve widespread acceptance, or if there is a reduction in demand for AI and automation technologies and related solutions or services caused by weakening economic conditions, decreases in R&D spending, technical challenges, data security or privacy concerns,

governmental regulation, and competing technologies, among others, our business, growth prospects and results of operations will be materially and adversely affected. In addition, we cannot assure you that the trend of adopting and utilizing AI and automation technologies and related solutions and services will continue in the future, which could materially and adversely affect the AI technology and automation industries, and in turn, our business, growth and sustainability.

Any flaws or misuse of AI technologies, whether actual or perceived, intended or inadvertent, committed by us or by other third parties, could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

AI technologies are at early stages of development and continue to evolve. Similar to many innovations, AI technologies present risks and challenges, such as potential misuse by third parties for inappropriate purposes or biased applications which breach public confidence or violate applicable laws and regulations in China and other jurisdictions or litigation or other proceedings initiated by certain individuals claiming for infringement of legitimate rights, including privacy or personality rights. Such misuse could affect customer perception, public opinions, views of policymakers and regulators and result in decreased adoption of AI technologies.

In addition, flaws or deficiencies in AI technologies could undermine the accuracy and thoroughness of the decisions and analyses made on the relevant solutions and services. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. Any flaws or deficiencies in AI technologies and the related solutions and services, whether actual or perceived, could materially and adversely affect our business, reputation, results of operations and prospects.

RISKS RELATED TO OUR OPERATIONS

If we fail to manage our technology infrastructure, our customers and collaborators may experience service outages and delays in the deployment of our solutions and services.

We have experienced significant growth in the number of research programs that our technology infrastructure supports. As a result, we need to maintain sufficient excess capacity in our technology infrastructure to meet the needs of our customers and collaborators, and to facilitate the rapid provision of solutions and services in anticipation of 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 have experienced, and may in the future 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 of these performance problems within an acceptable period of time. If we can not accurately anticipate and prepare for additional requirements on our technology infrastructure, we may experience service outages that may delay the deployment of our solutions and services and the delivery of our work products, which may subject us to financial penalties and liabilities, reputation damages, and customer losses.

Data corruption, cyber-based attacks or network security breaches may materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

In the ordinary course of our business, we collect, store and transmit pre-clinical study data and other confidential data, including R&D information, intellectual property, and proprietary business information owned or controlled by ourselves or other parties. We manage and maintain our applications and data utilizing a combination of on-site systems and cloud-based application systems. We utilize external security and infrastructure vendors to maintain our information security management system. We face a number of risks relative to protecting these critical data and information, including material system failure or security breach, loss of access and data, inappropriate use or disclosure, inappropriate modification, and the risk of inability to adequately monitor, audit, and modify our controls over our critical data and information. This risk extends to our vendors and subcontractors we use to manage our sensitive data and our collaborators who share with us sensitive data.

The secure processing, storage, maintenance, and transmission of this critical information are vital to our operations, and we devote significant resources to protecting such information. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other malicious or inadvertent disruptions. In addition, while we have implemented security measures and a formal, dedicated enterprise security program to prevent unauthorized access to confidential data, such data is accessible through multiple channels, and there is no guarantee we can protect our data from breach. Failures in our information technology infrastructure may result in delays of our efforts in drug R&D efforts, which may in turn materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

If our wet labs or R&D facilities fail to comply with applicable regulatory requirements, or become damaged or inoperable, our ability to perform chemical compound synthesis and other experiments may be jeopardized.

Our wet labs are subject to extensive regulations in China. For example, the operation of our labs for pathogenic microorganism experiments requires approvals and accreditation from the NHC or their respective local offices, which we have already obtained. See "Business—Licenses, Permits and Approvals" for details. If we build new wet labs to further grow our experimental services, we may be required to obtain additional NHC approvals and accreditation. We cannot guarantee that we will be able obtain such approvals and accreditation in a timely manner, or at all, as the NHC approval and accreditation process may be costly and lengthy. If we fail to maintain or renew any major license, permit, certificate, approval or accreditations for all or any of our wet labs, or if we or our labs are found to be non-compliant with any applicable laws or regulations, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, financial condition and results of operations.

In addition, if a wet lab or R&D facility or equipment becomes damaged or inoperable, including due to technical issues, accidents and injuries, we may not be able to replace our experiment capacity quickly or at all. In the event of a temporary or protracted loss of a lab, facility or equipment, we may face delays that could impact the delivery of our solutions and services and we might not be able to rebuild any of them in a timely manner. Even if we could rebuild them, it would likely be time-consuming, particularly since any new lab would need to comply with the necessary regulatory requirements and we would need to receive certain regulatory approvals. Any damage or interruption of our lab operations could result in our inability to satisfy the demand of our intelligent automation solutions and could materially harm our business, financial condition and results of operations.

If our security measures are breached or unauthorized access to our own, customers' or collaborators' data is otherwise obtained, our solutions may be perceived as not being secure, customers and collaborators may reduce the use of or stop using our solutions and services, and we may incur significant liabilities.

Our solutions and services involve the collection, analysis, and storage of our own and our customers' and collaborators' proprietary information and sensitive proprietary data related to the R&D efforts of our customers and collaborators. As a result, unauthorized access or security breaches, as a result of third-party action, employee error, malfeasance, or otherwise could result in the loss of information, litigation, indemnity obligations, damage to our reputation, and other liability. We have built a comprehensive information security management system that has received the ISO27001 certification, which is a widely accepted and applied system certification standard in the field of information security. However, because the techniques used to obtain unauthorized access or sabotage systems change frequently 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 addition, if our employees fail to adhere to practices we have established to maintain a firewall and proper access control on a need-to-know basis among our teams that work with our customers and collaborators on drug discovery programs, and our teams that work with intelligent automation customers, 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 intellectual property, we may have trouble attracting new customers and collaborators, we may be subject to breach of contract claims by our customers and collaborators, and we may suffer reputational and other harm as a result. Any of these issues could adversely affect our ability to attract new customers and collaborators, cause existing customers or collaborators to elect to not to procure additional services from us or enter into new collaborations with 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 are subject to complex and evolving laws, regulations and governmental policies regarding privacy, data protection and cybersecurity. Actual or alleged failure to comply with existing or future laws and regulations related to privacy, data protection and cybersecurity could lead to government enforcement actions, which could include civil, administrative or criminal fines or penalties, investigation or sanction by regulatory authorities, private litigation, other legal liabilities, and/or adverse publicity. Compliance or failure to comply with such laws could increase the costs of our solutions and services, limit their use or adoption, and otherwise negatively affect our operating results and business.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information and important data worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Regulatory authorities in virtually every jurisdiction in which we operate have implemented and are considering a number of legislative and regulatory proposals concerning data protection.

Regulatory authorities in China have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), or the Cybersecurity Law, which became effective in June 2017, established the PRC's first national-level cybersecurity and data protection framework for "network operators," which may include all organizations in the PRC that connect to or provide services over the internet or other information network. The Cybersecurity Law requires network operators to perform certain obligations related to cybersecurity protection. In addition, the Cybersecurity Law imposes certain requirements on critical information infrastructure operators, or the CIIOs. For example, the CIIOs generally shall, during their operations in the PRC, store the personal information and important data collected and generated within the territory of PRC, and shall perform certain security obligations as required under the Cybersecurity Law, including that the CIIOs shall apply for the cybersecurity review when purchasing network product or service which affects or may affect national security. In addition, the Data Security Law of the PRC (《中華人民共和國數據安全法》), or the Data Security Law, which was promulgated by the Standing Committee of PRC National People's Congress, or the SCNPC, on June 10, 2021 and came into effect on September 1, 2021, outlines the main framework of data security protection. For example, the Data Security Law introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. Processors of "important data" are further required to conduct periodic risk assessment and submit assessment report to relevant regulatory authorities. In addition, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security. Furthermore, Regulations on the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), or the CII Protection Regulations, which was promulgated by the State Council of PRC on July 30, 2021 and came into effect on September 1, 2021, stipulates the obligations and liabilities of the regulators, society and CIIOs in protecting the security of critical information infrastructure, or the CII.

According to the CII Protection Regulations, regulators supervising specific industries shall formulate detailed guidance to identify and determine the CII in the respective sectors, and CIIOs shall take the responsibility to protect the CII's security by performing certain prescribed obligations. For example, CIIOs are required to conduct network security test and risk assessment, report the assessment results to relevant regulatory authorities, and timely rectify the issues identified at least once a year.

Furthermore, on December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly promulgated the revised Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures provides that, among others, network platform operators processing personal information of more than one million users that seek listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office. Member authorities of the Cybersecurity Review mechanism may also initiate a cybersecurity review against the operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. See "Regulatory Overview—Regulations on Data Privacy and Cybersecurity—PRC—Information security and censorship" for detailed discussion.

As of the Latest Practicable Date, although the exact scope and important data in medical and healthcare, AI and automation sectors under the current laws, regulations and regulatory regime remains unclear, and we have not been designated as a CIIO by any PRC governmental authorities, the authorities may have certain discretion in the interpretation and enforcement of the related laws and regulations. If we are designated as a CIIO, or deemed as processing any important data according to the Cybersecurity Law, Data Security Law and other relevant laws and regulations, we may need to perform or be subject to certain prescribed obligations, and if we were found to be in violation of these applicable laws and regulations, we may be subject to administrative penalties, including fines and service suspension. We also cannot rule out the possibility that certain of our customers may constitute CIIOs, in which case our provision of network solutions or services, if being deemed as affecting or may affect national security, will be subject to cybersecurity review before we can enter into agreements with such customers, and before the conclusion of such procedure, the customers will not be allowed to use our solutions or services. If the reviewing authority considers that the use of our solutions or services by certain of our customers involves risk of disruption, is vulnerable to external attacks, or may negatively affect, compromise, or weaken the protection of national security, we may not be able to provide our solutions or services to such customers, which could have a material adverse effect on our results of operations and business prospects.

As of the Latest Practicable Date, we have not been involved in any investigations on cybersecurity review initiated by the Cyberspace Administration of China, and we have not received any inquiry, notice, warning, sanctions in such respect or any regulatory objections to the [**REDACTED**]. As the further enactment of new laws and regulations as well as the revision, interpretation and implementation of those existing laws and regulations are still evolving, we cannot assure you that we will be able to comply with such regulations in all respects, and we may be ordered to rectify, suspend or terminate any actions or services that

are deemed illegal or incompliance by the regulatory authorities and become subject to fines and/or other penalties. If we are unable to address such issue in a timely manner or at all, we may be required to suspend or terminate our related businesses or face other penalties, our business, financial condition, results of operations, and prospects could be materially harmed.

In addition, certain newly enacted or industry-specific laws and regulations may also affect the collection and transfer of personal information in China. For example, (i) the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (effective on November 1, 2021), which outlines the main framework and comprehensive requirements of personal information protection and processing (including but not limited to cross-border transfer); and (ii) the PRC State Council promulgated the Regulations on the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》) (effective in July 2019) and Implementation Rules of Regulations on the Administration of Human Genetic Resources (《人類遺傳資源管理條例實施細則》) (effective in July 2023), and the Biosecurity Law of the PRC (《中華人民共和國生物安全法》) (effective in April 2021) which require approval from the science and technology administration department of the State Council where human genetic resources, or the HGR, are involved in any international collaborative program and additional approval for any export or cross-border transfer of the HGR samples or associated data.

The interpretation, application and enforcement of privacy, data protection and cybersecurity laws in China and elsewhere involve inherent uncertainties. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our future practices, potentially resulting in confiscation of HGR samples and associated data that we may collect in our future practices and administrative fines. Any change in laws and regulations relating to privacy, data protection and information security, and any enhanced and scrutinized governmental enforcement action of such laws and regulations, could greatly increase our cost in providing our solutions and services, limit their use or adoption or require certain changes to be made to our operations.

In the U.S., we are subject to laws and regulations that address privacy, personal information protection and data security at both the federal and state levels. Numerous laws and regulations, including security breach notification laws, health information privacy laws, and consumer protection laws, govern the collection, use, disclosure and protection of health-related and other personal information. Given the variability and evolution of these laws, the exact interpretation of the new requirements is subject to the views of the competent governmental agencies, amongst others, and we may be unsuccessful in implementing all measures required by regulators or courts in their interpretation.

Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by governmental entities, individuals or others. These proceedings or actions could subject us to significant civil, administrative or criminal penalties and negative publicity, require us to change, or even suspend our business practices, increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our relationships with customers, vendors, collaborators and other third parties could be negatively affected by any proceedings or actions against us or data protection obligations imposed on them under applicable law.

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

Our future success depends upon the continuing services of members of our senior management team and other key personnel. Although we typically require our senior management and other key personnel to enter into non-compete and confidentiality agreements with us, they may elect to join our competitors after the non-compete periods have lapsed. The loss of their services could adversely impact our ability to achieve our business objectives. If one or more of our senior management and other key personnel are unable or unwilling to continue in their present positions, joins a competitor, or forms a competing business, 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. There is no guarantee that we can attract or retain our senior management and other key personnel at terms not disadvantageous to us, or at all.

In addition, the continued growth of our business depends on our ability to hire additional qualified personnel with expertise in AI, quantum physics-based computation, automation 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 in China and overseas. Competition for these individuals is intense, and the turnover rate can be high. Failure to attract and retain management and R&D personnel could prevent us from pursuing collaborations, developing our technologies, or growing our business.

If we engage in future acquisitions or strategic collaborations, this may increase our capital requirements, dilute our shareholders' shareholding, 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 in or acquiring complementary intellectual property rights, technologies or businesses. Any potential acquisition or strategic collaboration may entail numerous risks, including:

- increased operating expenses and cash requirements;
- 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 services or technologies; and/or

- our inability to generate sufficient revenue from acquired technologies and/or businesses 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 businesses that may be important to the development of our business.

We have engaged and may continue to pursue collaborations or licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements, which may fail to produce anticipated benefits and adversely affect our operations.

We have invested in companies that we think share synergies with our business. We may continue to pursue opportunities for collaborations, out-license, joint ventures, acquisitions of business or technology, strategic alliances, or partnerships that we believe would advance our development. We may consider pursuing growth through the acquisition of technology, assets or other businesses that may enable us to enhance our technologies and capabilities. For more details regarding our strategic collaborations, acquisitions and investments, see "Business—Significant Cooperations and Collaborations" and "Business—Our Drug Discovery Solutions—Strategic Collaborations." Proposing, negotiating and implementing these opportunities may be a lengthy and complex process. Our competitors, including those with substantially greater financial, marketing, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis and acceptable terms, or at all.

To the extent that we are successful in entering into such commercial arrangements, the management and integration required of a licensing arrangement, collaboration, joint venture or other strategic arrangements may disrupt our current operations, result in significant expenses, decrease our profitability, or divert management resources that otherwise would be available for our existing business. We may not realize the anticipated benefits of any or all of our collaborations or licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements in the time frame expected or at all.

In addition, valuations supporting our acquisitions and strategic investments could change rapidly. Following any such transaction, there could be impairments in valuations or other-than-temporary declines in fair value, which could materially adversely affect our business, financial condition and operating results through the write-off of goodwill and other impairment charges.

Furthermore, partners, collaborators, or other parties to such transactions or arrangements may fail to fully perform their obligations or meet our expectations or cooperate with us satisfactorily for various reasons and subject us to potential risks, including that partners, collaborators, or other parties:

- have significant discretion in determining the efforts and resources that they will apply to a transaction or arrangement;

- could independently develop, or develop with third parties, services and products that compete directly or indirectly with the product candidates developed under the collaboration with us;

- may stop, delay or discontinue clinical trials as well as repeat clinical trials or conduct new clinical trials by using our intellectual property or proprietary information;

- may not properly maintain or defend our intellectual property rights, or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information, or expose us to potential liabilities;

- may have disputes with us that cause the delay or termination of the research, development, or commercialization of the product candidates developed under the collaboration with us, or that result in costly litigation or arbitration that diverts management's attention and resources; and

- may own or jointly own intellectual properties covering the product candidates developed under the collaboration with us, and in such cases, deny us the exclusive right to commercialize such intellectual properties.

Any such transactions or arrangements may also require actions, consents, approval, waiver, participation or involvement of various degrees from third parties, such as regulators, government authorities, creditors, licensors or licensees, related individuals, suppliers, distributors, shareholders, or other stakeholders or interested parties. There is no assurance that such third parties will be cooperative as we desire, or at all, in which case we may be unable to carry out the relevant transactions or arrangements.

Furthermore, as we own minority interests in most of the drug candidates that are developed under collaborations, we do not have control over most of those drug candidates and our drug discovery collaborators have significant discretion in determining when to make announcements about the status of our collaborations, including about pre-clinical and clinical developments and timelines for advancing the collaborative programs. Our drug discovery collaborators, and in particular, the privately-held collaborators, may wish to report such information more or less frequently than we intend to or may not wish to report such information at all. The [**REDACTED**] of our Shares may decline as a result of the public announcement of unexpected results or adverse developments in our collaborations, or as a result of our collaborators withholding such information.

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

We partner with research organizations that are beyond our control to monitor, support, and conduct our on-going pre-clinical studies. For instance, we utilize third parties to synthesize certain molecules, such as peptides, with therapeutic potential that we discover. If these third parties do not successfully carry out their contractual duties, meet expected deadlines, or comply with regulatory requirements, if there are disagreements between us and such parties, or if such parties are unable to expand capacities, we may not be able to fulfill, or may be delayed in providing services or producing sufficient product candidates to meet our customers' or collaborators' supply requirements. These third parties may also be affected by natural disasters, such as floods or fire, or geopolitical developments, or such third parties could face production issues, such as contamination or regulatory concerns following a regulatory inspection of facilities of the third parties, which would cause delay and increased expense and have a material adverse effect on our business. As a result, we have less control over the quality, timing and cost of these studies. We cannot assure you that these third parties can meet expected quality and timetable or can always be in compliance with regulatory requirements. Any failures of these third parties to duly perform their obligations may result in a delay or termination of our solutions or services. 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 complete the pre-clinical studies on a timely basis or otherwise conduct the pre-clinical studies in the manner we anticipate.

We are dependent on a stable and adequate supply of quality raw materials, equipment and other supplies. Any price increases and/or supply interruptions could adversely affect our margins and results of operations.

We procure R&D equipment, raw materials, reagent consumables, and other goods and services from third-party suppliers and service providers for our operations. Unsatisfactory performance by these third parties, including their failure to provide supplies according to the applicable legal and regulatory requirements, the terms of our contracts, or our standards, could adversely affect the quality of our services and damage our reputation.

Furthermore, prices of goods and services procured from such third parties may increase in the future. The prices of our supplies may be affected by a number of factors, including market supply and demand, the PRC or international environmental and regulatory requirements, natural disasters and economic conditions in China and around the world. In the event of significant price increases for such supplies, we may have to pass the increased costs to our consumers. However, we cannot assure you that we will be able to raise the prices of our solutions and services sufficiently to cover such increased costs. As a result, any significant increase in the prices of our supplies may have an adverse effect on our profitability and results of operations.

We may also encounter shortages in our supplies necessary to synthesize molecules we may discover in the quantities needed for pre-clinical studies or other experiments, as a result of capacity constraints or delays or disruptions in the market, in particular in light of supply chain disruptions due to global pandemic, natural disasters, and international trade tensions, among others. Even if our required supplies are available, we may be unable to obtain sufficient quantities at an acceptable cost or quality. Our failure to obtain supplies in sufficient amounts and at commercially acceptable terms could delay, prevent, or impair our R&D efforts, and may have a material adverse effect on our business, financial condition, results of operation, and prospects.

We use third-party providers of cloud-based infrastructure to enable our AI-powered drug and material science R&D. 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 our infrastructure relating to our cloud supercomputing to multiple third-party service providers. Therefore, our cloud supercomputing infrastructure, which enables our high performance computational algorithms and AI models, depends on third-party service providers to maintain the configuration, architecture, features, and interconnection specifications of the virtual cloud infrastructure, as well as protect the information stored in the system, 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 by our customers, which could adversely affect our business, financial condition, and results of operations. In addition, any incident affecting our third-party service providers' infrastructure that may be caused by cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss,

telecommunications failures, terrorist or other attacks, and other similar events beyond our control could negatively affect our cloud-based solutions. A prolonged service disruption affecting our cloud-based solutions for any of the foregoing reasons would adversely impact our ability to serve our customers, damage our reputation, expose us to liability, cause us to lose customers, or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the third-party services we use.

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.

Our reputation is important to our business success. Negative publicity about us, our management, employees, affiliates, and third-party collaborators and partners may adversely affect our brand, reputation and business prospects.

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 and third-party collaborators and partners, or any entity that shares the "XtalPi" 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 management, employees or affiliates and collaborators and partners or any entity that shares the "XtalPi" name would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition.

Our international operations are subject to a variety of costs and legal, regulatory, political and economic risks.

Our business and results of operations are affected by our ability to execute our globalization strategy, which primarily involves expanding into new international markets, particularly the U.S. and Europe. Operating internationally subjects us to additional risks and challenges such as:

- limited brand recognition globally (compared with our presence in China);

- costs and expenses in connection with global expansion, including recruitment of local personnel and lease or establishment of new premise or lab;
- ability to anticipate international consumers' and collaborators' needs and preferences;
- burdens of complying with a wide variety of local laws and regulations;
- wars, political and economic instability; and
- technological and trade restrictions.

Our international expansion plans will place increased demands on our operational, managerial and administrative resources. In particular, we face regulatory uncertainties and may incur substantial compliance costs when we enter into a new overseas market. Regulations in different overseas markets could vary significantly. Being compliant with laws and regulations in one jurisdiction does not necessarily mean our business practice would comply with laws and regulations in another jurisdiction and we may need to make adjustments to our business accordingly to comply with local laws. Non-compliance may subject us to sanctions by regulatory authorities, to monetary penalties, or to restrictions on our activities or revocation of our licenses, which may result in a material adverse effect on our business, financial condition and results of operations in the relevant overseas market. We also have to closely monitor changes in local laws and complete all necessary procedures and filings accordingly.

Failure to make full contributions to social insurance and housing provident funds for our employees in accordance with the relevant PRC laws and regulations may subject us to penalties.

Companies operating in China are required to participate in various employee benefit plans, including social insurance, housing provident funds and other welfare-oriented payment obligations. The amounts of contributions should be equal to prescribed percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local governments from time to time, at the locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. The relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to the social insurance plan and housing provident fund based on the actual salary level of some of our employees as prescribed by relevant laws and regulations. The total shortfall during the Track Record Period was approximately RMB3.6 million, which we believed would not have a materially adverse impact on our business, operations and financial condition. According to the relevant PRC laws and regulations, we may be requested by

relevant PRC authorities to pay the outstanding social insurance and housing provident fund contributions within a prescribed period, and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay. If we fail to repay the outstanding social insurance contribution within the stipulated period, we may be liable to a fine of one to three times the outstanding contribution amount. If we fail to pay housing fund contributions within the prescribed deadline, we may be subject to an order by the relevant people's court to make such payments.

As of the Latest Practicable Date, we have not received any notices, complaints or demand for payment of these outstanding contributions from the relevant government authorities. However, we cannot assure you that we will not be subject to any order from the relevant government authorities in the future to rectify such noncompliance, nor can we assure you that there are no or will not be any employee complaints regarding payment of the social insurance funds and housing funds under the relevant laws and regulations implemented at the national, provincial or local level. We may also incur additional expenses to comply with the relevant laws and regulations implemented by the national, provincial, or local authorities. If any of these occurs, our business, financial condition, and results of operations may be adversely affected.

There are risks associated with our leased properties or lease agreements. Our use of some leased properties could also be challenged by third parties or governmental authorities.

Under the applicable PRC laws, lease agreements of commodity housing tenancy are required to be registered with the local construction (real estate) departments. Although failure to do so does not in itself invalidate the leases, the parties of the lease agreements may be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As of the Latest Practicable Date, the lease agreements for 16 of our leased properties located on state-owned land parcels in China, all of which are required to obtain lease registration, including the leased properties for our Shenzhen headquarters and the intelligent robotic wet lab in Shanghai, had not been registered with the relevant PRC government authorities. We cannot assure you that the government authorities will not impose fines on us due to our failure to register any of our lease agreements, which may negatively impact our financial condition.

As of the Latest Practicable Date, the lessors of seven of our leased properties in China had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties, and the lessors of four of our leased properties in China were not the owner as stated on the title certificate of such leased properties. Moreover, we had not entered into a supplemental lease agreement with the lessor of one of our leased properties for expanded area and had not yet completed the renewal of a lease agreement with the lessor of one of our leased properties, as of the same date. As a result, these leases may not be valid, and there are risks that we may not be able to continue to occupy and use such properties. In addition, five of our leased properties, including our lease agreements for our Shenzhen

headquarters and two office premises in Guangzhou, are subject to prior-registered mortgages. Each of the lease agreements for our Shenzhen headquarters provides that the lease agreement could be unilaterally terminated by either party if the property is foreclosed by the mortgagee. If the mortgagees foreclose our leased properties with prior-registered mortgages, we could be required to vacate the properties. We cannot guarantee that suitable alternative locations are readily available on commercially reasonable terms, or at all. If we fail to relocate our operations in a timely manner, our operations may be interrupted, and our business, financial condition, and results of operations may be materially and adversely affected.

As of the Latest Practicable Date, we were not aware of any regulatory or government actions, claims or investigations being contemplated or any challenges by third parties to our leased agreements or the use of our leased properties in connection with either the non-registration of lease agreements, the prior-registered mortgages, or the contravention of the planned or permitted use of such leased properties.

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

We maintain insurance policies that are required under PRC laws and regulations as well as other insurance policies based on our assessment of our operational needs and industry practice. In line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as business interruption insurance or key-man insurance. 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 business, financial condition, and results of operations.

Our employees, third-party suppliers, consultants and partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, and insider trading, 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 (i) intentional or unintentional failures to comply with the regulations of the NMPA, the FDA and overseas regulators that have jurisdictions over us, comply with laws and regulations in China and abroad, including but not limited to those related to healthcare fraud and abuse, intellectual property infringement, corruption, and unfair competition, or report financial information or data accurately or (ii) disclosure of 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.

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 are subject to environmental, health and safety, fire control, and construction related laws and regulations, and may be exposed to potential costs for compliance and liabilities.

We and third parties, such as our collaborators, are subject to numerous environmental, health and safety and construction related laws and regulations, including those governing lab procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. The cost of compliance with environmental protection, health, safety and construction project related regulations is substantial. For instance, we were required to complete environmental impact assessment procedures, file for archives for our construction projects, obtain permission for construction before the construction project commences for the offices and labs in our Shenzhen headquarters. Our R&D activities involve the controlled storage, use and disposal of hazardous materials, including the components of product candidates and other hazardous compounds, which requires us to file with the relevant government authority for occupational disease hazards. We cannot eliminate the risk of contamination or injury from these materials, which could cause an interruption of our commercialization efforts, R&D efforts and business operations. We generally contract with third parties for the disposal of these materials and wastes. We cannot guarantee that the safety procedures utilized by our partners and third-party suppliers 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.

Under the PRC laws and regulations, we are required to archive files for our construction projects, obtain permission for construction, and design and install occupational disease hazard prevention facilities, production safety facilities and fire control facilities for our construction projects and make necessary filings with the local competent authorities. We are also required to have these construction projects appraised by qualified third party agencies and file the acceptance reports and other requested forms with the relevant authorities if necessary.

Violation of the reporting and filing requirements may result in warnings, fines or orders of rectification. We may be required to pay a fine or adopt rectification measures imposed by the competent authorities if our operation causes any occupational disease, safety accident or fire accident, failing which we may be required to suspend our operations on or use of relevant constructions.

During the Track Record Period, we had certain non-compliance incidents in connection with certain construction projects or leaser properties, including failures to obtain the construction permits, register our construction projects with the relevant governmental authorities before commencement of the construction and fulfill obligations related to the safety facilities, register the completion of construction projects, or conduct the fire protection inspection filing and environmental inspection, fulfill certain filing and inspection obligations relating to occupational disease protection. Although we believe these non-compliance incidents will not have a material and adverse impact on our business, financial condition, and results of operations, we cannot assure you that we will not be subject to any fines, penalties, or other monetary or regulatory measures in the future if we fail to comply with these laws and regulations.

In addition, we may be required to incur substantial costs to comply with current or future environmental, health, safety and construction related laws and regulations which are complex, change frequently and have tended to become more stringent. Failure to duly comply with the environmental, health, safety and construction related 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 reputation.

We may be directly or indirectly subject to anti-bribery, anti-corruption, anti-money laundering, or other similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, remedial measures and legal expenses, which could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-bribery, anti-corruption, and anti-money laundering laws and regulations of the jurisdictions in which we operate. For example, the Anti-Unfair Competition Law and provisions of the Criminal Code prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the National People's Congress, prohibits money laundering. In addition, many of our customers require us to follow strict anti-bribery as part of doing business with us.

In addition, although currently our primary operating business is in China, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA. The FCPA generally prohibits us from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We are also subject to the anti-bribery laws of other jurisdictions. As our business expands, the applicability of the FCPA and other anti-bribery laws to our operations will increase. Our procedures and controls to monitor anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we, due to either our employees' deliberate or inadvertent acts or those of others, fail to comply with the applicable anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant compliance expenses, which could have a material adverse effect on our business, financial condition, and results of operations.

Any failure to comply with applicable regulations and industry standards 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 China, the U.S. and other applicable jurisdictions impose strict rules, regulations and industry standards governing biotechnology and pharmaceutical R&D activities, which apply to us. We may be required to maintain licenses, registrations, permits, authorizations, approvals, certifications, accreditations and other types of federal, state and local governmental permissions in the U.S. and China and to comply with various regulations in every jurisdiction in which we operate, including with respect to our R&D activities. Complying with the applicable regulations and industry standards can be costly, time-consuming and require additional resources, which could adversely affect our results of operations. The failure to comply with such licensure requirements can 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. Our, our collaborators', business partners' and/or our CROs' failure 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. For example, if our CROs were to treat research animals inhumanely or in violation of international standards set out by the Association for Assessment and Accreditation of Laboratory Animal Care, it could revoke any such accreditation and the accuracy of our animal research data could be questioned. In addition, new regulations or new interpretations of existing regulations may increase our costs of doing business and prevent us from efficiently delivering services and expose us to potential penalties and fines.

Furthermore, there can be no assurance that we will be able to maintain our existing licenses, approvals, registrations or permits necessary to provide our solutions or services, renew any of them when their terms expire, update 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.

We are subject to risks relating to disputes and legal proceedings, which could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to claims, disputes or legal proceedings of various types brought by our competitors, employees, customers, business partners or others against us in matters relating to contractual or labor disputes, intellectual property infringements, or misconducts of our employees. We cannot assure you that we will not be subject to similar disputes, complaints or legal proceedings in the future, which may damage our reputation, evolve into litigations or otherwise have a material adverse impact on our reputation and business. Litigation is expensive, subjects us to the risk of significant damages, requires significant management time and attention, and could have a material and adverse effect on our business, financial condition and results of operations. The outcomes of actions we institute may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our customer base. We may also need to pay damages or settle lawsuits with a substantial amount of cash. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we did not have any material pending proceedings that are likely to have a material adverse effect on us. However, if in the future there are any adverse determinations in legal proceedings against us, we could be required to pay substantial monetary damages or adjust our business practices, which could have a material and adverse effect on our business, financial condition and results of operations.

Our business, results of operations and financial condition may be adversely affected by natural disasters, health epidemics and pandemics, civil and social disruption and other outbreaks, such as the COVID-19 outbreak.

A vast majority of our operations and workforce are based in China and the U.S. China and the U.S. have in the past experienced significant natural disasters, including earthquakes, extreme weather conditions, as well as health scares related to epidemic diseases. Any similar event could materially impact our business in the future. Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, such as power disruptions, computer viruses, data security breaches or terrorism, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, any of which could adversely affect our business, results of operations and financial condition. In addition, our business could be affected by public health epidemics and pandemics, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus, Ebola virus, COVID-19 virus or other diseases. Even if we are not directly affected, such a disaster or disruption could affect the operations or financial conditions of our customers, which could harm our results of operations. If any of our employees is suspected of having contracted a contagious disease, we may be required to apply quarantines or suspend our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of our offices or otherwise disrupt our business operations and adversely affect our financial condition and results of operations.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

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 markets we operate in are subject to rapid technological change and substantial litigation regarding patent and other intellectual property rights. Our competitors may have substantially greater resources 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 solutions or technologies. Numerous third-party patents exist in fields relating to our technologies, and it is difficult for industry participants, including us, to identify all third-party patent rights relevant to our solutions or 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 solutions 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 and other intellectual property protection for our technologies, solutions, 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 solutions and services. Further, if a patent or other intellectual property infringement suit were brought against us, we could be forced to stop or delay our R&D activities and the provision of our solutions and services, the regulatory approval process, the use of the challenged trademarks, 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 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 Share price. Such litigation or proceedings could substantially increase our operating costs and reduce the resources available for R&D 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 in the U.S., there is a risk that some of our confidential information could be compromised by disclosure requirements during such litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors 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, financial condition, and results of operation.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful, and any unfavorable outcome from such litigation could limit our R&D activities and/or our ability to commercialize our solutions and services.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us, alleging that we infringed their patents. In addition, in a patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to preclude the other party from using the invention at issue. There is also a risk that, even if the validity of our patents is upheld, the court will construe our patent claims narrowly or decide that we do not have the right to preclude the other party from practicing the invention at issue on the grounds that our patents do not cover the invention. An adverse outcome in litigation or other quasi-judicial proceedings involving our patents could limit our ability to assert our patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive solutions. Any of these occurrences could adversely affect our competitive business position, business prospects, and financial condition. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

In any infringement litigation, any award of monetary damages we receive may not be commercially valuable. 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 litigation. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

Our obligations under our collaboration agreements may limit the intellectual property rights that are important to our business. If we fail to comply with our obligations under our collaboration agreements, we could lose intellectual property rights that are important to our business.

We are parties to and may continue to pursue collaborations with certain biotechnology and pharmaceutical companies, pursuant to which we participate in drug design and discovery and have either joint ownership or no ownership rights to certain intellectual property generated through the collaborations. If we are unable to obtain ownership or licensing of such intellectual property generated through our collaborations, which overlap with or relate to our own proprietary technologies, our business, financial condition, results of operations, and prospects could be materially harmed.

Our 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. These collaboration agreements may impose diligence obligations on us. In spite of our best efforts, our collaborators may conclude that we have materially breached our collaboration agreements. In addition, 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, solutions 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;
- the extent to which our technologies, solutions and services infringe on intellectual property that is generated through a collaboration, of which we do not have ownership or license under such 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 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 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 collaboration arrangements on commercially acceptable terms, the affected technologies, solutions or services may not be able to successfully develop and commercialize, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may be unsuccessful in obtaining or maintaining patent or other adequate intellectual property protection for our technologies, solutions or services, due to any rejections of our patent applications or licensed patent applications. If our issued patents are determined invalid or unenforceable when challenged in court or before administrative bodies, third parties could develop and commercialize solutions and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any technology, solutions or services 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, such as our *in silico* tools, algorithms, automation and other technologies. We seek to protect our proprietary position by filing patent applications in China, the U.S. and other applicable jurisdictions as well as under the Patent Cooperation Treaty, or the PCT, related to our technologies, solutions and services we may develop that are important to our business, and by in-licensing intellectual property related to our technologies, solutions and services. If we are unable to obtain or maintain patent protection with respect to any proprietary technologies, solutions or services, 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 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, solutions and services, 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 submitted may not be granted in the end. Moreover, some of our patents and patent applications are, and may in the future be, jointly owned with third parties. If we are unable to obtain an exclusive license to any such third-party jointly-owned interest in such patents or patent applications, such joint owners may be able to license or assign their rights to other third parties, including our competitors, and our competitors could market competing solutions and services and/or use the same technologies. In addition, we may need the cooperation of any such joint owners of our patents in order to enforce such patents against third parties, and we may not be able to achieve such cooperation. 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 technologies, solutions and services, if any, and a failure to obtain adequate intellectual property protection with respect to our technologies, solutions and services could have a material adverse impact on our business.

While we can take measures to obtain patent and other intellectual property protections with respect to our technologies, solutions and services, 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 utilizing our technologies or competing against our solutions or services. 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 refrain 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 or administrative 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 our technologies, solutions and services, the defendant could counterclaim that our patent is invalid and/or unenforceable. Third parties may also raise similar claims before administrative bodies in China or abroad, even outside the context of litigation. Such mechanisms include *ex parte* re-examination, *inter partes* 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 unenforceability 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, or the applicable foreign counterpart, 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, solutions or services. 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, solutions or services and our business.

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 could 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

technologies, solutions and services or as a result of questions regarding joint 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 business partners may have relied on consultants or other third parties such that our collaborators and business partners are not the sole and exclusive owners of the patents we in-licensed or utilized. If such third parties have ownership rights or other rights to our in-licensed or utilized patents, they may be able to license such patents to our competitors, and our competitors could market competing technologies, solutions 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 successful in obtaining or maintaining necessary rights for our technology through acquisitions.

Because our integrated platform and programs may involve additional technologies 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 other rights to use these proprietary rights. We may be unable to acquire any compositions, methods of use, or other intellectual property rights from third parties that we identify. The acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to 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 R&D and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign rights to us. We also may be unable to 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 rights to required third-party intellectual property rights or maintain our intellectual property rights, we may have to abandon development of the relevant technology, solution or service, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

We may not be able to enter into invention assignment and confidentiality agreements with all of our employees and third parties. 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, collaborators, 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 may 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 may 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 may enter into agreements to sponsor individuals or research institutions to conduct research relevant to our business in the future. 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 technologies 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 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. 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 do 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 solutions or services 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;

- our pending patent applications will possibly 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 R&D activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive solutions and services for commercialization in our major markets;

- 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 solutions and services.

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

Changes in patent laws in the U.S., Europe and China could raise challenges with respect to our patent protection in the U.S., Europe and China and increase the risk of early generic competition with our solutions or services.

Our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the AI-powered drug and material science R&D 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 U.S., Europe and China could raise the challenges and increase the costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents, including the Leahy-Smith America Invents Act, or the Leahy-Smith Act, which was signed into law in September 2011 and became effective in March 2013. The Leahy-Smith Act includes a number of significant changes to U.S. 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 United States Patent and Trademark Office ("**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 U.S. 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. As a result, the Leahy-Smith Act and its implementation could make it more difficult to obtain patent protection for our inventions, and raise the challenges and increase the 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 challenging. The U.S. 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 raised challenges 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 U.S. and other countries that, if adopted, could impact our ability to enforce our proprietary technology. Depending on future actions by the U.S. Congress, the U.S. 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.

Furthermore, Europe's planned Unified Patent Court may, in particular, present uncertainties for our ability to protect and enforce our patent rights against competitors in Europe. In 2012, the European Patent Package, or the EU Patent Package, was passed with the goal of providing a single pan-European Unitary Patent system and a new European Unified Patent Court, or the UPC, for litigation involving European patents. The Unitary Patent system and UPC successfully launched on June 1, 2023. Under the UPC, all European patents, including those issued prior to ratification of the European Patent Package, now by default automatically fall under the jurisdiction of the UPC. The UPC provides our competitors with a new forum to centrally revoke our European patents, and allows for the possibility of a competitor to obtain pan-European injunctions. It will be several years before we will understand the scope of patent rights that will be recognized and the strength of patent remedies that will be provided by the UPC. Under the current EU Patent Package, we have the right to opt our patents out of the UPC over the first seven years of the court's existence, but doing so may preclude us from realizing the benefits of the new unified court.

In China, the Patent Law of the PRC (《中華人民共和國專利法》), or the PRC Patent Law, which came into effect on June 1, 2021, also adopts a patent-term extension mechanism which provides that, from June 1, 2021, for a new drug already approved for marketing in China, the term of the related invention patent may be extended, upon request by the relevant patent applicant, to compensate the lengthy time period consumed in the market authorization approval process. According to the PRC Patent Law, in order to compensate for the time used for the review and approval of new drugs for marketing, the patent administration department of the State Council shall, at the request of the patent applicant, provide patent term compensation for invention patents of new drugs approved for marketing in China. The patent term compensation may not exceed five years, and the total effective term of the patent after the new drug approved for marketing shall not exceed 14 years. Moreover, the PRC Patent Law also introduces the basis of patent linkage allowing litigation or administrative decision on dispute over drug patent infringement while the new drug is still in the process of review and assessment for marketing authorization. The NMPA may decide whether to suspend the approval of marketing authorization of the new drug according to the effective court judgment or administrative decision. Despite the PRC Patent Law, the NMPA and the National

Intellectual Property Administration, or the NIPA, are yet to promulgate formal implementing rules for patent term extension and patent linkage apart from several drafts for public comment. Accordingly, we need to adopt various measures to protect ourselves against generic competition in China until the relevant laws, regulations and implementing rules for patent term extension, patent linkage, or data exclusivity are put into effect officially in China.

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, NIPA and various patent offices or authorities in other jurisdictions 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, NIPA and various patent offices or authorities outside of China 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. Noncompliance 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 noncompliance 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 technology and the product candidates using our solutions and services.

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 of 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 is limited. Even if patents covering our technology and the product candidates using our solutions and services are obtained, we may be exposed 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 technology and product candidates, patents protection for such technology and product candidates using our solutions and services might expire before or shortly after such technology and candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products or technology similar or identical to ours.

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

Filing, prosecuting and defending patents on our technology in all countries throughout the world would be prohibitively expensive and time-consuming. We may also encounter difficulties in protecting and defending such rights in 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 OUR FINANCIAL PROSPECTS AND NEED FOR ADDITIONAL CAPITAL

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

We have a history of significant net losses and have a history of experiencing, and expect to continue to experience, negative cash flow from operations, requiring us to finance operations through capital contributions. Our net loss were RMB734.4 million, RMB2,137.3 million, RMB1,438.6 million and RMB620.3 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. These losses have resulted primarily from costs incurred in connection with R&D activities and general and administrative costs associated with our operations. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to invest in our solutions and services, our integrated technology platform and our sales and marketing related activities. We expect to continue to incur significant expenses, net losses as well as negative cash flow from operations over the next several years. We anticipate that our expenses will increase substantially as we:

- continue advancement of and investment in our integrated technology platform, including quantum physics computation, AI, cloud computing and AI-powered intelligent robotic wet lab experimentation capabilities;

- continue expansion and improvement of our drug and new materials discovery solutions and intelligent automation solutions;
- continue our ongoing and planned R&D programs developed for our customers or in collaboration with our collaborators;
- continue expansion of our collaborations with partners on drug discovery, including CROs and other service providers;
- maintain, expand and protect our intellectual property portfolio;
- establish and enhance our business development and marketing team to promote and sell our services and forge collaborations;
- attract, hire and retain additional scientific, technical, management and administrative personnel;
- maintain and expand our customer relationship and business development efforts;
- expand our operations in China and globally; and
- incur additional costs associated with operating as a public company upon the completion of the [**REDACTED**].

Fair value changes in our CRPS and other financial liabilities and related valuation uncertainty may materially affect our financial condition and results of operations.

We have historically issued several series of CRPS and warrants to investors. See "History, Development and Corporate Structure—[**REDACTED**] Investments" for more details. All the warrants issued, recorded as other financial liabilities in our financial statements, were converted into Series C Preferred Shares in 2021. We have used discounted cash flow method to determine the underlying share value of our Company and adopted equity allocation model to determine the fair value of the CRPS and warrants at the end of each Track Record Period. Such valuation techniques are certified by an independent third party valuer before being implemented for valuation to ensure that outputs reflect market conditions. Any changes in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these CRPS. We recorded fair value changes of CRPS and other financial liabilities of RMB607.8 million, RMB1,843.9 million, RMB957.8 million, RMB99.9 million and RMB231.2 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, which adversely affected our results of operations.

After the automatic conversion of the CRPS into Ordinary Shares upon the [**REDACTED**], we do not expect to recognize any further gains or losses on fair value changes from these CRPS in the future. To the extent we need to revalue the CRPS prior to the closing of the [**REDACTED**], any change in fair value of CRPS and related valuation uncertainty could materially affect our financial position and performance.

We are exposed to fair value change of financial assets at FVTPL.

Fluctuation of the fair value of our financial assets at FVPTL may affect our results of operation. During the Track Record Period, our financial assets at FVTPL consist of current assets as wealth management products issued by reputable commercial banks and non-current assets as equity interests in a listed company, equity interests in several unlisted companies and a convertible debt.

We are exposed to credit risk in relation to our investments in financial assets at FVPTL, which may adversely affect the net changes in their fair value. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, market conditions and regulatory environment.

While we recorded net gains in fair value changes in financial assets at FVTPL of RMB10.4 million in 2021, we recorded net losses in fair value changes in financial assets at FVTPL of RMB3.9 million, RMB9.6 million, and RMB43.6 million in 2020, 2022 and the six months ended June 30, 2023. We cannot assure you that we will not incur any such fair value losses in the future, and any such fair value losses may adversely affect our results of operations, financial condition and prospects.

We may be exposed to credit risk associated with our trade receivables.

Our trade receivables arose primarily from our solutions or services provided in the ordinary course of business. As of December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the carrying amount of our trade receivables was RMB11.2 million, RMB30.7 million, RMB37.9 million and RMB43.7 million, respectively, and the turnover days of our trade receivables were 127 days, 122 days, 94 days and 92 days in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. See "Financial Information—Description of Certain Items of Consolidated Statements of Financial Position—Trade Receivables" for details. We may not be able to collect all such trade receivables due to a variety of factors that are out of our control. For example, if our relationship with any of our customers or collaborators deteriorates or terminates, or if any of them experiences any difficulty in their operations or a decrease in their business or financial performance for any reasons, our customers or collaborators may delay or default in their payment. As a result, we may not be able to fully recover the outstanding amounts due from them, in a timely manner or at all. If we are not able to manage the credit risk associated with our trade receivables, our cash flows and results of operations may be materially and adversely affected. During the Track Record Period, we recorded impairment losses on financial assets of RMB2.8 million, RMB0.7 million, RMB0.9 million, nil and RMB0.1 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

We may not be able to fulfill our obligation in respect of contract liabilities which could adversely affect our financial condition, results of operations and prospects.

As of December 31, 2020, 2021 and 2022 and June 30 and September 30, 2023, we had contract liabilities of RMB4.8 million, RMB9.9 million, RMB15.5 million, RMB35.8 million and RMB34.2 million respectively, representing advance payments from our customers and collaborators for purchasing our solutions and services which have not yet been rendered. If we have any difficulties or fail to perform our obligations under our contracts, our relationships with our customers and collaborators will be adversely affected and we will be unable to recognize such contract liabilities as revenue, exposing us to the risk of shortfalls in liquidity, which may have a material adverse effect on our operational performance and prospects. See "Financial Information—Description of Certain Items of Consolidated Statements of Financial Position—Contract Liabilities."

We may not be able to realize and recover the full amount of the contract costs.

Our contract costs are initially recognized when we incur cost to fulfill the obligation under our revenue contract with customers, while the receipt of consideration for our solutions or services is conditional on the successful completion of our provision of solutions or services. The capitalized contract cost for fulfilling revenue contract is amortized as contract fulfillment cost in our consolidated statement of profit or loss when we recognize the relevant revenue. We may make impairment over the contract cost if the carrying amount of contract costs exceed the remaining amount of consideration that we expect to receive from customers. We recorded contract costs of RMB1.4 million, RMB17.1 million, RMB33.3 million, RMB45.1 million and RMB45.8 million as of December 31, 2020, 2021 and 2022 and June 30 and September 30, 2023. See "Financial Information—Description of Certain Items of Consolidated Statements of Financial Position—Contract Costs." There is no assurance that we will be able to realize and recover the full amount of contract costs as the operation and liquidity condition of our customers and collaborators may change, or they may dispute the solutions or services we provided, which will result in impairment of such contract costs. If we fail to realize and recover the full amount of contract costs, our results of operations, liquidity and financial position may be adversely affected.

We may never realize returns on our investment of resources and cash in our collaborators and other investee companies. Fluctuation of the operational results of our invested companies and the fair value of our investments may adversely affect our financial position.

We make equity investments in certain of our drug discovery collaborators from time to time, with whom we jointly discover and design novel therapeutical targets and technologies. In addition to our equity positions in these collaborators, we expect to receive additional royalty, milestone or contingent payments from our drug discovery collaborations if the programs successfully reach milestones or events contemplated in the respective contracts. In addition, we also invest in other companies with technologies or business that are complementary to ours. The financial significance of such equity investments to our financial

performances are subject to valuation by third-party appraisers where multiple factors could impact such valuation, including the progress of R&D efforts of our investee companies, the progress of pre-clinical studies and future clinical trials for any product candidates of our investee companies, the success of our investee companies' commercialization efforts and any milestone or other payments we receive, market conditions in the relevant markets, the operational performance of our investee companies and general economic, industry, and market conditions. As the pre-clinical studies and clinical trials could be lengthy and time consuming, we may not have positive valuation results in the near future and therefore has negative impact on our financial performances in the short term. We recognized share of net loss of investments accounted for using equity method of RMB1.6 million, RMB4.5 million, RMB0.2 million and RMB1.0 million in 2020, 2021 and 2022, and the six months ended June 30, 2023, respectively. In addition to share of net losses of investments accounted for using equity method, we also recognized impairment losses of investments accounted for using equity method of RMB3.6 million in 2020 with respect to an investee company that suffered from financial difficulties and was later liquidated.

We may never realize return on our investment of resources and cash in our collaborators and other investee companies. In particular, pre-clinical studies and clinical drug development involves a lengthy and expensive process, with an uncertain outcome. Our investee companies may incur additional costs or experience delays in completing, or ultimately be unable to complete the development and commercialization of any product candidates. In addition, our our investee companies' R&D efforts may not lead to development or commercialization of product candidates that results in our receipt of upfront payments, milestone payments, or contingent payments in a timely manner, or at all, which could materially and adversely affect our business, financial condition, results of operations, and prospect.

We have adopted a share incentive plan and will continue to grant share-based awards in the future, which may increase expenses associated with share-based compensation, cause shareholding dilution to our existing Shareholders, and have an adverse effect on our financial performance. Exercise of the awards granted will increase the number of our outstanding Shares, which may adversely affect the [REDACTED] of our Shares.

Historically, we have adopted certain share incentive schemes to recognize the contribution of certain eligible participants and to provide incentives to retain and attract quality personnel for the continued operation and development of our business. For instance, we adopted the [**REDACTED**] ESOP in July 2021. See "Appendix IV—Statutory and General Information—D. Share Incentive Schemes." In 2020, 2021 and 2022 and the six months ended June 30, 2023, there were RMB4.6 million, RMB22.5 million, RMB43.4 million and RMB31.6 million of share-based compensation expenses related to our share options granted under the share incentive plans, which reflected our increased valuation and expansion of employees.

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees. As a result, we will continue to grant share-based compensation to employees in the future, which may further increase our expenses associated with share-based compensation, cause shareholding dilution to our Shareholders, and adversely affect the [**REDACTED**] of our Shares, and in turn materially and adversely affect our business, financial condition, and results of operations.

We may need to obtain substantial additional financing to fund our growth and operations, which may not be available on acceptable terms, if at all.

The technological advancement and R&D 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, as well as setting up robotics in our wet lab to enable high-throughput automation. For example, we are in the process of further enhancing the capabilities of our AI-powered intelligent robotic wet lab and expect to incur substantial expenditures. In addition, we have used substantial funds to advance our drug and material science R&D and intelligent automation solutions.

To date, we have funded our operations primarily through capital contributions from our shareholders and cash inflows from our business operations. Our operations have consumed substantial amounts of cash since inception. The net cash used in our operating activities was RMB167.3 million, RMB253.7 million, RMB429.1 million and RMB299.0 million in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. Our future funding requirements and the period for which we expect increasing capital need may be different than what we are planning.

Adequate additional financing may not be available to us on acceptable terms, or at all. Any additional capital-raising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our technologies, solutions and services. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or altogether cease our R&D programs and/or our service offerings.

Any discontinuation, reduction or delay of any government grant, tax refund or preferential tax treatment could have a material and adverse impact on our business.

In 2020, 2021 and 2022 and the six months ended June 30, 2023, we received government grants of RMB5.8 million, RMB8.6 million, RMB21.4 million, and RMB7.7 million, respectively. In the same periods, we also received certain VAT refunds from the PRC governments, which are non-recurring in nature, amounting to nil, RMB11.6 million, RMB21.8 million and RMB1.1 million, respectively. Furthermore, the Chinese government has provided various tax incentives to our subsidiaries in China. These incentives include reduced enterprise income tax rates. For example, under the EIT Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, the income tax of an enterprise that has been determined to be a technologically advanced service enterprise can be reduced to a preferential rate of 15%. For example, Shenzhen Jingtai and Beijing Jingtai enjoy such preferential rates.

We cannot assure you that we will continue to receive such government grants at the same level or at all, or that we will continue to enjoy such preferential tax treatment, in which case our business, financial condition and results of operation may be materially and adversely affected. In addition, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. As such, the PRC tax authorities may successfully challenge our position and may require us to pay taxes, interest on such taxes, and/or penalties in excess of our tax provisions. The discontinuation of financial incentives available to us may materially and adversely affect our financial condition and results of operations.

Increased staff cost may negatively affect our financial performance and liquidity position.

Our operations require a sufficient number of qualified employees. To support our rapid growth, we have incurred increasing staff costs, with total employee benefit expenses of RMB102.4 million, RMB224.2 million, RMB420.6 million and RMB276.0 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. Further, we intend to recruit additional employees to support our business growth and to provide our employees with training and development opportunities. See "Future Plans and Use of [**REDACTED**]." Such additional recruitments will increase our staff costs, and there is no assurance that our total revenue will increase in proportion to or at a faster pace than that in staff costs. As a result, the increases in staff costs may have a negative impact on our results of operations and financial condition. Our continued investments in recruiting, retaining and training our employees may also place constraints on our liquidity and working capital.

Raising additional capital may lead to dilution of shareholdings and restrict our operations or require us to relinquish rights to our technologies, solutions or services.

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 will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our existing Shareholders. 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, solutions or services, or future revenue streams, or grant licenses on terms that are not favorable to us.

Disruptions in the financial markets and economic conditions could affect our ability to raise capital.

Global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors including, extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. In the past, governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

In addition, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the U.S. and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa and over the Russo-Ukrainian conflict and the Israeli-Hamas conflict. For example, the Russo-Ukrainian conflict has caused, and continues to intensify, significant geopolitical tensions in Europe, the U.S., and across the world, which could potentially adversely affect our global expansion strategy. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes or the trade related disputes between the U.S. and China. All of the above-mentioned uncertainties could adversely and materially affect the financial markets and economic conditions of the markets in which we operate, which will in turn adversely and materially affect our business operations, results of operations, financial conditions, and prospects.

RISKS RELATED TO DOING BUSINESS IN THE JURISDICTIONS WE OPERATE

We are subject to uncertainties typically existing in the legal systems of developing countries as the PRC legal system is still evolving, which may have a material impact on our business and results of operations.

A large portion of our business and operations are conducted in China and are governed by the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes and their interpretation by the legislative bodies, the judicial authorities and the enforcement bodies. Unlike the common law system, prior court decisions under the civil law system have little precedential value and can only be used as a reference. Since the PRC legal system is statute-based and continues to rapidly evolve, the interpretations of PRC laws and regulations are not always uniform and enforcement of these laws and regulations are constantly evolving. In addition, any new PRC laws or changes in PRC laws and regulations related to, among other things, foreign investment in China may have a material impact on the way we conduct our business and our ability to operate our business in China.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. As PRC administrative and court authorities are designated to interpret and enforce statutory provisions and contractual terms, they will need to exercise certain discretion in doing so. It is possible that the PRC administrative and court authorities would not interpret and enforce the statutory provisions and contractual terms in a manner favorable to us, and it may be more difficult to predict the outcome of any administrative and court proceedings that we may be involved in the future. Accordingly, our ability to enforce contracts in China and our business and results of operations may be materially affected.

Changes in China's economic and social conditions, as well as government policies, laws and regulations, and industry practice guidelines could have a material effect on our business, financial condition, results of operations and prospects.

A significant portion of our business operations and assets is located in China. Accordingly, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, legal and social conditions in China. In recent years, the PRC government implemented a series of laws, regulations and policies which imposed additional standards with respect to, among other things, quality and safety control as well as supervision and inspection of enterprises operating in our industries. See "Regulatory Overview." If the PRC government continues to impose additional regulations on our industries, we could face higher costs in order to comply with those regulations, which may impact our profitability.

China imposes industrial, fiscal and monetary policies from time to time to regulate its economy as it deems appropriate. While the PRC economy has experienced significant growth over the past decades, growth has been uneven both geographically and among various sectors of the economy. China has been reforming China's economic system, and has also begun reforming the government structure in recent years. Although these reforms have resulted in significant economic growth and social progress, we cannot predict whether changes in China's economic and social conditions, laws, regulations and policies will have any material impact on our future business, financial condition or results of operations. Moreover, although the PRC government has implemented measures to promote the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, the PRC government continues to play a significant role in regulating the development of different industries by implementing various industrial policies, hold productive assets that are vital to the country's economy through state-owned enterprises, and resort to various monetary, fiscal, and other policy tools to guide the economic activities of all enterprises in China, including us. In addition, the PRC government during certain period in the past implemented certain measures, including interest rate increases, to prevent over-heating or disorderly development of the economy or certain industries. These measures may have the effect of reducing economic activities, which in turn could lead to a reduction in demand for our solutions or services, thereby having a material effect on our business and results of operation. More generally, if the business environment in China experience fluctuations from the perspective of domestic or international investment, our business in China may also be affected.

If the PRC government determines that the contractual arrangements constituting part of the former VIE structure did not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, our Shares may decline in value or become worthless if we are deemed to be unable to assert our contractual control rights over the assets of the former consolidated affiliated entities that conducted all or substantially all of our operations.

In July 2017, Shenzhen Zhiyao was established in China as a wholly-owned subsidiary of QuantumPharm HK. Shenzhen Zhiyao was not engaged in substantive business operations in the PRC. In November 2017, Shenzhen Zhiyao entered into the Former Contractual Arrangements with Shenzhen Jingtai, as well as its registered shareholders to establish the VIE structure. As a result of the Former Contractual Arrangements, we obtained effective control, and became the primary beneficiary of Shenzhen Jingtai. As we continued to evaluate our business plan, we have decided we no longer need to pursue business opportunities that could fall within the scope of prohibited or restricted categories for foreign investment in the PRC; therefore, the Former Contractual Arrangements with Shenzhen Jingtai and its registered shareholders are no longer necessary. We have completed the restructuring to unwind the Former Contractual Arrangements so that Shenzhen Jingtai becomes a wholly-owned subsidiary of QuantumPharm HK, which has direct ownership of both Shenzhen Jingtai and Shenzhen Zhiyao.

Although we have completed the restructuring to unwind the Former Contractual Arrangements and currently have direct ownership of both Shenzhen Jingtai and Shenzhen Zhiyao, there are different views regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to the Former Contractual Arrangements for our operations in China, including potential future actions by the PRC government, which may retroactively affect the enforceability and legality of the Former Contractual Arrangements and, consequently, significantly affect the historical financial condition and results of operations of Shenzhen Jingtai, and our ability to consolidate the results of Shenzhen Jingtai into our consolidated financial statements for the periods prior to the completion of the restructuring. If the PRC government finds such agreements to be non-compliant with relevant PRC laws, regulations, and rules, or if these laws, regulations, and rules or the interpretation thereof change in the future, and such changes may be retroactively applied to our historical contractual arrangements, we could be subject to severe penalties and our control over Shenzhen Jingtai established through the former VIE structure may be rendered ineffective, which could result in potential restatement of our financial statements for the years ended December 31, 2020 and 2021 included in this document. As a result, our Shares may decline in value or become worthless.

We may be restricted from transferring our scientific data outside of China.

On March 17, 2018, the General Office of the PRC State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provide a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval from competent authorities in accordance with relevant management procedures for guarding state secrets before any scientific data involving any state secret may be transferred abroad or be disclosed to foreign parties. Further, any researcher conducting research funded, at least in part, by the PRC government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. As the term "state secret" is not clearly defined, there is no assurance that we can always obtain relevant approvals for sending scientific data (such as the results of our pre-clinical studies conducted within China) abroad, or to our foreign partners in China.

If we are unable to obtain the necessary approvals in a timely manner, or at all, our R&D activities and collaboration programs may be hindered, which may materially affect our business, results of operations, financial conditions and prospects. If relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to specific administrative penalties imposed by those government authorities.

Dividends we receive from our subsidiaries located in the PRC may be taxed at a higher rate, which could materially affect the amount of dividends, if any, we may pay our shareholders.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), or the Double Tax Avoidance Arrangement, and the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》), or the Circular on Tax Treaties, issued on February 20, 2009 by the State Taxation Administration of the PRC, or the STA, if a Hong Kong resident enterprise owns more than 25% of the equity interest of a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on such dividend is reduced to 5%, provided that certain other conditions and requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws are satisfied at the discretion of the relevant PRC tax authority. However, based on the Circular on Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. Based on the Circular on Certain Issues with respect to the "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》), or the Circular 9, issued on February 3, 2018 by the STA and effective on April 1, 2018, when determining the applicant's status as a "beneficial owner" for purpose of tax treatments in connection with dividends, interests or

royalties in the tax treaties, several factors will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If our Hong Kong subsidiary is determined by PRC government authorities as receiving benefits from reduced income tax rates due to a structure or arrangement that is primarily tax-driven, the dividends paid by our PRC subsidiaries to our Hong Kong subsidiary will be taxed at a higher rate, which will have an impact on our financial and operational conditions.

The biotechnology and pharmaceutical industries in China is highly regulated and such regulations are subject to change which may affect our R&D activities and the approval and commercialization of the product candidates using our solutions or services.

We conduct R&D operations in China, which we believe conferring commercial and regulatory advantages. The biotechnology and pharmaceutical industries in China is subject to comprehensive government regulation and supervision, encompassing the research, approval, registration, manufacturing, packaging, licensing and marketing of new product candidates. See "Regulatory Overview" 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 biotechnology and pharmaceutical industries has undergone significant changes, and we expect that it will continue to undergo significant changes. To comply with such changes or amendments, we may face increased compliance costs on our business. Such compliance may delay or affect our R&D activities or the approval and commercialization of the product candidates using our solutions or services in China, and as a result, could affect our business, results of operations, and financial conditions. PRC authorities have become increasingly vigilant in enforcing laws in the biotechnology and pharmaceutical industries and any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China. We believe our strategy and approach are aligned with the PRC government's regulatory policies, but we cannot ensure that our strategy and approach will continue to be aligned.

The interpretation and implementation of the Foreign Investment Law is constantly evolving, and how it may impact the viability of our current corporate structure, corporate governance and business operations is difficult to predict.

On March 15, 2019, the PRC National People's Congress, or the NPC, approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》), or the Foreign Investment Law, which came into effect on January 1, 2020 and replaces the trio of prior laws regulating foreign investment in the PRC, namely, the Law on Sino-Foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) and the Law on Wholly Foreign-Invested Enterprises of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations and become the legal foundation for foreign investment in the PRC. Meanwhile, the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a "negative list" for foreign investments, pursuant to which (i) foreign entities and individuals are prohibited from investing in the areas that are not open to foreign investments, (ii) foreign investments in the restricted industries must satisfy certain requirements under the law, and (iii) foreign investments in business sectors outside of the negative list will be treated equally with domestic investments. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information reporting system, through which foreign investors are required to submit information relating to their investments to the Ministry of Commerce ("**MOFCOM**"), or its local branches.

While our businesses are not included in the effective negative list and are not otherwise restricted to foreign investment by PRC laws and regulations, we cannot assure you that our industry will not be named in an updated "negative list" to be issued in the future. If our industry is added to the "negative list" or if the PRC regulatory authorities otherwise decide to limit foreign ownership in our industry, there could be a risk that we would be unable to do business in China as we are currently structured. If any new laws and/or regulations on foreign investments in China are promulgated and implemented, such changes could have a significant impact on our current corporate structure, which in turn could have a material impact on our business and operations, our ability to raise capital and the [**REDACTED**] of our Shares. In such event, despite our efforts to restructure to comply with the then applicable PRC laws and regulations in order to continue our operations in China, we may experience material changes in our business and results of operations, our attempts may prove to be futile due to factors beyond our control, and the value of the Shares you [**REDACTED**] in may significantly decline or become worthless.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon completion

of this [**REDACTED**]. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and there may be additional requirements on their ability to exercise stock options or remit proceeds gained from the sale of their stock into the PRC. We may also be subject to regulatory requirements that could affect our ability to adopt incentive plans for our directors, executive officers and employees under PRC law.

Under other rules and regulations issued by the STA concerning employee share incentives, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted Shares. Upon exercise of the share options or grant of the restricted Shares, our PRC subsidiaries have to file documents with respect to the granted share options or restricted Shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted Shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

See "Regulatory Overview—PRC Regulations on Foreign Exchange and Dividend Distribution—Employee Stock Incentive Plan."

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), or the EIT Law, and its implementation rules, an enterprise established outside of the PRC with a "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 2009, the STA issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or the STA Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to STA Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management and the places where they perform their duties are in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made

or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that we are not a PRC resident enterprise for PRC tax purposes. See "Regulatory Overview—PRC Regulations on Taxation—Enterprise Income Tax ("**EIT**")." However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and different interpretations exist with respect to the definition of the term "de facto management body." If the PRC tax authorities determine that we (or any non-PRC subsidiaries of us) are a PRC resident enterprise for enterprise income tax purposes, we (or such subsidiaries) will be subject to a 25% income tax on our worldwide income. In addition, if we are treated as a PRC resident enterprise we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders and any gain realized on the transfer of our Shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). Any PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether in practice our non-PRC shareholders would be able to obtain the benefits of any tax treaties between their countries of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Different interpretations exist with respect to the details of indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-RPC company, or immovable properties located in PRC by their non-PRC holding companies.

On February 3, 2015, the STA issued the Circular on Certain Issues Concerning Enterprise Income Tax for Indirect Transfers of Assets by Non-Resident Enterprises (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》), or the Circular 7, as amended in 2017. Pursuant to this Circular 7, an "indirect transfer" of assets, including non-publicly traded equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Circular 7, "PRC taxable assets" include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a "reasonable commercial purpose" of the transaction arrangement, features to be taken into consideration include, without limitation: whether the main value of the equity interest of the relevant

offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the shareholders, business model and organizational structure; the income tax payable abroad on the income from the transaction of indirect transfer of PRC taxable assets; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the STA promulgated the Circular of the STA on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》), or STA Circular 37, which became effective on December 1, 2017 and was most recently amended on June 15, 2018. STA Circular 37, among other things, simplified procedures of withholding and payment of income tax levied on non-resident enterprises.

Different interpretations exist as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions under Circular 7 and STA Circular 37. For transfer of shares in our company by [**REDACTED**] that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Circular 7 and STA Circular 37. As a result, we may be required to expend valuable resources to comply with Circular 7 and STA Circular 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these publications, or to establish that our company should not be taxed under these publications, which may have a material effect on our financial condition and results of operations.

Certain judgments obtained against us by our Shareholders may not be enforceable.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct a significant portion of our operations in China and a significant portion of our assets are located in China. In addition, a majority of our Directors and senior management reside within China, and most of their assets are located within China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon these individuals, or to bring an action against us or against these individuals in Hong Kong in the event that you believe your rights have been infringed under the Hong Kong laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our Directors and senior management.

Our growth through acquisitions in China is subject to the procedures established under the M&A Rules and certain other PRC regulations, which could make it difficult for us to complete such acquisitions.

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in the PRC by foreign investors more time consuming and complex. In addition to the Anti-Monopoly Law (《反壟斷法》), which became effective on August 1, 2008, and was lately amended on June 24, 2022 and came into effect on August 1, 2022, other M&A related rules include the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated in 2011 (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the Security Review Rules, and the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), or the Foreign Investment Security Review Measures, promulgated by NDRC and the MOFCOM in December 2020 and effective on January 18, 2021. In particular, the M&A Rules require, among other things, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Provisions of the State Council on the Standard for Declaration of Concentration of Business Operators (Draft for Comments) (《國務院關於經營者集中申報標準的規定(修訂草案徵求意見稿)》) released for public comments in June 2022 require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB12 billion (up from the current RMB10 billion) and at least two of these operators each had a turnover of more than RMB800 million (up from the current RMB400 million) within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB4 billion (up from the current RMB2 billion), and at least two of these operators each had a turnover of more than RMB800 million (up from

the current RMB400 million) within China) must be notified and cleared by the MOFCOM before they can be completed. In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), or the Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Also, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), effective in 2011, to implement Circular 6. Under the foregoing regulations, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. The foregoing regulations prohibit foreign investors from bypassing the security review by structuring transactions through holding shares on behalf of others, trusts, re-investment through multiple levels, leases, loans, control through contractual arrangements or offshore transactions. Following the implementation of the Foreign Investment Law, NDRC and MOFCOM promulgated the Measures on the Security Review of Foreign Investments (《外商投資安全審查辦法》), effective from January 18, 2021, which require foreign investors or relevant parties to file a prior report before making a foreign investment if such investment involves military related industry, national defense security or taking control of an enterprise in a key industry that concerns national security; and if a foreign investment will or may affect national security, the standing working office organized by NDRC and MOFCOM will conduct a security review to decide whether to approve such investment. We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM and other relevant PRC authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The approval of or report and filing with the CSRC, according to the Overseas Listing Trial Measures, or other governmental authorities may be required in connection with the [REDACTED] and where applicable, our potential follow-on [REDACTED] after the [REDACTED], and, if required, we cannot predict if we will be able to obtain these approvals or complete such report and filing in accordance with relevant PRC laws.

The Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), issued on July 6, 2021, emphasized the need to strengthen regulation over illegal securities activities and supervision on overseas listings by China-based companies and propose to take effective measures, such as promoting the development of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. The interpretation and implementation of these opinions are still evolving, and further explanations or detailed rules and regulations with respect to these opinions may be issued in the future, which may impose additional requirements on us.

On February 17, 2023, the CSRC issued the Overseas Listing Trial Measures, which became effective on March 31, 2023. Under the Overseas Listing Trial Measures, domestic companies conducting overseas securities offering and listing activities, either in direct or indirect form, shall complete filing procedures with the CSRC pursuant to the requirements of the Overseas Listing Trial Measures within three working days following its submission of initial public offerings or listing application.

As of the Latest Practicable Date, we had not received any formal inquiry, notice, warning, sanction, or any regulatory objection from the CSRC with respect to the [**REDACTED**]. As the Overseas Listing Trial Measures were newly published and the filing requirements and its implementation rules are still evolving and may be subject to different interpretations, we cannot assure that we will be able to complete the filing procedure with CSRC for our overseas [**REDACTED**] and [**REDACTED**] in a timely manner. Any failure or perceived failure by us to comply with such filing requirements under the Overseas Listing Trial Measures may result in forced corrections, warnings and fines against us and could materially hinder our ability to [**REDACTED**] or continue to [**REDACTED**] our securities.

In addition, the CAC and 12 other relevant PRC government authorities published the Measures for Cybersecurity Review (《網絡安全審查辦法》) on December 28, 2021, which took effect on February 15, 2022. The Cybersecurity Review Measures provide that, among others, (i) the purchase of network products and services by a "critical information infrastructure operator" and the data processing activities of a "network platform operator" that affect or may affect national security shall be subject to the cybersecurity review; and (ii) if a "network platform operator" that possesses personal information of more than one million users intends to go public in a foreign country, it must apply for a cybersecurity review with the Cybersecurity Review Office. Furthermore, the CAC released the Regulation on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations, for public comments on November 14, 2021. The Draft Data Security Regulations provide that data processors shall, among others, in accordance with relevant state provisions, apply for cyber security review when carrying out the following activities: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) intention to seek a listing abroad of data processors that process personal information of more than one million people; (iii) intention of data processors to seek a listing in Hong Kong, which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. However, the Draft Data Security Regulations do not provide the standard to determine the circumstances that would be determined to "affect or may affect national security." As advised by our PRC Legal Advisor, the criteria for determining "have or could have influence on national security," as stipulated in the Draft Data Security Regulations, are still evolving and may be subject to further elaboration by the CAC. If our business is deemed as "having or could have influence on national security" when the Draft Data Security Regulations become effective and we fail to conduct cybersecurity review according to the relevant laws and regulations and/or take rectification actions as required by the relevant competent government authority, we might be subject to penalties, warnings or revocation of our practicing licenses and permits, which could materially affect our business, reputation as

well as financial performance. As of the Latest Practicable Date, we had not received any investigation, notice, warning, or sanctions from applicable government authorities in relation to national security or been involved in any investigations on cybersecurity review made by the CAC on the national security basis or any other basis, and have not received any inquiry, notice, warning, or sanctions in such respect. In addition, the operative provisions and anticipated adoption or effective date of such draft regulations may be subject to changes. We cannot predict the impact of these draft regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. See "Regulatory Overview—Regulations on Data Privacy and Cybersecurity—PRC—Information security and censorship" for more detailed discussion.

If the CSRC or other PRC regulatory body subsequently determines that we need to obtain the CSRC or other governmental approvals for the [**REDACTED**] or if the CSRC or any other PRC government authorities promulgates any interpretation or implements rules before our [**REDACTED**] that would require us to obtain CSRC or other governmental approvals for the [**REDACTED**], we may face adverse actions or sanctions by the CSRC or other PRC regulatory agencies. In any such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operation in China, delay or restrict the repatriation of the [**REDACTED**] from the [**REDACTED**] into the PRC, or take other actions that could have a material effect on our business, financial condition, results of operations, reputation and prospects, as well as our ability to complete the [**REDACTED**].

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, will be required to register such investments with SAFE or its local branches. A foreign-invested enterprise formed by way of round tripping by the SPV shall also undergo relevant foreign exchange registration procedure. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any

subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE. If any PRC shareholder of such SPV fails to make the required registration or to update the previously filed registration, the subsidiaries of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China. On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or the 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.

Some of our existing shareholders are PRC residents under SAFE Circular 37. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into the subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange requirements. As a result, our business operations and our ability to distribute profits to you could be materially affected.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is difficult to predict how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could affect our business and prospects.

We may be materially affected if our Shareholders and beneficial owners who are PRC entities fail to comply with the relevant PRC overseas investment regulations.

On December 26, 2017, the NDRC promulgated the Measures for the Administration of Overseas Investments of Enterprises (《企業境外投資管理辦法》), or the NDRC Order No. 11, which took effect as of March 1, 2018. According to NDRC Order No. 11, non-sensitive overseas investment projects are subject to record-filing requirements with the local branch of the NDRC. On September 6, 2014, MOFCOM promulgated the Administrative Measures on Overseas Investments (《境外投資管理辦法》), which took effect as of October 6, 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries are subject to record-filing requirements with a local MOFCOM branch. According to the Circular of the State Administration of Foreign Exchange on Issuing the Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《國家外匯管理局關於發佈<境內機構境外直接投資外匯管理規定>的通知》), which was promulgated by SAFE on July 13, 2009 and took effect on August 1, 2009, PRC enterprises must register for overseas direct investment with a local SAFE branch. Under SAFE Notice 13, applications for foreign exchange registration of outbound overseas direct investments need to be filed with qualified banks instead of SAFE.

We may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC entities, and we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC entities will comply with our request to complete the overseas direct investment procedures under the aforementioned regulations or other related rules in a timely manner, or at all. If they fail to complete the filings or registrations required by the overseas direct investment regulations, the relevant authorities may order them to suspend or cease the implementation of such investment and make corrections within a specified time, which may affect our business, financial condition and results of operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may make it difficult for us to use the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. We may make loans to our PRC subsidiaries subject to the approval or registration from governmental authorities and limitation of amount, or we may make additional capital contributions to our wholly foreign-owned subsidiary in China. Any loans to our wholly foreign-owned subsidiary in China, which are treated as foreign-invested enterprises under PRC law, are subject to foreign exchange loan registrations, and cannot exceed statutory limits, which is either the difference between the registered capital and the total investment amount of such enterprise or a multiple of its net assets in the previous year. In addition, a foreign-invested enterprise, or FIE, shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of an FIE shall not be used for the following

purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the [**REDACTED**] from the [**REDACTED**] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially affect our liquidity and our ability to fund and expand our business.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material effect on our ability to conduct our business.

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders for services of any debt we may incur. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of its respective accumulated profits after making up losses as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund, or a staff welfare and bonus fund.

Our PRC subsidiaries generate primarily all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, any regulatory requirements on currency exchange may limit the ability of our PRC subsidiaries to use their Renminbi revenue to pay dividends to us.

The PRC government may promulgate new regulations on capital controls and vetting process for cross-border transactions falling under both the current account and the capital account. Any regulation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us may materially limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the EIT Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

Fluctuations in exchange rates could have a material effect on our results of operations and the value of your investment.

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in domestic and international economic conditions and the foreign exchange policy adopted by the PRC government, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the value of the RMB is subject to intervention by the PBOC in the foreign exchange market to limit fluctuations in RMB exchange rates. We are subject to the risk of volatility in future exchange rates and to the PRC government's regulations on currency conversion.

Any significant appreciation or depreciation of the RMB may affect our revenue, earnings and financial positions, and the value of, and any dividends payable on, our Shares in a foreign currency. There are limited instruments available for us to hedge our foreign currency risk. Further, the PRC government may in the future promulgate new regulations on the conversion of foreign exchange that could affect our ability to convert RMB into foreign currency. All of these factors could materially affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

We started using derivative financial instruments in 2021 to hedge exposure to exchange rate risk such as foreign exchange forward contracts. These derivative financial instruments reduce, but do not entirely eliminate the effect of foreign currency exchange rate movements on our cash and cash equivalents and short-term investments in foreign currencies.

PRC regulations on currency conversion and capital inflow/outflow may limit our ability to utilize our cash balance effectively and affect the value of your [REDACTED].

The convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China, are subject to laws, regulations and policies adopted by the PRC government. We receive a significant portion of our revenue in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have.

Pursuant to existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Pursuant to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises promulgated by SAFE (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the Circular 19, on March 30, 2015, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into RMB on a discretionary basis according to the actual needs. The Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects, promulgated by SAFE (《關於改革和規範資本項目結匯管理政策的通知》), or the Circular 16, on June 9, 2016 provides for an integrated standard for conversion of foreign exchange under capital account items on a discretionary basis, which applies to all enterprises registered in China. In addition, the SAFE Circular 16 has narrowed the scope of purposes for which an enterprise must not use the RMB funds so converted, which include, among others, (i) payment for expenditure beyond its business scope or otherwise as prohibited by the applicable laws and regulations, (ii) investment in securities or other financial products other than banks' principal-secured products, (iii) provision of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope of the enterprise, and (iv) construction or purchase of non-self-used real properties, except for real estate developers.

As a result, we need to obtain SAFE approval to use the cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. The PRC government may promulgate further regulations as it deems appropriate on the access to foreign currencies for current account transactions in the future. If we fail to obtain sufficient foreign currencies to satisfy our foreign currency demands in compliance with the foreign exchange regulations, we may not be able to pay dividends in foreign currencies to our shareholders. Further, there is no assurance that new regulations will not be promulgated in the future to further regulate the remittance of RMB into or out of China.

Changes in international trade policies and other rising tensions, particularly between the U.S. and China, may impact our business, financial condition and results of operations.

Although cross-border business may not be an area of our focus, if we plan to expand our business internationally in the future, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our solutions and services, impact our competitive position, or prevent us from being able to conduct business in certain countries. If any new tariffs, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could affect our business, financial condition, and results of operations. Recently, there have been heightened tensions in international economic relations, such as the one between the U.S. and China. The U.S. government has recently imposed, and has recently proposed to impose additional, new, or higher tariffs on certain products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the U.S. Following mutual retaliatory actions for months, on January 15, 2020, the U.S. and China entered into the Economic and Trade Agreement between the United States of America and the People's Republic of China as a phase one trade deal, effective on February 14, 2020. It remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade, tax policy related to international commerce, or other trade matters. The situation is further complicated by the tensions between the U.S. and China that escalated during the COVID-19 pandemic and in the wake of the PRC National People's Congress' decision on Hong Kong national security legislation, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the central government of the PRC, and the executive orders issued by U.S. President in August 2020 and August 2023, respectively, that prohibit certain transactions with certain China-based companies and their respective subsidiaries and regulate investments by U.S. persons in certain countries of concern (including China) in respect of national security technologies and products. Rising tensions could reduce levels of trade, investments, technological exchanges and other economic activities between China and other countries, which would have an effect on global economic conditions, the stability of global financial markets, and international trade policies.

Although the direct impact of the current international trade and other tension, and any escalation of such tension, on the AI-powered drug R&D service industry in China is evolving, the impact on general, economic and social conditions of China may consequently impact our business, financial condition and results of operations.

RISKS RELATED TO THE [REDACTED]

There has been no public market for our Shares prior to the [REDACTED], and you may not be able to resell our Shares at or above the [REDACTED] you pay, or at all.

Prior to the completion of the [**REDACTED**], there has been no public market for our Shares. There can be no guarantee that an active [**REDACTED**] market for our Shares will develop or be sustained after completion of the [**REDACTED**]. The [**REDACTED**] is the result of negotiations between our Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), which may not be indicative of the [**REDACTED**] at which our Shares will be traded following completion of the [**REDACTED**]. The [**REDACTED**] of our Shares may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**], and may result in losses on your [**REDACTED**] in our Shares.

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

[**REDACTED**] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including:

- actual or anticipated fluctuations in our operating and financial results, such as turnovers, earnings and cash flow;
- changes in earnings estimate or recommendations by financial analysts;
- general market conditions of the securities markets in Hong Kong, China, the U.S. and elsewhere in the world or other developments affecting us or our industry;
- potential litigation or regulatory investigations;
- the release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us or other Shareholders.

In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the [**REDACTED**] of and [**REDACTED**] for our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the [**REDACTED**] and [**REDACTED**] of our Shares, regardless of our actual operating performance, and may result in losses on your [**REDACTED**] in our Shares.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors and/or existing Shareholders, could adversely affect the [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors and/or existing Shareholders, or the perception or anticipation of such sales, could negatively impact the [**REDACTED**] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and [**REDACTED**] that we deem appropriate.

The Shares held by our existing Shareholders are subject to certain lock-up periods beginning on the date on which [**REDACTED**] in our Shares commences on the Stock Exchange. We cannot assure you that our existing Shareholders will not dispose of any Shares they may own now or in the future. See "History, Development and Corporate Structure—Lock-Up and Free Float" for details. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have negative impact on the [**REDACTED**] of our Shares, and may result in losses on your [**REDACTED**] in our Shares.

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

Our management may spend the [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return. See "Future Plans and 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, upon whose judgment you must depend, for the specific use we will make of the [**REDACTED**] from this [**REDACTED**].

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] and [REDACTED] of our Shares may decline.

The [**REDACTED**] for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the [**REDACTED**] of our Shares may decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our [**REDACTED**] or [**REDACTED**] to decline.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [**REDACTED**] of Shares is higher than the net tangible book value per share of our Shares immediately prior to the [**REDACTED**], purchasers of our Shares in the [**REDACTED**] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [**REDACTED**] may experience further dilution in their shareholding percentage.

We cannot assure you that we will declare and distribute any amount of dividends in the future, and you may have to rely on [REDACTED] appreciation of our Shares for returns on your [REDACTED].

We intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an [**REDACTED**] in our Shares as a source for any future dividend income.

Our Board has the discretion to pay interim dividends and to recommend to shareholders to pay final dividends; however, dividend payment is subject to certain restrictions under Cayman Islands law, namely that we may only pay dividends either out of profits and/or share premium account, and provided that in no circumstances may a dividend be paid out of share premium, if this would result in us being unable to pay our debts if they fall due in the ordinary course of business. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our Shares will likely depend entirely upon any future [**REDACTED**] appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the [**REDACTED**] 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.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various resources contained in this document.

This document contains information and statistics relating to our business operations and the markets in which we operate. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information from these sources has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], or any other persons or parties involved in the [**REDACTED**], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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, the investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong, the U.S. or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws 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 rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors reside. In particular, the Cayman Islands has a less developed body of securities laws. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this document, there may be press and media coverage regarding us and the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

There will be a time gap between [REDACTED] and [REDACTED] of our Shares [REDACTED] in the [REDACTED]. Holders of our Shares are subject to the risk that trading prices of our Shares could fall during the period before trading of our Shares begins.

The [**REDACTED**] of our Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence [**REDACTED**] on the Stock Exchange until the [**REDACTED**] which is expected to be several Business Days after the [**REDACTED**]. As a result, investors may not be able to [**REDACTED**] or [**REDACTED**] our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the [**REDACTED**] of our Shares could fall before [**REDACTED**] begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time [**REDACTED**] begins.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant for listing on the Stock Exchange must have a sufficient management presence in Hong Kong. Under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

Our Company does not, and for the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying Rule 8.12 of the Listing Rules. Our Group's business operations and assets are primarily based outside Hong Kong, and it would be practically difficult and not commercially necessary for us to relocate our executive Directors to Hong Kong for the purpose of satisfying Rule 8.12 of the Listing Rules. Accordingly, we have applied 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 on the basis that the following measures have been adopted by us:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, namely Dr. Wen, our executive Director and chairman of the Board, and Mr. Tam, our joint company secretary, who will act as our principal channel of communication with the Stock Exchange. Mr. Tam is ordinarily resident in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the authorized representatives is authorized to communicate on our behalf with the Stock Exchange;

(b) both our authorized representatives have the means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of our Board for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. All Directors have provided their mobile phone numbers, fax numbers and e-mail addresses (where available) to our authorized representatives. In the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone and all Directors and authorized representatives have provided their mobile numbers, office phone numbers, fax numbers and email addresses (where available) to the Stock Exchange;

(c) pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed UOB Kay Hian (Hong Kong) Limited as our compliance advisor (the "**Compliance Advisor**"), which has access at all times to our authorized representatives, Directors, senior management and other officers, and will act as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of our Company; and

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

OUTSTANDING SHARE OPTIONS

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribe certain disclosure requirements in relation to the share options granted by our Company (the "**Share Option Disclosure Requirements**"):

(a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options;

(b) Paragraph 27 of Appendix 1A to the Listing Rules requires our Company to set out in this document particulars of any capital of any member of our Group that 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; and

(c) under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, 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, (i) the period during which it is exercisable; (ii) the price to be paid for shares or debentures subscribed for under it; (iii) the consideration (if any) given or to be given for it or for the right to it; and (iv) 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.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

As of the Latest Practicable Date, our Company had outstanding options held by a total of 190 grantees to purchase an aggregate of 298,041,143 Shares. As of the Latest Practicable Date, options to purchase 168,639,365 Shares were held by four executive Directors, options to purchase 46,837,200 Shares were held by three members of our senior management, options to purchase 532,149 Shares were held by two consultants and options to purchase 550,000 Shares were held by one ex-employee of our Group. Options to purchase 81,482,429 Shares belonged to 180 other employees (who are not Directors, members of our senior management, consultants or ex-employee of our Group). 59,103,125 outstanding options were held by QuantumPharm Employee Holdings Limited, a holding vehicle wholly owned by TMF Trust (HK) Limited as trustee of the QuantumPharm Employee Benefit Trust, a discretionary trust established for the purposes of managing and administering the options on behalf of 13 employees of our Group (including Dr. Zhang Peiyu, a member of our senior management). All of the 298,041,143 Shares underlying the outstanding options (including those vested and unvested), representing [**REDACTED**]% of the total number of issued Shares immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs), have been issued by our Company, the last issuance of which took place in August 2021, and are held by QuantumPharm Roc, a shareholding platform for the [**REDACTED**] ESOP which holds such Shares, for the benefit of the grantees. As a result, there will be no dilutive effect on the shareholdings following the completion of the [**REDACTED**] and no impact on the earnings per Share upon the exercise of any such outstanding options granted under the [**REDACTED**] ESOP. No further awards will be granted pursuant to the [**REDACTED**] ESOP, being the only subsisting share incentive scheme of our Company as of the Latest Practicable Date, after the [**REDACTED**] and the terms of the [**REDACTED**] ESOP is not subject to the provisions of Chapter 17 of the Listing Rules. For further details of the [**REDACTED**] ESOP, see "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. [**REDACTED**] ESOP."

We have applied 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 an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance 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 and certain grantees in this document on the grounds that the waiver and the exemption will not prejudice the interest of the investing public and strict compliance with the Share Option Disclosure Requirements would be unduly burdensome for our Company for the following reasons, among others:

(a) as of the Latest Practicable Date, there were outstanding options belonging to a total of 190 grantees, which corresponded to an aggregate of 298,041,143 underlying Shares, representing [**REDACTED**]% of the total number of issued Shares immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs).

(b) it would be unduly burdensome for the purpose of strict compliance with the Share Option Disclosure Requirements of all the options granted to each of the grantees, which would significantly increase the cost and time required for information compilation and disclosure preparation. For example, we would need to collect and verify the addresses of 190 grantees. Furthermore, the disclosure of the personal details of the grantees, including their names, addresses and the number of options granted, may require consent from each of the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;

(c) material information on the options for the purpose of providing prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the outstanding options has been disclosed in this document. Such information includes:

(i) a summary of the major terms of the [**REDACTED**] ESOP;

(ii) the aggregate number and percentage of our issued Shares subject to the outstanding options;

(iii) the fact that there will not be any dilutive effect following the completion of the [**REDACTED**] or impact on earnings per Share upon full exercise of the options granted under the [**REDACTED**] ESOP;

(iv) 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 to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in respect of outstanding options held by our Directors, members of our senior management and connected persons of our Company (if any), on an individual basis; and

(v) with respect to the options held by grantees other than those referred to in (iv) above, the number of grantees, the number of underlying Shares subject to the options, the total consideration paid, the exercise period and the exercise price, each on an aggregated basis and categorized in accordance with the number of options held; and

(d) strict compliance with the disclosure requirements, in particular the names, addresses, and entitlements on an individual basis of 190 grantees would not provide additional meaningful information to the investing public. Deviation from strict compliance with the disclosure requirements would not deprive potential investors of information necessary for them to make an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The Stock Exchange [has granted] to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules with respect to the outstanding options on the condition that:

(a) 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 to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in respect of outstanding options held by our Directors, members of our senior management and connected persons of our Company (if any), on an individual basis are disclosed in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. [**REDACTED**] ESOP;"

(b) with respect to the options held by grantees other than those referred to in (a) above, the number of grantees, the number of underlying Shares subject to the options, the total consideration paid, the exercise period and the exercise price, each on an aggregated basis and categorized in accordance with the number of options held are disclosed in this document;

(c) the aggregate number and percentage of our issued Shares subject to the outstanding options as of the Latest Practicable Date are disclosed in this document;

(d) the fact that there will not be any dilutive effect following the completion of the [**REDACTED**] or impact on earnings per Share upon full exercise of the options granted under the [**REDACTED**] ESOP is disclosed in this document;

(e) a summary of the major terms of the [**REDACTED**] ESOP are disclosed in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. [**REDACTED**] ESOP;"

(f) the particulars of this waiver are disclosed in this document;

(g) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(h) a full list of all the grantees under the [**REDACTED**] ESOP, containing all the particulars as required under the applicable Share Option Disclosure Requirements will be made available for public inspection in accordance with "Appendix V—Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display—Document Available for Inspection."

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The SFC [has agreed] to grant to our Company a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the options granted under the [**REDACTED**] ESOP exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(a) all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in respect of outstanding options held by our Directors, members of our senior management and connected persons of our Company (if any), on an individual basis are disclosed in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. [**REDACTED**] ESOP;"

(b) with respect to the options held by grantees other than those referred to in (a) above, the number of grantees, the number of underlying Shares subject to the options, the total consideration paid, the exercise period and the exercise price, each on an aggregated basis and categorized in accordance with the number of options held are disclosed in this document;

(c) a full list of all the grantees under the [**REDACTED**] ESOP, containing all the particulars as required under the applicable Share Option Disclosure Requirements will be made available for public inspection in accordance with "Appendix V—Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display—Document Available for Inspection;" and

(d) the particulars of this exemption are disclosed in this document and this document will be issued on or before [**REDACTED**].

Further details of the [**REDACTED**] ESOP are set forth in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. [**REDACTED**] ESOP."

EXERCISE OF OPTIONS BY KEY PERSONNEL

Rule 18C.14(1) of the Listing Rules provides that the key persons of a Specialist Technology Company (the "**Key Personnel**"), comprising (a) the founder(s) (including the founding member(s) of key operating subsidiaries of the Specialist Technology Company); (b) the beneficiaries of weighted voting rights (if the Specialist Technology Company is to be listed with a weighted voting rights structure); (c) executive directors and senior management; and (d) key personnel responsible for the Specialist Technology Company's technical operations and/or the research and development of its Specialist Technology Product(s), and their respective close associates, as identified in the listing document of a Specialist Technology Company, must not, and must procure that the relevant registered holder(s) must not, in the period commencing on the date by reference to which disclosure of their respective

shareholdings is made in the listing document and ending on the date upon the expiry of the 24-month period (in the case of a Pre-Commercial Company) (counting from the date on which dealings in the securities of the Specialist Technology Company commence on the Stock Exchange), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the Specialist Technology Company in respect of which they are shown by in that listing document to be the beneficial owner(s) (the "**Lock-up Period**").

Guidance Letter HKEX-115-23 issued by the Stock Exchange further provides that, by way of an example for illustrative purposes only, the key personnel referred to in Rule 18C.14(1)(d) of the Stock Exchange includes the head and the key personnel of its research and development department whose expertise is primarily relied upon by the company for the development of the Specialist Technology Product(s), and the lead developer(s) of the core technologies in relation to the Specialist Technology Product(s).

Our Key Personnel as defined under Rule 18C.14(1) of the Listing Rules comprises (a) Dr. Wen, Dr. Ma and Dr. Lai, our Co-founders and executive Directors; (b) Dr. Jiang Yide Alan, our executive Director; (c) Dr. Zhang Peiyu (our Chief Scientific Officer), Dr. Gu Liang (our Chief Technology Officer) and Mr. Tam Man Hong (our Chief Financial Officer), members of our senior management. See "Relationship with our Co-founders," "Directors and Senior Management" for the background of our Key Personnel.

As of the Latest Practicable Date, according to Rule 18C.14(1) of the Listing Rules, the following options granted by our Company to our Key Personnel (the "**Key Personnel Options**") under the [**REDACTED**] ESOP are subject to the restrictions on disposal commencing on the date of this document and ending on expiry of 24 months commencing on the [**REDACTED**] (a) options to purchase 81,093,362, 45,230,342 and 32,315,661 Shares had been granted to Dr. Wen, Dr. Ma and Dr. Lai, respectively; (b) options to purchase 10,000,000 Shares had been granted to Dr. Jiang Yide Alan; (c) options to purchase 12,000,000 and 12,000,000 Shares had been granted to Dr. Gu Liang and Mr. Tam Man Hong, respectively; and (d) options to purchase 56,470,162 Shares had been granted to 13 grantees which had vested and held by QuantumPharm Employee Holdings Limited, a holding vehicle wholly owned by trustee of the QuantumPharm Employee Benefit Trust for the benefit of 13 employees of our Group (including Dr. Zhang Peiyu), and Dr. Ma has the power to provide voting instructions in respect of the Shares underlying the options held by the QuantumPharm Employee Benefit Trust. See "History, Development and Corporate Structure—Lock-Up and Free Float" for further details. Strict compliance with Rule 18C.14(1) of the Listing Rules would prevent QuantumPharm Roc, a shareholding platform for the [**REDACTED**] ESOP which holds the 249,109,527 Shares underlying the Key Personnel Options for the benefit of our Key Personnel, from transferring the relevant Shares for settling such Shares underlying the respective Key Personnel Options upon the exercise thereof.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 18C.14(1) of the Listing Rules in respect of the transfer of Shares by QuantumPharm Roc to the respective grantees upon the exercise of the Key Personnel Options on the grounds that the waiver will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons, among others:

(a) the [**REDACTED**] ESOP was adopted on July 14, 2021 and amended on August 5, 2021 by the Board and our then shareholders, before Chapter 18C of the Listing Rules came into effect and prior to the submission of the application for the Proposed Listing. The adoption of the [**REDACTED**] ESOP and the granting and vesting of the Key Personnel Options complied with the constitutional documents of the Company and the shareholders' agreement then in effect and had been approved by the Board and our then shareholders;

(b) the purpose of the [**REDACTED**] ESOP is to reward employees and other individuals and to motivate them to contribute to the success of our Group, thereby furthering the best interests of our Company and the Shareholders. The granting and vesting of the Key Personnel Options serve as rewards and incentives to the Key Personnel for their previous contributions to and future commitment in our Company. If our Company were to delay the settlement of the Shares underlying the respective Key Personnel Options upon the exercise thereof for strict compliance with the requirements under Rule 18C.14(1) of the Listing Rules, the incentivizing purpose of the Key Personnel Options would be impacted when the Key Personnel are unable to receive the relevant Shares upon exercise of their options and in turn may potentially cause loss of senior human resources to our Company, which will highly disrupt our business operation and management, and accordingly not in the best interests of our Company and Shareholders as a whole;

(c) absent of the waiver, our Company will be required to issue new Shares or purchase Shares from the open market to settle the Key Personnel Options in the event they are exercised during the Lock-up Period. Given the potential dilution effect and/or effect on the cash position on our Company, it would not be in the best interests of our Company and Shareholders as a whole to conduct such issuances or open market purchases solely for settling the Shares underlying the respective Key Personnel Options upon the exercise thereof for strict compliance with the requirements under Rule 18C.14(1) of the Listing Rules;

(d) details of the [**REDACTED**] ESOP, including the grantees, the vesting schedule and other key terms of the Key Personnel Options have been set out in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. [**REDACTED**] ESOP" for the purpose of providing prospective investors with sufficient information to make an informed assessment of our Company; and

(e) the transfer of Shares by QuantumPharm Roc to the respective Key Personnel will be effected solely for the purpose of settlement of the Shares underlying the respective Key Personnel Options upon the exercise thereof and will not result in any change of beneficial ownership of the Shares underlying the respective Key Personnel Options.

The waiver [was granted] by the Stock Exchange subject to the conditions that:

(a) the transfer of Shares by QuantumPharm Roc to the respective Key Personnel will be effected solely for the purpose of settlement of the Shares underlying the respective Key Personnel Options upon the exercise thereof;

(b) the number of Shares to be transferred by QuantumPharm Roc to the respective Key Personnel will be limited to the number of Shares which correspond to the respective Key Personnel Options being exercised;

(c) the transfer of Shares by QuantumPharm Roc to the respective Key Personnel will not result in any change of beneficial ownership of the Shares underlying the respective Key Personnel Options;

(d) the relevant Key Personnel will continue to be bound by Rule 18C.14(1) of the Listing Rules and will provide a lock-up undertaking to our Company and the Stock Exchange in respect of the Shares to be transferred to them upon the exercise of the Key Personnel Options on the same terms for the remaining period of the Lock-up Period, subject to any earlier expiry of the lock-up periods applicable to the relevant Key Personnel in the case of the removal of designation of our Company as a Pre-Commercial Company as described in Note 2 to Rule 18C.23 of the Listing Rules; and

(e) our Company will disclose in our interim and annual reports information of the total number of securities in our Company held by each Key Personnel that are subject to the requirements of Rule 18C.14 of the Listing Rules, in accordance with the Listing Rules.

INVESTMENTS AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, a new listing applicant is required to include in its accountants' report in the listing document the results and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the listing applicant have been made up in respect of each of the three financial years immediately preceding the issue of the listing document, or since the incorporation of such subsidiary or the commencement of such business if this occurred less than three years prior to such issue, or such shorter period as may be acceptable to the Stock Exchange. For the purpose of Rules 4.04(2) and 4.04(4) of the Listing Rules, "acquisition of business" includes acquisition of associates and any equity interest in another company.

(i) Target Company A

On September 25, 2023, our Company entered into a convertible loan agreement (the "**CB Agreement**") with a target company ("**Company A**") which is an Independent Third Party, pursuant to which our Company agreed to extend a convertible loan in the principal amount of up to US$10.0 million (the "**Loan**") at a simple interest rate of 8% per annum, which shall mature at the earlier of (i) 18 months from the payment date of the Loan and (ii) the closing date of the conversion of all of the principal outstanding under the Loan. The Loan is expected to be funded with our internal financial resources. As of the Latest Practicable Date, US$3.0 million had been drawn down by Target Company A.

Under the terms of the CB Agreement, upon the issuance of new preferred shares by the Target Company A pursuant to a *bona fide* equity financing of Target Company (the "**Financing**") or at the maturity date of the Loan, our Company shall have the right but not the obligation to convert all of the principal outstanding under the Loan into certain number of preferred shares of Target Company A as follows:

(a) if the closing of the Financing occurs within nine months following the payment date of the Loan, the unpaid principal under the Loan may be converted into such number of preferred shares of Target Company A with the same rights and privileges of the preferred shares to be issued and at a conversion price equal to 80% of the per share price under the Financing;

(b) if the closing of the Financing occurs after nine months but within 18 months following the payment date of the Loan, the unpaid principal under the Loan may be converted into such number of preferred shares of Target Company A with the same rights and privileges of the preferred shares to be issued and at a conversion price equal to 70% of the per share price under the Financing; and

(c) if there is no Financing prior to the maturity date of the Loan, the unpaid principal under the Loan may be converted after the maturity date of the Loan into such number of preferred shares of Target Company A ranking superior to or at least *pari passu* with the most senior equity securities of Target Company A with the same rights and privilege of such equity securities and at a conversion price that equals to 70% of the per share price under the latest series pre-A-3 financing of Target Company A. Our Company may also choose to request Target Company A to repay all outstanding amount (including the unpaid principal and outstanding interest) of the Loan in full.

Target Company A, being the holding company of Customer D, our collaborator-investee and one of our top five customers during the Track Record Period, is a company incorporated in the Cayman Islands and is a genomics-based platform focusing on the development of novel medicines targeting human RNAs. The investment in Target Company A was made in the ordinary and usual course of business of our Group as it is one of our strategies to make equity investments in our collaborators which develop complementary technologies to ours and are compatible with our strategic position. According to the unaudited management accounts of Target Company A prepared in accordance with PRC GAAP, its net loss for the year ended December 31, 2022 was RMB52.0 million and its total assets as of December 31, 2022 was RMB83.9 million. The terms of the investment in Target Company A, including the principal amount and the conversion price of the Loan, were determined on an arm's length basis taking into consideration business prospects, the valuation and timing of the previous round of financing as well as the next potential round of financing.

(ii) Target Company B

Pursuant to a shareholders' agreement dated February 15, 2022 entered into between, among others, Shenzhen Zhiyao, Target Company B and its shareholders, all being Independent Third Parties, and a supplemental agreement dated July 2, 2022 entered into between the same parties and XtalPi Investment, XtalPi Investment was granted the right to receive shares in Target Company B with a value equal to the RMB-equivalent of US$1.2 million divided by the post-money valuation of the next round of its financing upon the delivery of pre-clinical candidate compound to Target Company B by our Group for IND enabling studies. In the event that there has been no further round of financing conducted by the time of the delivery of the pre-clinical candidate compound, the shares in Target Company B which may be received by XtalPi Investment will be with a value equal to the RMB-equivalent of US$1.2 million divided by the post-money valuation of its previous round of financing. The subscription price of US$1.2 million, which was determined on an arm's length basis taking into consideration the business prospects and the valuation and timing of the previous round of financing as well as the next potential round of financing, will be settled by our Group after receipt of an equivalent amount of services fees from Target Company B.

Target Company B, being our collaborator-investee and one of our top five customers during the Track Record Period, is a pre-clinical stage biopharmaceutical company focusing on the development of innovative targeted cancer drugs using novel disease models disease models. The investment in Target Company B was made in the ordinary course of business of our Group to acquire equity positions in our collaborators with whom we jointly discover and design novel therapeutical targets and technologies. According to the unaudited management accounts of Target Company B prepared in accordance with PRC GAAP, its net loss for the year ended December 31, 2022 was RMB26.0 million and its total assets as of December 31, 2022 was RMB75.3 million.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

We have applied for, and the Stock Exchange [has granted us], a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in relation to the preparation of financial statements in respect of each of Target Company A and Target Company B on the following grounds:

(a) **Ordinary and usual course of business** — our Group is principally engaged in the provision of (i) drug discovery solutions; and (ii) intelligent automation solutions. We have made equity investments or acquire equity positions in certain of our collaborators which develop complementary technologies to ours and are compatible with our strategic position or with whom we jointly discover and design novel therapeutical targets and technologies. For details, see "Business—Our Drug Discovery Solutions and—Our Intelligent Automation Solutions". Our Directors believe that the terms of the investments are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

(b) **Immateriality of the target companies** — the scale of the business operated by each of Target Company A and Target Company B as compared to that of our Group is immaterial. Based on the unaudited management accounts of Target Company A and Target Company B for the year ended December 31, 2022, all the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to each of the investments referenced against the financials of our Company in the most recent financial years of the Track Record Period are less than 5%. Moreover, investments are not significant enough to require our Company to prepare pro forma financial information under Rule 4.28 of the Listing Rules.

Accordingly, our Directors believe that (i) each of the investments is immaterial when compared to the scale of our Group's operations as a whole; (ii) each of the investments has not resulted in any significant change to the financial position of our Group since the end of the Track Record Period; and (iii) all information that is reasonably necessary for potential [**REDACTED**] to make an informed assessment of the activities or financial position of our Group has been included in this document. As such, a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investing public.

(c) **Unavailability of information** — as neither investments had been completed and we are not able to exercise control over each of Target Company A and Target Company B at the board or shareholders' level, our Group does not have full and immediate access to their books and records for the purpose of complying with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. Even with full and immediate access to their books and records, it will require considerable time and resources for our Company to familiarize with their management accounting policies and for our Company and our reporting accountants to compile the necessary financial information for disclosure in this document. As such, it would be impracticable and unduly burdensome to our Company to disclose the audited financial information of each of Target Company A and Target Company B as required under the Listing Rules.

(d) **Alternative disclosure available** — our Company has provided in this document alternative information regarding the investments which is comparable to the information that is required to be included in the announcement of a discloseable transaction (as defined in the Listing Rules), including:

(i) description of the principal business activities of Target Company A and Target Company B;

(ii) the unaudited net losses for the year ended December 31, 2022 and the unaudited total assets as of December 31, 2022 of each of Target Company A and Target Company B;

(iii) confirmation as to whether each of the counterparties is an Independent Third Party;

(iv) the date of the investments;

(v) the basis of consideration, including upon which the principal amount and the conversion price of the Loan were determined;

(vi) the reasons for the investments and the benefits which are expected to accrue to our Group as a result thereof; and

(vii) a statement that our Directors believe that the terms of the investments are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

FINANCIAL STATEMENTS IN THIS DOCUMENT

According to Rule 4.04(1) of the Listing Rules, in the case of a new applicant, the Accountant's Report must include the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this document or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contain the matters specified in the Third Schedule to Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a statement as to the gross trading income or sales turnover (as may be appropriate) during each of the three financial years immediately preceding the issue of this document, including an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a report by its auditors with respect to the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this document.

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from strict 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 interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountant's Report for the three years ended December 31, 2022 and the six months ended June 30, 2023 is set out in Appendix I to this document. However, our Directors believe that strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 4.04(1) of the Listing Rules would be unduly burdensome, and a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and an exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prejudice the interest of the [**REDACTED**] public given the following reasons:

(a) there would not be sufficient time for our Group and the reporting accountant to finalize the audited financial information for the year ending December 31, 2023 for inclusion in this document, which shall be issued on or before [March 20, 2024]. If the financial information is required to be audited up to December 31, 2023, our Company and our reporting accountant would have to undertake a substantial amount of work to prepare, update and finalize the Accountant's Report and this document and the relevant sections of this document will need to be updated to cover such additional period. This would involve additional time and costs since a substantial amount of work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ending December 31, 2023 to be finalized within a short period of time. Our Directors consider that the benefits of such work to the potential [**REDACTED**] of our Company may not justify the additional work and expenses involved and the delay of the timetable for [**REDACTED**];

(b) our Company has included in this document (i) the Accountant's Report covering the three years ended December 31, 2022 and the six months ended June 30, 2023, (ii) the preliminary unaudited financial information of our Group for the year ending December 31, 2023 [which has been agreed with our reporting accountant], PricewaterhouseCoopers, following its procedures under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and a commentary on the results for the year as set out in Appendix [●] to this document, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules, and (iii) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Directors are of the view that all material information has already been included in this document to provide potential [**REDACTED**] with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Group, and all material information that is necessary for the potential [**REDACTED**] to make an informed assessment of the activities, assets and liabilities, financial position, trading position, management and prospects of our Company has been included in this document;

(c) our Directors confirm that they have performed reasonable due diligence to ensure that, up to the date of this document, save as disclosed in this document, there has been no material adverse change in the financial and trading positions or prospects of the Group since June 30, 2023 and there has been no event since June 30, 2023 which would materially affect the information shown in the Accountant's Report, the preliminary unaudited results announcement of our Group for the year ending December 31, 2023 set out in Appendix [●] to this document and "Financial Information" and other parts of this document; and

(d) our Company will comply with the requirements under Rules 13.46(2) of the Listing Rules in respect of the publication of its annual report within the time prescribed. Our Company currently expects to issue its annual report for the year ending December 31, 2023 on or before [**REDACTED**]. In this regard, our Directors consider that our Shareholders, the [**REDACTED**] public as well as potential [**REDACTED**] of our Company will be kept informed of the financial results of the Group for the year ending December 31, 2023.

In such circumstances, an application has been made to the Stock Exchange for, and the Stock Exchange [has granted] to our Company, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, on the conditions that: (a) this document will be issued on or before [**REDACTED**] and our Shares will be [**REDACTED**] on the Stock Exchange by [**REDACTED**], i.e. within three months after the latest financial year end; (b) our Company will obtain a certificate of exemption from the SFC from strict compliance with the requirements under section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; (c) this document will include the preliminary unaudited financial information of our Group for the year ending December 31, 2023 and a commentary on the results for the year. The financial information to be included in this document must (i) follow the same content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (ii) [be agreed with the reporting accountant] following its procedures under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and (d) our Company will not be in breach of our constitutional documents or laws and regulations of the Cayman Islands, where our Company is incorporated, or other regulatory requirements regarding our obligation to publish preliminary results announcements.

An application has also been made to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) in respect of the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the accountants' report for the full year ending December 31, 2023 in this document. A certificate of exemption [has been granted] by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that: (a) the particulars of the exemption are set out in this document; and (b) this document will be issued on or before [**REDACTED**], and our Shares will be [**REDACTED**] on the Stock Exchange on or before [**REDACTED**], i.e. within three months after the latest financial year end.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
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Name	Address	Nationality
Independent Non-Executive Directors		
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See "Directors and Senior Management" for further details.

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Remuneration Committee	Mr. Law Cheuk Kin Stephen *(Chairman)* Dr. Ma Jian Ms. Chan Wing Ki

Nomination Committee

Dr. Wen Shuhao *(Chairman)*
Mr. Law Cheuk Kin Stephen
Ms. Chan Wing Ki

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OVERVIEW OF NEW TECHNOLOGIES

New technologies, such as artificial intelligence ("**AI**"), quantum physics and automation, are transforming businesses and are believed to contribute to economic growth by enhancing productivity. These technologies have been gradually transforming the nature of work by enabling computers and machines to carry out tasks more efficiently than manually in the past, and even tasks that humans are not capable of doing.

China is emerging as one of the global leaders in new technologies. Along with China's strategic shift from high-growth development to high-quality development, these new technologies have become a key driver of China's future economy. The U.S. and the European Union have also been actively launching similar favorable policies to foster the development and adoption of new technologies. See "—Key Drivers and Future Trends of New Technologies" for more details.

Artificial Intelligence ("AI")

AI is a branch of computer science that aims to empower machines to simulate human intelligence and intricate cognitive functions associated with learning, reasoning, and problem-solving. AI works in two main phases: training and inference. In the training phase, developers feed their models with curated datasets for the models to "learn" all the knowledge they need to analyze a specific type of data. In the inference phase, the trained models make predictions based on live data to produce actionable results.

AI represents a transformational and foundational technology for the future of computing and is expected to transform human-to-human, human-to-machine, machine-to-human, and machine-to-machine interactions in the coming decades. The influence of AI is expected to permeate deeper into many industries in the foreseeable future.

Quantum Physics

Quantum physics is the study of matter and its interactions with energy on the scale of atomic and subatomic particles. It enables the calculation of properties and behavior of physical systems, such as wave-particle duality, superposition, uncertainty principle, entanglement, energy level quantization, spin, tunneling and interference. Quantum physics plays a crucial role in life science and material science by providing a fundamental understanding of the behavior of matter at the atomic and subatomic level. Through the first principles of quantum mechanics, scientists are able to predict and explain the properties of materials, such as their electronic structure, optical properties and magnetic behavior.

Automation

Automation is the use of technology to perform tasks with minimal human input. Developed along with AI, automation has evolved from physical machinery that assisted in the performance of labor-intensive tasks, such as the manufacturing of cars, to a new level of sophistication and adaptability to various industries.

One of the key advantages of automation is the significantly increased efficiency. By automating repetitive and time-consuming tasks, companies can significantly reduce human errors and create a more productive workforce. Moreover, automation can improve quality and consistency by eliminating human-caused inconsistencies, leading to standardized outputs and improved accuracy.

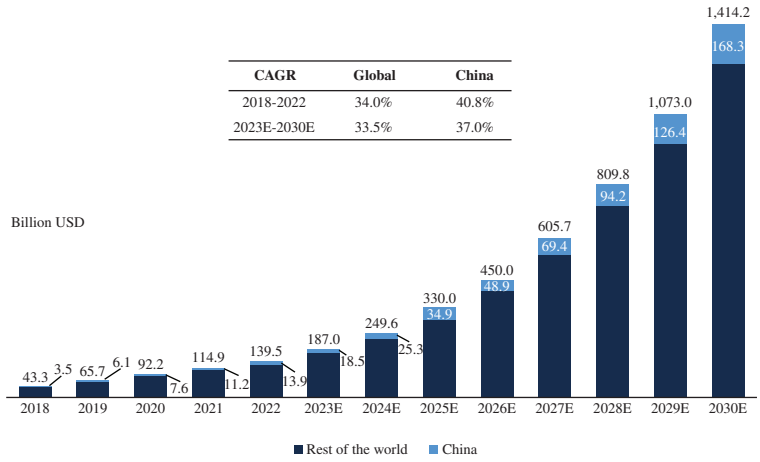
The New Technology Markets

AI Solution Market

AI solutions show great potential in various application scenarios, as it can break through the huge bottleneck of data quality, processing efficiency, complete in-depth analysis, and standardization of large-scale, multi-source heterogeneous data, thereby significantly increasing the demand for AI technology. For instance, AI is able to automate and unceasingly perform a repetitive task which used to be done manually. In addition, AI can be possibly trained to generate more accurate work products than humans, helping humans to make better decisions.

The global AI solution market is experiencing rapid growth, driven by technological advancements, favorable government policies, and increased demand across various industries. The size of the global AI solution market increased at a CAGR of 34.0% from US$43.3 billion in 2018 to US$139.5 billion in 2022, and is expected to further increase at a CAGR of 33.5% from US$187.0 billion in 2023 to US$1,414.2 billion in 2030. The size of the AI solution market in China increased at a CAGR of 40.8% from US$3.5 billion in 2018 to US$13.9 billion in 2022, and is expected to further increase at a CAGR of 37.0% from US$18.5 billion in 2023 to US$168.3 billion in 2030.

Global and China AI Solution Markets, 2018-2030E



Source: Frost & Sullivan Report

Among the various sectors in AI solutions market, the application of AI solutions in healthcare and material science (including agriculture, beauty and cosmetics, petrochemical, battery, and display sectors) is expected to grow significantly.

The size of the global market for AI solutions in the healthcare sector is expected to increase at a CAGR of 35.5% from US$13.7 billion in 2022 to US$155.3 billion in 2030; the size of the global market for AI solutions in the agriculture sector is expected to increase at a CAGR of 34.0% from US$5.4 billion in 2022 to US$56.0 billion in 2030; the size of the global market for AI solutions in the beauty and cosmetics sector is expected to increase at a CAGR of 34.0% from US$2.7 billion in 2022 to US$28.1 billion in 2030; the size of the global market for AI solutions in the petrochemical sector is expected to increase at a CAGR of 39.8% from US$1.4 billion in 2022 to US$20.6 billion in 2030; the size of the global market for AI solutions in the battery sector is expected to increase at a CAGR of 33.8% from US$3.8 billion in 2022 to US$39.5 billion in 2030; and the size of the global market for AI solutions in the display sector is expected to increase at a CAGR of 39.1% from US$0.1 billion in 2022 to US$1.3 billion in 2030.

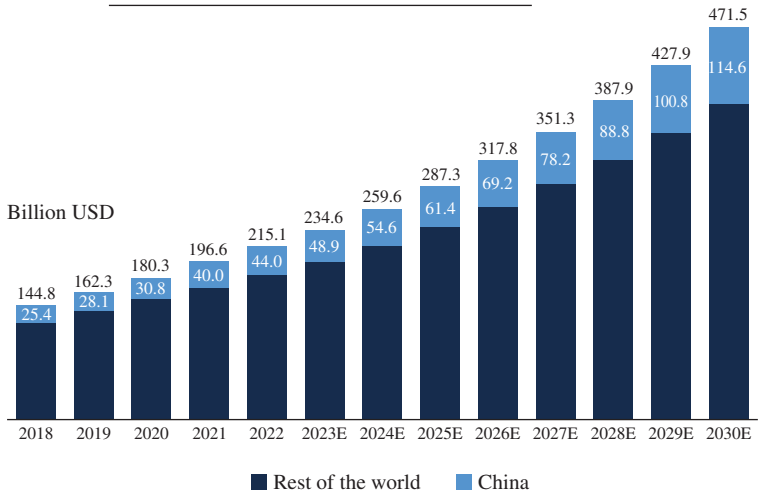
Automation Market

The global automation market is experiencing significant growth as industries increasingly embrace technology to streamline processes and improve efficiency. The automation market can be divided into the markets for industrial automation and lab automation. Industrial automation primarily refers to the incorporation of automation into end-to-end manufacturing processes, while lab automation primarily refers to the application of technology and services to automate various lab processes and tasks. The global penetration rate of lab automation is expected to increase from 3.7% in 2022 to 23.2% in 2030.

The size of the global automation market increased at a CAGR of 10.4% from US$144.8 billion in 2018 to US$215.1 billion in 2022. Driven by the advancements in robotic and AI technologies, the size of the global automation market is expected to further increase at a CAGR of 10.5% from US$234.6 billion in 2023 to US$471.5 billion in 2030. The size of the automation market in China increased at a CAGR of 14.7% from US$25.4 billion in 2018 to US$44.0 billion in 2022, and is expected to further increase at a CAGR of 13.0% from US$48.9 billion in 2023 to US$114.6 billion in 2030.

Global and China Automation Markets, 2018-2030E

CAGR	Global	China
2018-2022	10.4%	14.7%
2023E-2030E	10.5%	13.0%



Source: Frost & Sullivan Report

Among the various sectors in the automation market, the application of automation in healthcare and material science (including, petrochemical, battery, and display sectors) is expected to grow significantly.

The size of the global market for automation in the healthcare sector is expected to increase at a CAGR of 19.2% from US$15.5 billion in 2022 to US$63.2 billion in 2030; the size of the global market for automation in the petrochemical sector is expected to increase at a CAGR of 11.0% from US$6.7 billion in 2022 to US$15.3 billion in 2030; the size of the global market for automation in the battery sector is expected to increase at a CAGR of 9.5% from US$10.4 billion in 2022 to US$21.4 billion in 2030; and the size of the global market for automation in the display sector is expected to increase at a CAGR of 9.9% from US$0.9 billion in 2022 to US$2.0 billion in 2030.

Key Drivers and Future Trends of New Technologies

The growth of the new technology market is expected to be driven and influenced by the following factors and trends:

- ***Growing data volume across industries.*** The exponential growth in data volume presents significant prospects for extracting meaningful insights and knowledge, spurring the emergence of cutting-edge data analytics technologies like machine learning ("**ML**") algorithms and AI models. The surge in data also necessitates the development of sophisticated solutions for data storage, management, computation, and security.

- ***Increasing labor cost.*** Increasing labor costs prompt businesses to explore alternative means of minimizing their reliance on human labor, thereby driving more investment in new technologies. Automation technologies, robotics, and AI models have emerged as primary solutions to reduce labor costs. These technologies enable businesses to streamline operations, enhance productivity, and optimize resource allocation, while reducing labor expenses.

- ***Convergence of technologies.*** The convergence of technologies, such as the integration of AI in combination with quantum physics, cloud computing, and automation, empowers the rapid growth of the new technology market. By combining their strengths and capabilities, technologies can drive synergistic innovation, enable cross-domain applications, enhance performance and efficiency, and foster an interconnected ecosystem. As technologies continue to converge and interact, the pace of innovation and market growth is expected to further accelerate.

- ***Favorable policies.*** The PRC government has launched a series of favorable national and regional policies in recent years to incentivize and encourage technological innovations and spur technological enhancements to support economic growth. For instance, "The Development Plan for National High-Tech Industrial Development Zones in the '14th Five-Year Plan' Period (2021-2025) (《"十四五"國家高新技術產業開發區發展規劃(2021-2025)》) emphasizes on the importance of implementing the strategy of technological innovation-driven development in key industries, such as the biotechnology industry. The U.S. government has also been actively implementing favorable policies to foster the development and adoption of new technologies. The *Credit for Increasing Research Activities* (R&D Tax Credit), for example, is a key policy tool introduced by the U.S. government to incentivize businesses to invest in qualifying R&D programs so as to encourage innovation and technological advancement. Furthermore, the *Horizon Europe*, the European Union's largest R&D funding program running from 2021 to 2027, also aims to provide substantial funding for the development of new technology and encourage collaboration and innovation throughout the European Union.

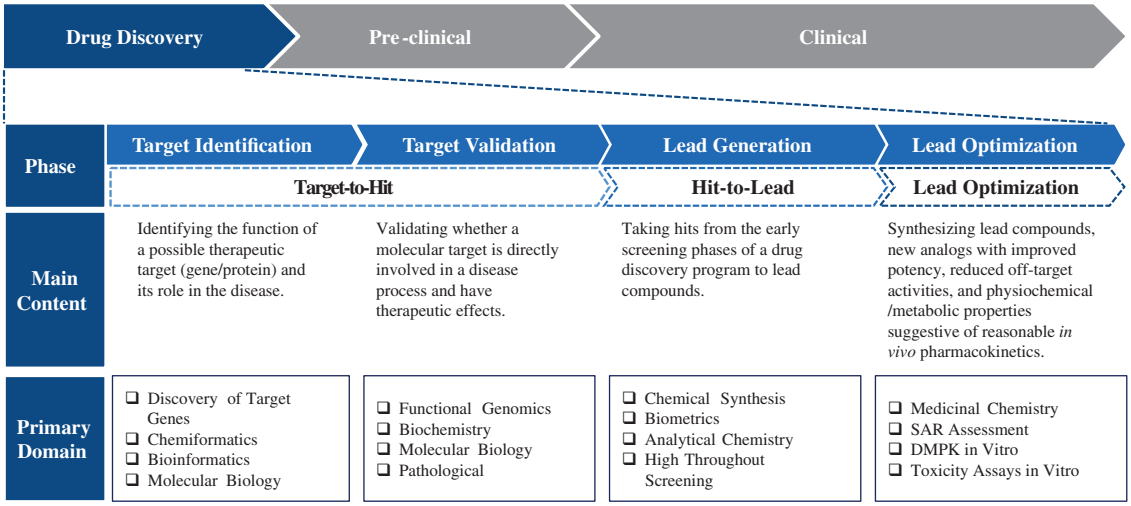
THE DRUG R&D MARKET

Overview

Drug R&D is a systematic process that requires interdisciplinary efforts to design safe, effective and commercially feasible drugs, which can be divided into three main stages: early drug discovery, pre-clinical studies, and clinical studies. Among all the stages, early drug discovery is the first step and is considered as fundamental to drug R&D.

There are four phases in drug discovery, from the initial phases of target identification and target validation ("**target-to-hit**"), to the later phases of lead generation ("**hit-to-lead**"), and lead optimization. Target identification is the process of identifying the direct molecular target, and target validation is the process of verifying the predicted molecular target. Lead generation is the process of evaluating target molecules and performing limited optimization to identify promising compounds, and lead optimization is the process of designing drug candidates after the initial target compounds have been identified.

The diagram below illustrates the four phases of drug discovery in detail:



Source: Frost & Sullivan Report

Notes:

(1) SAR: Structure-activity relationship.

(2) DMPK: Drug Metabolism and Pharmacokinetics.

Market Size

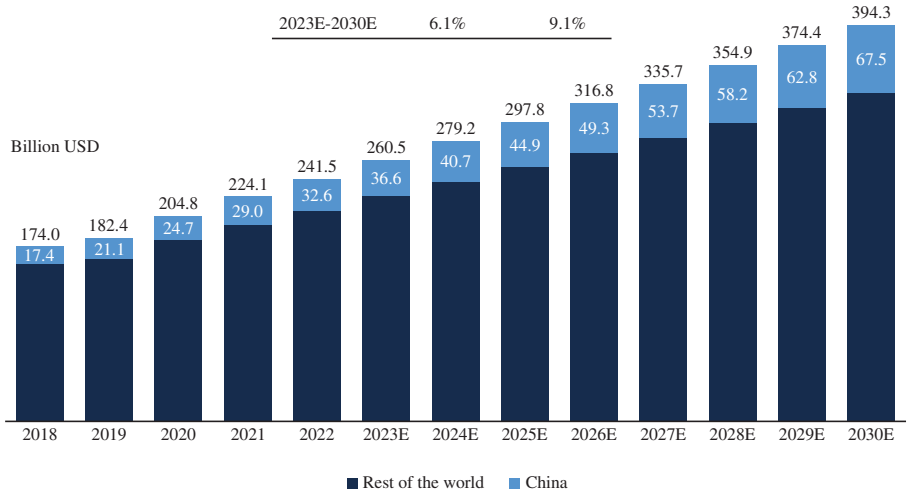
Global and China Drug R&D Expenditure

The global drug R&D expenditure has experienced rapid growth in recent years and is expected to continue increasing. It increased at a CAGR of 8.5% from US$174.0 billion in 2018 to US$241.5 billion in 2022, and is expected to further increase at a CAGR of 6.1% from US$260.5 billion in 2023 to US$394.3 billion in 2030.

Driven by increasing domestic technological advancements, robust government support, and a strategic emphasis on fostering innovation, drug R&D expenditure in China increased at a CAGR of 17.0% from US$17.4 billion in 2018 to US$32.6 billion in 2022, and is expected to further increase at a CAGR of 9.1% from US$36.6 billion in 2023 to US$67.5 billion in 2030.

Global and China Drug R&D Expenditure, 2018-2030E

CAGR	Global	China
2018-2022	8.5%	17.0%
2023E-2030E	6.1%	9.1%



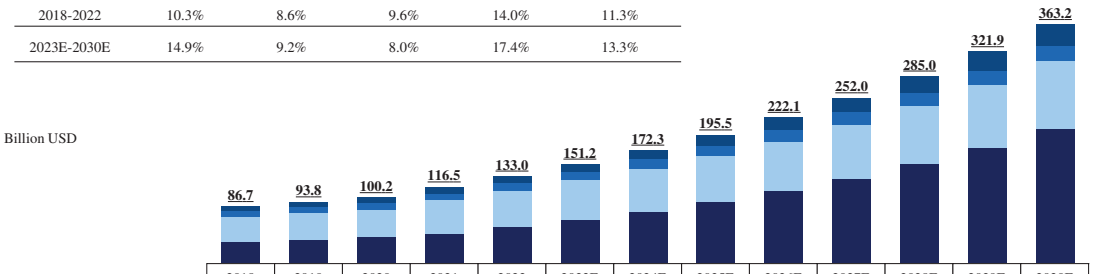
Source: Frost & Sullivan Report

Global and China Drug R&D Outsourcing Service Markets

Drug R&D outsourcing services includes CRO services for drug discovery, preclinical, clinical studies, and CMO/CDMO services for small molecular drugs and biologics. The size of the global drug R&D outsourcing service market increased at a CAGR of 11.3% from US$86.7 billion in 2018 to US$133.0 billion in 2022, and is expected to further increase at a CAGR of 13.3% from US$151.2 billion in 2023 to US$363.2 billion in 2030. In particular, the size of the global drug R&D outsourcing service market for drug discovery increased at a CAGR of 10.3% from US$7.6 billion in 2018 to US$11.2 billion in 2022, and is expected to further increase at a CAGR of 14.9% from US$12.3 billion in 2023 to US$32.5 billion in 2030.

Global Drug R&D Outsourcing Service Market, 2018-2030E

Period	Discovery	Preclinical	Clinical	CDMO	Total
2018-2022	10.3%	8.6%	9.6%	14.0%	11.3%
2023E-2030E	14.9%	9.2%	8.0%	17.4%	13.3%



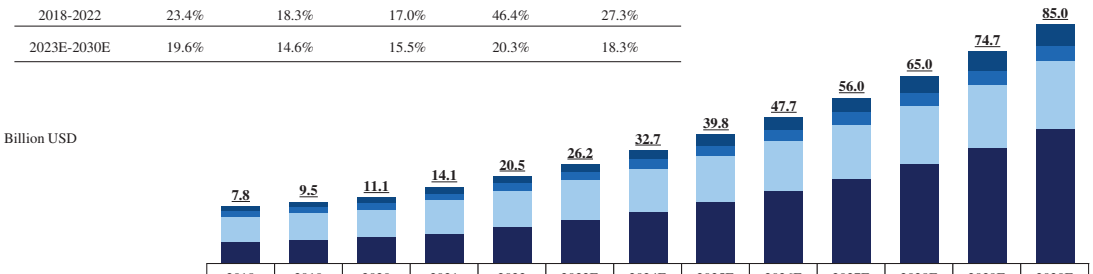
	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	86.7	93.8	100.2	116.5	133.0	151.2	172.3	195.5	222.1	252.0	285.0	321.9	363.2
Discovery outsourcing services	7.6	8.5	9.2	10.2	11.2	12.3	14.7	17.1	19.8	22.7	25.8	29.1	32.5
Preclinical outsourcing services	8.4	9.1	9.5	10.6	11.7	12.9	14.2	15.5	17.0	18.5	20.2	22.0	23.9
Clinical outsourcing services	37.9	40.6	41.8	50.2	54.7	59.5	64.6	70.0	75.8	81.8	88.2	94.9	101.9
CMO/CDMO outsourcing services	32.8	35.6	39.7	45.5	55.4	66.5	78.9	92.9	109.6	128.9	150.8	175.9	204.9

Source: Frost & Sullivan Report

The size of the China drug R&D outsourcing service market increased at a CAGR of 27.3% from US$7.8 billion in 2018 to US$20.5 billion in 2022, and is expected to further increase at a CAGR of 18.3% from US$26.2 billion in 2023 to US$85.0 billion in 2030. In particular, the size of drug R&D outsourcing service market for drug discovery in China increased at a CAGR of 23.4% from US$1.1 billion in 2018 to US$2.6 billion in 2022, and is expected to further increase at a CAGR of 19.6% from US$3.4 billion in 2023 to US$11.9 billion in 2030.

China Drug R&D Outsourcing Service Market, 2018-2030E

Period	Discovery	Preclinical	Clinical	CDMO	Total
2018-2022	23.4%	18.3%	17.0%	46.4%	27.3%
2023E-2030E	19.6%	14.6%	15.5%	20.3%	18.3%



	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	7.8	9.5	11.1	14.1	20.5	26.2	32.7	39.8	47.7	56.0	65.0	74.7	85.0
Discovery outsourcing services	1.1	1.4	1.8	2.3	2.6	3.4	4.2	5.2	6.3	7.5	8.9	10.3	11.9
Preclinical outsourcing services	1.5	1.8	1.9	2.2	3.0	3.4	4.0	4.7	5.4	6.2	7.1	7.9	8.9
Clinical outsourcing services	3.2	3.7	3.8	4.7	6.0	7.2	8.9	10.5	12.2	14.1	16.1	18.0	19.8
CMO/CDMO outsourcing services	1.9	2.6	3.5	4.8	8.9	12.2	15.5	19.4	23.8	28.2	33.0	38.4	44.5

Source: Frost & Sullivan Report

Application of AI in Drug R&D

The traditional drug R&D process is costly and time-consuming, and generally takes at least approximately 10 years and over US$1 billion investment. In particular, it generally takes approximately one to two years and around US$400 million to US$450 million for the discovery of a single drug. Furthermore, one commercially viable drug is typically selected from thousands of compounds at drug discovery. The total cost of R&D activities for a new drug can reach US$2.6 billion.

However, the application of new technologies, such as AI, in drug R&D can significantly reduce the time and costs required for the drug R&D, and improve the success rate. AI has been successfully applied in each step of the drug R&D process, and the feedback from drug R&D helps to refine the functionality of the AI-powered drug R&D platform and enrich AI database. In the process of learning and validation, algorithm, computing power and data, which are the three core elements of AI, can enhance each other and continually strengthen the AI-powered drug R&D platform.

With the increasing adoption of AI across all stages of drug R&D, pharmaceutical companies worldwide have either built their own AI platforms or have formed collaborations with AI companies for drug R&D. The table below provides an overview of the AI partnership engagements among some of these companies.

	Company	AI Partners	Year of Earliest Partnership	Collaboration Deals Highlights
Global Companies	**Pfizer**	XtalPi, Atomwise, Concerto HealthAI, IBM Watson, Insilico Medicine	2016	Collaborates with XtalPi to expedite the development of Paxlovid and successfully confirmed the drug crystal structure within six weeks in 2021; Collaborates with Atomwise to discover potential drug candidates for three target proteins
	Bayer	XtalPi, Huma AI, Exscientia, Blackford Analysis	2020	Collaborates with Exscientia to identify and optimize novel lead structures for potential drug candidates to treat cardiovascular and oncological diseases; Acquires Blackford Analysis in 2023 to drive innovation in radiology and adopt AI technologies within the clinical workflow
	MSD	XtalPi, Atomwise, Numerate, PathAI	2012	Collaborates with XtalPi to investigate the impact of different polymer additives on the crystal habit of metformin hydrochloride; Collaborates with Numerate to generate new drug leads for an undisclosed cardiovascular disease target
	Johnson & Johnson/ Janssen	XtalPi, BenevolentAI, Celsius Therapeutics, Iktos	2016	Collaborates with XtalPi to validate small molecule hits that possess defined properties for a given target and deploys XtalPi's ID4 platform to shorten the DMTA cycle; Collaborates with BenevolentAI to transfer small molecule compounds under test for drug discovery
	Eli Lilly	XtalPi, Autowise, Verge Genomics, Nimbus	2021	Collaborates with Verge Genomics to conduct research on novel therapies and treatments of amyotrophic lateral sclerosis; Collaborates with XtalPi and leverages XtalPi's integrated AI capabilities and robotics platform to identify and develop small molecule first-in-class therapeutics
	Gilead	Insitro	2019	Collaborates with Insitro to chemically develop up to five of the proposed treatments for nonalcoholic steatohepatitis
China-based Companies	**Haisco Pharma**	XtalPi	2021	Collaborates with XtalPi and adopts its AI capabilities and novel "experiment + computation" approach into solid-state research to further accelerate the breakthrough and progress in its innovative drug R&D projects
	Hansoh	XtalPi, StoneWise, DP Technology	2019	Collaborates with StoneWise to design and discover potential drug candidates in various therapeutic areas including oncology and central nervous system
	Hengrui	XtalPi, Iktos	2021	Collaborates with Iktos and utilizes its AI-based *de novo* drug design software to accelerate the discovery of small molecule drugs and optimize lead compounds
	Shanghai Pharma	XtalPi, AlphaMol	2021	Collaborates with AlphaMol and leverages its smart drug development platform to precisely predict target protein structures and engage in the first-in-class GPCR drug R&D
	Huadong Medicine	XtalPi, Insilico Medicine	2020	Collaborates with XtalPi to develop anti-tumor drug, which has obtained the clinical trial approval document issued by FDA
	Nhwa Pharma	DP Technology	2022	Collaborates with DP Technology and combines its central nervous system ("**CNS**") drug R&D experience with DP Technology's AI drug discovery platform to promote its CNS drug research and development

Application of Quantum Physics in AI-based Drug R&D

Along with the significant advancements in AI technology, big data and computing power, quantum physics-based computation, a physics-based method to pharmaceutical computation has gradually emerged. This method origins from the first-principles of quantum physics, and can be used to calculate the interaction forces between drug molecules and target protein molecules at the microscopic particle level, such as molecules and atoms. Quantum physics-based computation is recognized as the next technological breakthrough, and is expected to make a great impact on the R&D of pharmaceutical interventions and therapeutics.

Unlike typical AI-based methods that require sufficient experimental data to train their AI models, quantum physics-based first-principles calculation can generate its own scalable data, overcoming the lack of data in early stages of AI-based drug R&D. Quantum physics-based methods can also substantially increase the accuracy of predictions and provide more relevant models of chemical and biological objects and their interactions.

Furthermore, quantum physics-based computation is able to compute properties of molecules beyond existing industry knowledge and data without any training sets, significantly improving early drug discovery. Quantum physics-based algorithms can also guide generative AI to efficiently discover innovative drug candidates on a larger scale in a more rapid and accurate manner. The table below illustrates the differences in features of AI-based and quantum physics-based methods.

Features	AI-based method	Quantum Physics-based method
Principle	Data	First-principles
Method	Inductive reasoning	Deductive reasoning
Applicable Scenarios	When large amounts of data are available, such as virtual molecule generation, compound synthesis route prediction and ADMET property prediction	Target protein and molecular simulation-based *de novo* design, virtual screening, and lead compound optimization
Characteristics	High-throughput, high requirement for data	High accuracy, high requirement for computational power
Potential Development	Fast iteration, with the potential of rapid development after crossing the critical point	Linear development relies on the progress of the field of physics

Source: Frost & Sullivan Report

To date, several companies have taken the first step towards incorporating quantum-physics based computation into AI-based drug R&D. With the processing power of quantum-physics based computation, scientists expect to further accelerate and refine the AI-based drug R&D process. The table below shows the two major companies that employ quantum-physics-based methods of drug discovery.

Major Companies Using Quantum Physics-based Method

XtalPi	Company J
Established in 2015 by three MIT-trained physical scientists. Its proprietary integrated technology platform, which integrates cloud supercomputing-powered *in silico* tools, including quantum physics-based first-principles calculation and AI, for dry lab calculation and evaluation, and wet lab experimentation with robotic automation, enables the transformation of how drugs and new materials are discovered at a pace and scale well beyond traditional alternatives.	Founded in 1990 with the intent to develop a highly advanced, physics-based computational platform. The physics-based software platform enables its customers to discover higher quality novel molecules in drug and material science R&D with greater efficiency than traditional approaches. Company J is also leveraging its software platform to support its internal drug discovery programs.

Source: Frost & Sullivan Report

Entry Barriers of the AI-based Drug R&D Market

New entrants into the AI-based drug R&D market face the following entry barriers:

- ***Limited resources.*** The scarcity of experts in both AI algorithms and biomedical research is a significant challenge for new entrants seeking to design AI-based algorithms for drug R&D. Moreover, the expenses and lengthy validation cycles associated with the development and testing of AI-based algorithms further exacerbate difficulties in funding technological acquisitions.

- ***Lack of algorithms and models.*** Algorithms are critical for AI-based drug R&D, as excellent drug R&D models can significantly improve prediction accuracy. However, drug R&D models are usually complex, containing a large number of complex parameters and algorithms. Furthermore, a large amount of real-world data is crucial to further fine-tune the drug R&D models. As new entrants lack advanced AI capabilities and high quality data, they are unable to take advantage of the benefits brought by algorithms and AI model to outperform current market players in drug R&D.

- ***Competition with current market players.*** The AI-based drug R&D market is competitive, presenting formidable obstacles for new entrants to compete with established market players. Major players combine AI-powered dry lab with robotic wet lab to form an iterative feedback loop for one-stop drug R&D services, making it difficult for new entrants to introduce innovations and distinguish themselves from existing major players.

- ***Commercialization difficulties.*** The drug R&D process is complex and time-consuming, making it difficult for small companies to commercialize their R&D services. Furthermore, with customers' evolving requirements and needs as well as stringent data requirements, start-ups may find it challenging to meet customer expectations.

Growth Drivers and Future Trends

The AI-based drug R&D market is expected to be driven and influenced by the following factors or trends:

- ***Rise in demand to accelerate drug R&D.*** The world's aging population and rising incidence of diseases, such as cardiovascular, metabolic, cancer, and neurodegenerative conditions, are stimulating demand for novel therapeutics and more efficient drug discovery. Traditional drug R&D programs are not efficient, characterized by lengthy R&D cycles, high failure rates, and exorbitant costs. This marks a significant opportunity for AI-based drug R&D to revolutionize current approaches.

- ***Technological advancements in AI.*** The discovery of new drug candidates aided by AI is particularly critical for diseases that lack effective treatment options and have significant unmet needs. Recent developments in deep learning, neural networks, generative adversarial networks ("**GANs**"), and generative AIs have enabled AI to analyze vast quantities of data with greater complexity and higher speed. By simulating and predicting potential outcomes, AI is helping researchers to reduce the experimental labor required in drug R&D, while increasing the efficiency in identifying suitable drug targets. Ultimately, AI has the potential to significantly shorten the drug R&D process and lower costs by screening for molecules that are more likely to succeed.

- ***Increasing investment in AI-based drug R&D and collaboration with AI companies.*** Utilizing AI capabilities can significantly reduce both the time and cost required in the drug R&D process, making it a highly advantageous strategy for multinational corporations ("**MNCs**"). Biotechnology and pharmaceutical multinational corporations have showed great interest in investing in or collaborating with AI-based drug R&D companies. With the increased realization of the benefits of AI integration, the demand for AI-based solutions is predicted to rise continuously, leading to further investment and collaboration in this field.

- ***Supportive regulatory framework.*** Favorable policies have been implemented to promote innovative solutions in healthcare industry, such as the "2017 Digital Health Innovation Action Plan" in the U.S. This plan encourages risk-based approaches to regulate digital health technology to foster innovation. Likewise, China has enacted several reform policies that aim to expedite the drug approval process.

- ***Data privacy and protection.*** AI start-ups and biotechnology and pharmaceutical companies are leveraging cloud-based platforms to share data. To ensure the compliance with regulations and to prevent data breaches, players will need to use advanced technologies, such as blockchain.

- ***Pipeline diversification.*** The advancement of AI-powered prediction tools has and will continue to enhance the accuracy and efficiency of drug R&D and pre-clinical testing, enabling new research directions and more strategic R&D approaches. As the volume of high-quality data and algorithms continues to grow, AI-based method will further minimize failures in drug R&D while enhance pipeline diversification, thereby generating a higher return on investment in drug R&D.

Competitive Landscape

Most of the major AI-based drug R&D companies are conducting R&D with a focus on the development or commercialization of their own drug products, while we primarily provide drug discovery solutions to biotechnology and pharmaceutical companies. Furthermore, unlike us, most of the market players lack the integrated capabilities of the combination of wet lab and dry lab, resulting in a longer and more costly R&D cycle.

According to Frost & Sullivan, we are one of the few drug and material science R&D companies in the world with quantum physics-based first-principles calculation, advanced AI technologies and automated wet lab capabilities, and ranked the first among global AI-powered drug discovery companies by aggregate funding raised through equity financing as of June 30, 2023.

The Technological Capabilities of the Top 10 AI Drug Discovery Companies[(1)]

Rank	Company	Location	AI Applications	Quantum Physics Capability	Wet Lab Capability	Automated Lab Capabilities	Funding Raised (Million)
1	**XtalPi**	China	Drug and material science R&D, solid-state R&D, automated lab	√	√	√	**US$732**
2	**Company A**	U.S.	Target discovery, compound screening, clinical trial design	×	×	×	**US$643**
3	**Company B**	U.S.	Target modulation hypothesis, hit finding and lead generation, lead optimization	×	×	×	**US$550**
4	**Company C**	Canada	Target discovery, compound screening, compound synthesis	×	×	×	**US$517**
5	**Company D**	U.S.	Target discovery, compound screening	×	√	√	**US$465**
6	**Company E**	U.S.	Target discovery, drug design	×	×	×	**US$460**
7	**Company F**	HK	Target discovery, drug design	√	√	√	**US$401**
8	**Company G**	UK	Target discovery, compound screening	√	×	√	**US$374**
9	**Company H**	U.S.	Target discovery, drug redirection	×	×	×	**US$300**
10	**Company I**	UK	Target discovery, compound screening, drug redirection	√	×	×	**US$292**

Source: Frost & Sullivan Report

Note:

(1) This ranking is based on pre-[**REDACTED**] funds raised as of June 30, 2023.

THE SOLID-STATE R&D SERVICE MARKET

Overview

Solid-state R&D is critical for the evaluation of the physical and chemical properties of solid materials. For instance, properties such as bioavailability, solubility, dissolution rate, and stability, are important for the success of a drug candidate, as they affect how well the drug will be absorbed by the human body and stored under required conditions.

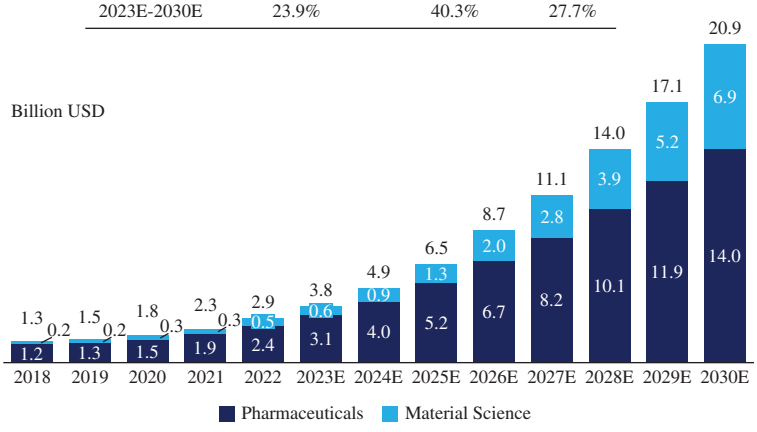
It is necessary to have a comprehensive solid form screening to identify and characterize the most optimal salt/co-crystal and polymorph to select the most pharmacologically/physically viable crystal form, while protecting the drug from generic competition. A thorough solid-state R&D effort can help maximize the success rate of viable drug candidates and reduce the risk of excessive investments on less competent candidates.

Market Size

The global solid-state R&D service market consists of two segments: pharmaceuticals and material science. The size of the global solid-state R&D service market increased at a CAGR of 21.4% from US$1.3 billion in 2018 to US$2.9 billion in 2022, and is expected to further increase at a CAGR of 27.7% from US$3.8 billion in 2023 to US$20.9 billion in 2030.

Global Solid-state R&D Service Market, 2018-2030E

CAGR	Pharmaceuticals	Material Science	Total
2018-2022	20.2%	28.7%	21.4%
2023E-2030E	23.9%	40.3%	27.7%



Source: Frost & Sullivan Report

Application of New Technologies in Solid-state R&D Services

Traditional solid-state R&D methods are unable to effectively predict potentially correct crystal structures that will form a specific molecule with past data and publication. They can only screen and evaluate assays with a limited number of ligands, making it difficult to identify optimal salt or co-crystal and polymorph forms. Traditional solid-state R&D methods are also unable to determine a crystal structure accurately by manual analysis, and can only use experimental analysis to perform solid-state testing and analysis, which is insufficient for obtaining the detailed characteristics of a specific crystal form. Furthermore, traditional solid-state R&D methods can only address issues in the crystallization process by the "trial-and-error" method, requiring large amounts of of time and cost.

Solid-state R&D involves five key aspects, which are (i) crystal structure prediction, (ii) solid-state screening and evaluation, (iii) crystal structure determination, (iv) solid-state testing and analysis and (v) crystallization process. Compared to traditional, experiment-only methods, the new technology-powered approach, in particular, the AI- and automation-powered approach, can establish a feedback loop between computational predictions and experimental validations, thus offering much higher efficacy and precision within a shorter period of time. The table below sets forth the advantages of the new technology-powered method over the traditional method in solid-state R&D.

	Purpose	Traditional Method	New Technology Method
Crystal Structure Prediction	• To predict the potential correct crystal structures that will form from a given molecule based on first principles	• Cannot be effectively predicted by using past data and publications	• AI-powered CSP platform has the capability of computing all possible crystal forms and determine the stabilities with accuracy and efficiency at a faster speed
Solid-state Screening and Evaluation	• To identify the optimal salt / co-crystal and polymorph out of all possibilities	• Assay with only a limited number of ligands	• Computational screening expands the exploration of chemical space • AI-powered tool evaluate viability only on the most promising candidates
Crystal Structure Determination	• To determine the 3D structure of the single crystal	• Cannot be accurately determined with manual analysis using X-ray powder diffraction ("**XRPD**")	• 3D structure can be obtained with AI-powered analysis on an XRPD spectrum
Solid-state Testing and Analysis	• To test and analyze the detailed characteristics of a specific crystal form	• Experimental analysis, such as X-ray diffraction analysis, dynamic vapor sorption, and hot stage microscopy	• High-throughput properties screening driven by quantum physics-based simulations and ML • More thorough data analysis with AI-powered tools
Crystallization Process Development	• To identify the optimal crystallization conditions and process to scale up production	• Address issues by trial and error	• Predict and solve potential scale up issues based on the crystal's chemical / physical properties beforehand, reducing the number of trials needed, and involve auto lab to improve the experiment efficiency

Source: Frost & Sullivan Report

Entry Barriers of the Solid-state R&D Service Market

New entrants into the solid-state R&D service market face the following entry barriers:

- ***Technical barrier.*** The development of drugs and new materials is a challenging, costly, and time-consuming process, particularly with regards to solid-state R&D. This is due to the technical difficulties involved in utilizing advanced crystal screening techniques to identify as many solid forms as possible while using minimal materials and time. Additionally, a deep understanding of solid-state R&D is necessary to accurately assess the market viability of crystal forms, by employing various characterization methods and research approaches to select the most advantageous forms for innovative pharmaceutical and new material enterprises. Furthermore, developing crystallization processes and conducting feasibility assessments of crystal forms in formulation development also involve techniques that would be challenging for for new entrants.

- ***Lack of technical expertise.*** The solid-state R&D service industry demands a high level of technical expertise, which can only be accumulated from real-world work experience over an extended period, hence the lack of experienced professionals in the industry. Solid-state R&D companies continually engage in numerous crystallization programs involving various compounds, enabling them to accumulate invaluable expertise and experience. This facilitates the continual enhancement of their technical proficiency in crystal form development, and the quality and efficiency of their services.

- ***Commercialization difficulties.*** The high risk and uncertainty in solid-state R&D services can prevent investments in new entrants. In addition, solid-state R&D, especially in regulated industries, such as the healthcare or energy industries, must comply with stringent regulatory requirements. Compliance with safety, quality, and environmental regulations can be complex and time-consuming, delaying the commercialization process for those new entrants unfamiliar with the regulatory framework.

Growth Drivers and Future Trends

The growth of the solid-state R&D service market is expected to be driven and influenced by the following factors or trends:

- ***Technological advancements.*** The development of new technologies, such as quantum physics and AI, has enabled faster and more cost-efficient solid-state R&D. AI-enabled solid-state R&D can speedily and exhaustively predict crystal forms and their characteristics, and provide critical insights for scientists to conduct targeted lab work to identify the most meaningful crystal structures. Consequently, AI-enabled solid-state R&D can increase the success rate, supports critical R&D decision making, and significantly reduces the cycle of crystal structure research from at least several months or years to a mere few months or weeks.

- ***Increased outsourcing.*** Solid-state R&D services come in the early stage of drug R&D programs, including the profiling of crystallinity, stability, and solubility of novel molecules, thereby providing a developability assessment to support candidate nomination and ease the transition into pre-clinical development. Biotechnology and pharmaceutical companies are increasingly outsourcing R&D activities to third-party providers with the expertise and resources required for solid-state characterization, formulation optimization, and other related services. This trend is driven by the growing complexity of drug R&D and manufacturing, the need for specialized knowledge, and the capabilities to bring complex drugs to market.

- ***Expansion of application field.*** Solid-state R&D services, including crystal form screening and crystallization process development, play a vital role in many industries that require precise control over the properties of crystalline materials, in addition to the pharmaceutical industry. In the agrochemical industry, for example, solid-state R&D can help to optimize the active ingredients in pesticides, herbicides, and fertilizers. This can improve the efficacy, safety, and shelf life of these products. Furthermore, solid-state R&D services can contribute to the development of new materials with specific properties, such as high strength, durability or conductivity. These materials have been applied in industries, such as electronics and construction.

Competitive Landscape

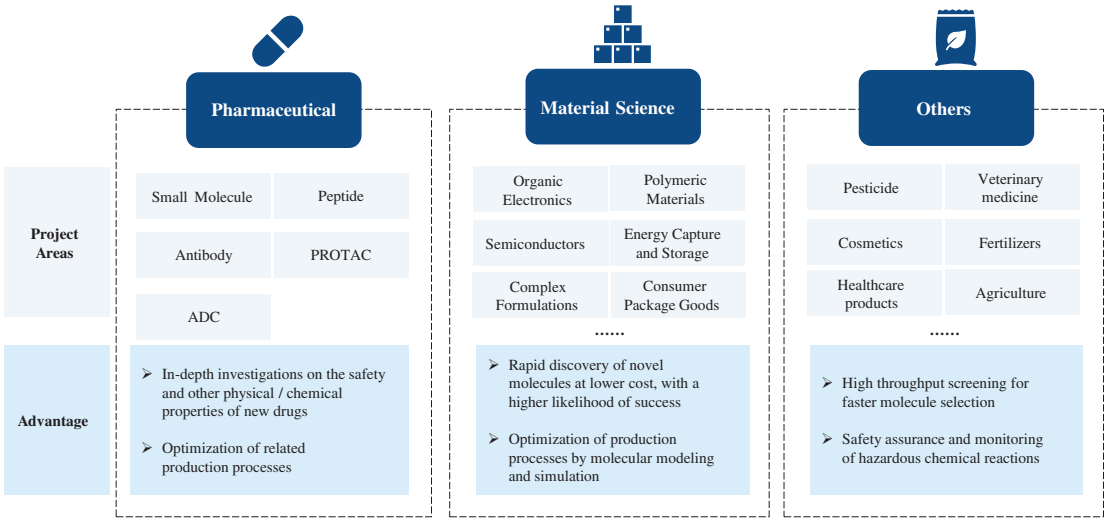
There are three types of companies providing solid-state R&D services, namely (i) specialized solid-state CROs, (ii) large CROs, and (iii) AI-focused technology companies, like us. Due to the complexity and the amount of advanced equipment required for solid-state research, biotechnology and pharmaceutical companies often choose to outsource solid-state R&D.

THE AUTOMATED R&D LAB MARKET

Overview

Automated R&D solutions apply automation technology to enable accelerated, higher throughput and more accurate wet lab processes, such as automated liquid handling, sample preparation, synthesis, and crystallization in a wide array of industries, including biopharmaceutical, chemical, and material industries. They can be used to analyze and optimize a large scale of data running 24 hours per day while ensuring occupational safety, enabling higher quality and efficiency in R&D.

Although automated reaction machinery is predominantly used in the pharmaceutical industry currently, the use of automated machinery is expected to increase across a wide range of other fields, including material science and agriculture. This cutting-edge technology has the potential to revolutionize the R&D process, shortening the time required to synthesize new molecules, and providing better reaction insights to optimize large-scale production. The diagram below shows the addressable industries and the advantages of the application of automation in such industries.

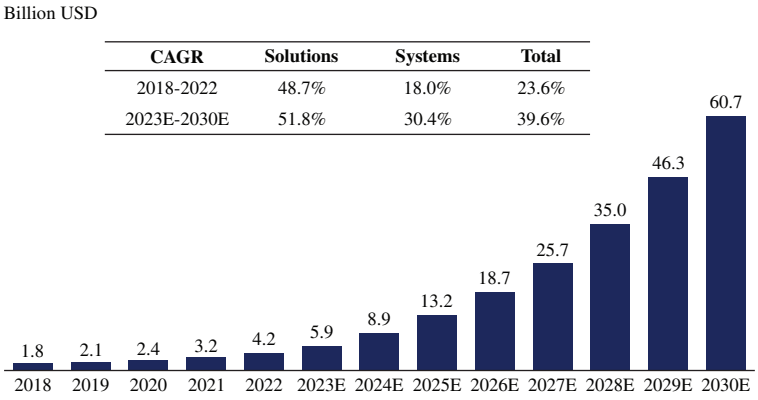


Source: Frost & Sullivan Report

Market Size

Automated R&D labs can be used in three aspects of the R&D process, including (i) synthesis, (ii) crystallization and (iii) process control, by providing screening, condition control, quality assurance, *in situ* reaction analysis, real-time monitoring and data collection services. They can improve efficiency and precision in the R&D processes across various industries. The size of the global automated R&D lab market increased at a CAGR of 23.6% from US$1.8 billion in 2018 to US$4.2 billion in 2022, and is expected to further increase at a CAGR of 39.6% from US$5.9 billion in 2023 to US$60.7 billion in 2030.

Global Automated R&D Lab Market, 2018-2030E

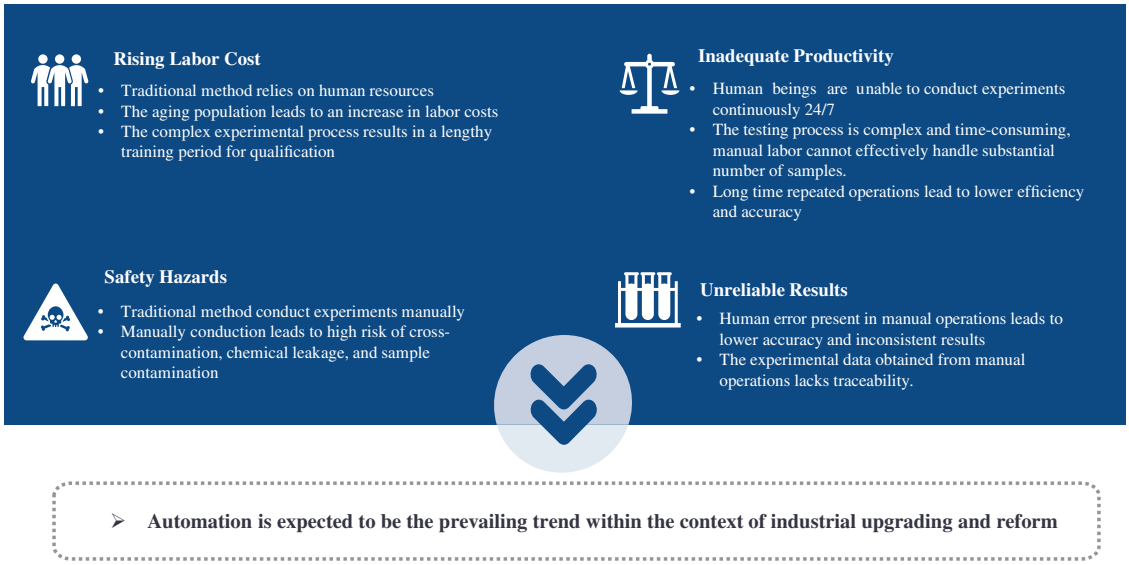


Source: Frost & Sullivan Report

The pharmaceutical industry currently dominates the use of automated R&D labs and accounted for the largest market share, approximately 86.4%, of the overall market in 2022. The global market for automated R&D labs is expected to experience rapid growth from 2022 to 2030, as the demand for automated R&D labs increases in various industries other than pharmaceutical, such as chemical and material science industries which manufacture pesticides, veterinary drugs, fertilizers, and cosmetics, among others. Apart from the pharmaceutical industry, other industries are expected to capture 44.5% of the global automated R&D lab market in 2030.

Application of Automation in R&D

In traditional methods, 95% of the experimental operations rely heavily on manual testing, resulting in numerous drawbacks, such as increased labor costs, inadequate productivity, the risk of worker infections, among others. Automation is expected to be the prevailing trend in industrial upgrade and reform. The table below illustrates the pain points of traditional compound synthesis and research:



Source: Frost & Sullivan Report

With a confluence of technological breakthroughs and increasing integration and compatibility of technologies, automation has been widely employed across various industries, including pharmaceuticals and material science, among others, to achieve a more efficient, predictable, and high-throughput R&D process. Automation in R&D is applied in a wide array of areas, including, among others, drug and material science discovery, chemical synthesis, quality control, equipment and material handling, and data collection.

Advanced automation technologies can be used in the identification of new therapeutic compounds, optimization of chemical properties, and high throughout material screening, to streamline and accelerate the drug and new materials discovery process. By integrating robotic platforms, advanced instrumentation, and smart software, automation technologies can also be used to perform chemical reactions and synthesize compounds to streamline and enhance the efficiency of such process. Moreover, automation technologies can be used to capture and analyze real-time experimental data from various sources and platforms, and accelerate the analysis process by linking to shared analytical systems and combining with advanced analytics and ML. In addition, automation technologies can be applied to continuously monitor and assess safety parameters and potential risks in various lab environments and be employed in sensor-based monitoring, warning and alert systems, environmental conditions, and equipment and process monitoring.

Entry Barriers

New entrants into the automated R&D lab market face the following entry barriers:

- ***High investment.*** Establishing an automated R&D lab requires significant investment in infrastructure, equipment, and technology. This will require substantial upfront costs for acquiring advanced robotic systems, lab automation software, and analytical instruments, and future maintenance and upgrade costs, making it challenging for new entrants with limited financial resources to enter the market.

- ***Lack of technical expertise.*** The automated R&D lab market relies on sophisticated technologies, such as robotics, AI, and data analytics. New entrants need to possess the necessary technical knowledge and expertise to design, develop and maintain these systems, where a large portion of the healthcare companies face difficulties in hiring competent R&D staff due to the shortage of relevant talents in the market.

- ***Competition with current market players.*** In the automated R&D lab market, there are already a number of established market players with well-known brands, extensive service offerings, and a strong market presence, creating a huge hurdle for new entrants to gain market share and compete with the established players. Pioneers like us have already automated their "wet labs" to improve R&D efficiency and prepare for large-scale production.

- ***Compatibility challenges with existing lab infrastructure.*** The process of integrating automated R&D lab with existing lab workflows, information systems, and data management platforms is complex. Costly and time-consuming training is required for lab staff who are unfamiliar with automation to use automated solutions. Compatibility issues, data transfer challenges, staff training, and the need for seamless integration will create obstacles for new entrants to establish smooth operations in an existing lab environment.

Growth Drivers and Future Trends

The growth of the automated R&D lab market is expected to be driven and influenced by the following factors or trends:

- ***Industrial upgrade.*** Automation is the key to industrial upgrade and reform. automated R&D lab offers significant advantages over traditional non-automated R&D labs, such as increased productivity, improved accuracy, scalability, and standardization, and lower costs, among others. These benefits help revolutionize lab workflows, enable researchers to optimize their operations and generate reliable data, and accelerate the pace of scientific discovery and innovation.

- ***Technological advancements.*** Technological advancements are one of the driving forces behind the rapid growth of lab automation. The continuous evolution of technologies, such as robotics, AI/ML, and cloud computing has revolutionized lab process. R&D automation lab equipped with robotics enable precise and efficient handling of experiments; AI and ML algorithms analyze complex datasets, providing valuable insights and supporting data-driven decision-making; and cloud computing empowers labs to interpret large volumes of data effectively. These technological advancements can optimize lab workflows, and enable scalability, increase efficiency and improve accuracy in laboratories.

- ***Integration of technologies.*** The integration of different technologies in the automated R&D lab is revolutionizing the way labs operate and improving efficiency, accuracy and productivity. Major market players like us offer a comprehensive and sophisticated solution for lab automation. The integration of AI, robotics, quantum physics-based first-principles computation, and cloud computing can enable researchers to optimize workflows, accelerate R&D processes, and produce exceeding outputs.

- ***Emphasis on data security.*** As the reliance on data for automated R&D lab increases, there is a growing focus on data security, privacy protection, and regulatory compliance. Market players are implementing comprehensive data management practices, encryption technologies, and compliance frameworks to ensure data integrity and meet regulatory requirements.

Competitive Landscape

The global automated R&D lab market features several prominent players, all of whom offer specialized solutions and cutting-edge technologies. We are renowned for our robust AI-powered automated solutions to analyze extensive datasets and monitor real-time experiment progress via digital LIMS systems. Other major market players can provide various diversified automation solutions, but have limited AI capabilities. As the industry continues to evolve, innovation, seamless integration of AI technologies, and customization will affect industry competition and market dynamics.

Major companies in the automated R&D lab market primarily offer automated equipment and/or high-throughput screening services but most of them are still using traditional automated robotic systems due to the lack of AI capabilities. Companies that are using traditional automated robotic systems have no or limited capabilities for intelligent data processing, thus companies with AI-powered real-time experimental progress monitoring and data processing capabilities, advanced AI-powered automated systems and digital LIMS, like us, are expected to outperform traditional automated R&D lab.

The table below shows the comparison of the capabilities of major companies in the automated R&D lab market:

	XtalPi	Company L	Company M	Company O
Main Solution Type	Automated crystallization, intelligent synthesis workstations, and benchtop solid dispenser	Automated synthesis workstations, and benchtop solid dispenser	Lab automation solutions like liquid handling equipment, and high-throughput screening	Automated liquid handling equipment
Advanced AI and ML Capabilities	Advanced AI-driven automation systems	Traditional automated robotic systems	Traditional automated robotic systems	Traditional automated robotic systems
Intelligent Data Processing Capabilities	AI-empowered real-time experiment progress monitoring and data processing; digital LIMS systems	Limited capability with external software, AUTOSUITE	Limited capability with external software	No capability
Customization Capabilities	Strong customization capabilities tailored for drug R&D workflows	Strong customization capabilities to meet specific industry needs	Standardized automation solutions with limited customization capabilities	Limited customization capabilities in product size and style

Source: Frost & Sullivan Report

THE MATERIAL SCIENCE R&D MARKET

Overview

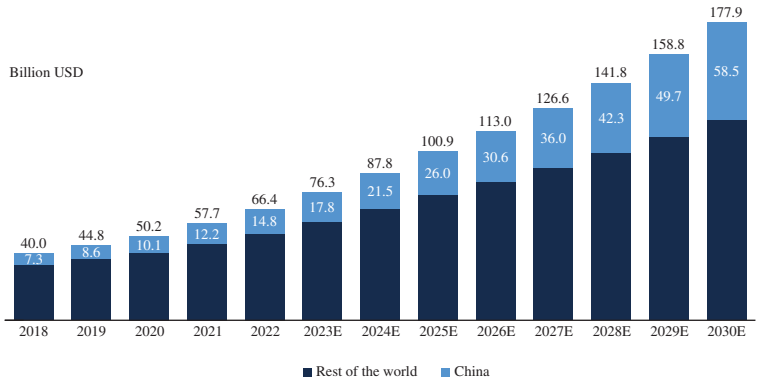
Material science is a multidisciplinary field that explores the properties, structure, performance, and processing of materials. Material science R&D aims to discover novel materials with enhanced and tailored properties, such as strength, conductivity, and flexibility. The development of new materials drives innovation in both research and technology in crucial areas, such as cosmetics, consumer packaged goods, petroleum, sustainable energy, microelectronics, and mobile electronics.

Market Size

Driven by the increasing demand for novel materials with enhanced properties and performance, global material science R&D expenditure increased at a CAGR of 13.5% from US$40.0 billion in 2018 to US$66.4 billion in 2022, and is expected to further increase at a CAGR of 12.8% from US$76.3 billion in 2023 to US$177.9 billion in 2030. Material science R&D expenditure in China increased at a CAGR of 19.3% from US$7.3 billion in 2018 to US$14.8 billion in 2022, and is expected to further increase at a CAGR of 18.5% from US$17.8 billion in 2023 to US$58.5 billion in 2030.

Global and China Material Science R&D Expenditure, 2018-2030E

CAGR	Global	China
2018-2022	13.5%	19.3%
2023E-2030E	12.8%	18.5%

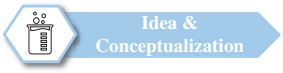


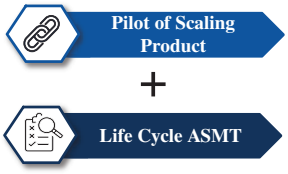
Source: Frost & Sullivan Report

Application of New Technologies in Material Science R&D

The traditional material science R&D process is a systematic approach covering scientific exploration, experimentation, assessment, and manufacturing. Currently, most material science R&D programs follow this established process, requiring a lengthy period before a concept attains market viability. Empowered by the advancements in cutting-edge technologies and the increasing adoption of big data analytics, computational material science and engineering has emerged as a prominent subfield in material science R&D, which is expected to revolutionize

the discovery of new materials, reduce R&D time and costs, and accelerate the application of new materials into commercial products. The table below shows a comparison between traditional material science R&D methods and new technology-enabled methods of material science R&D.

	Traditional Method	New Technology-empowered Method
	Limited labor force limits the exploration of material space: the vastness of search space for potential materials makes it impossible for scientists to enumerate all the possibilities.	Computational screening expands the exploration of material space: predictive computational capabilities can u fully explore the vast search space for potential materials, levering new technologies, such as AI, ML, and open-source algorithms.
	The "trial-and-error" process is inherently slow: in traditional method, the characterization and synthesis of each individual material may take months to years. As the synthesized materials may fail to present desired properties, it has to go through the "trial-and-error" process to optimize the material design;	Autonomous data collection and analysis enhances the accuracy of prediction: autonomous data collection can construct libraries with comprehensive properties of materials, which can be used as training set to further improve the accuracy of predictive models;
	Manual material synthesis experiments cause human errors: in the procedure of material synthesis, manual, serial and human-intensive work can result in errors, such as measurement errors, procedural errors, contamination, sample mishandling, and lack of quality control.	Automated synthesis, facilitated by AI, robotics, and information technology, releases researchers from repetitive and lengthy experiments: researchers can simply input target molecules or materials, and computers will automatically make decisions while controlling robots to carry out experiments. The synthesis process is monitored, and conditions or routes are automatically optimized based on the feedback from analytical instruments.

	Traditional Method	New Technology-empowered Method
	Advanced testing and property validation techniques are required for complex and multi-material compounds: experimental observations have been the primary and the most fundamental means to validate various chemical and physical properties of materials. This process is time-consuming and lengthy and hard to manage for complex and multi-material synthetic product.	High-throughput material properties screening and validations accelerate the process: the high-throughput atomistic calculation frameworks driven by quantum physics and AI are able to help researchers accurately computing the electronic-scale properties of a crystalline solid using first-principles. Material structures and properties are predicted and validated on the basis of electronic bonding and quantum physics-based computations with the usage of empirical and experimental data.
	Assessment process is lengthy and inefficient: lab experiments and observations, literature review and existing knowledge, and simplified mathematical models are utilized to conduct assessments for new materials in the traditional method. The scale, complexity and precision on conducted assessments are extremely limited.	Process optimization, sensitivity analysis and scenario testing optimize the assessment process: computational modeling and simulation techniques enable the evaluation of different manufacturing processes and can identify key areas of improvements on energy efficiency and resource consumption. By conducting scenario testing, researchers can assess the environmental impacts associated with each stage of the material's life cycle.

Source: Frost & Sullivan Report

Growth Drivers and Future Trends

The growth of the material science R&D market is expected to be driven and influenced by the following factors or trends:

- ***Advanced materials for sustainable applications***. Increasing emphasis on sustainability is driving the development of advanced materials with reduced environmental impact, such as bio-based materials. Consequently, the current material science R&D is likely to shift its emphasis from petroleum-based materials to bio-based materials.

- ***Data-driven approaches and AI-driven methods.*** Material science R&D is inherently time-consuming, as it relies on the traditional "trial-and-error" method of experimentation to implement R&D activities. The use of data analytics and ML techniques will accelerate the process of discovery, optimization, and characterization of materials.

- ***Collaboration and interdisciplinary R&D.*** Collaboration and interdisciplinary R&D as well as academia-industry partnerships will drive innovation in material science R&D by exchanging knowledge, ideas, and methodologies across disciplines, fostering a comprehensive understanding of materials, and enabling the development of novel functionalities.

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 U.S. 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 RMB380,000 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**].

Our Directors confirm that, after making reasonable enquiries, there have been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

This section sets forth a summary of the principal laws, rules and regulations in the PRC and the United States that are relevant to our business.

PRC REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (《中華人民共和國公司法》), or the PRC Company Law, which was promulgated by the Standing Committee of the National People's Congress, or the NPC, in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Investment activities in the PRC by foreign investors are governed by the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council in February 2002 and came into effect in April 2002, the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the Negative List, which was promulgated by the Ministry of Commerce of the PRC, or the MOFCOM, and the National Development and Reform Commission, or the NDRC, in December 2021 and came into effect in January 2022, and the Catalogue of Encouraged Industries for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》), or the Encouraged Catalogue, which was promulgated by the MOFCOM and the NDRC in October 2022 and came into effect in January 2023. The Provisions on Guiding Foreign Investment Direction divides foreign investment projects into four categories, namely "encouraged," "permitted," "restricted" and "prohibited" categories. The Encouraged Catalogue lists the foreign investment projects of the encouraged category, while the Negative List lists the foreign investment projects of the restricted and prohibited categories, and foreign investment projects which fall outside the encouraged, restricted and prohibited categories belong to the permitted category unless otherwise restricted by other PRC laws. The Negative List sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited from receiving foreign investment. The Negative List covers 12 industries, and any field not falling under the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the PRC Foreign Investment Law, was promulgated by the NPC in March 2019 and came into effect in January 2020. When the PRC Foreign Investment Law came into effect, the Law on Wholly Foreign-Invested Enterprises of the PRC (《中華人民共和國外資企業法》), the Law on Sino-Foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》) and the Law on Sino-Foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外

合作經營企業法》) were repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (collectively, the "foreign investors") directly or indirectly within the territory of China shall comply with and be governed by the PRC Foreign Investment Law. Such activities include: (1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; (2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; (3) investing by foreign investors in new projects in China alone or jointly with other investors; and (4) other forms of investment prescribed by laws, administrative regulations or the State Council.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020. When the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》) were repealed simultaneously.

In December 2019, the MOFCOM and the State Administration for Market Regulation, or the SAMR promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect in January 2020. When the Measures on Reporting of Foreign Investment Information came into effect, the Interim Measures for the Administration of Filing for Establishment and Changes in Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) were repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities according to the Measures on Reporting of Foreign Investment Information.

In December 2020, the NDRC and the MOFCOM promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), which came into effect in January 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, the scopes of review and the procedures to review, among others.

Regulations on Artificial Intelligence Industry

The Notice of the State Council on Promulgating the "Made in China 2025" Plan (國務院關於印發《中國製造2025》的通知) was promulgated by the State Council on May 8, 2015 and came into effect on the same date, which emphasizes that the promotion of the integrated development of the new generation of information technology and manufacturing technology shall be accelerated and the intelligent manufacturing shall be regarded as the main direction

of the comprehensive integration of informatization and industrialization. Meanwhile, it also implies that efforts should be made to develop intelligent equipment and intelligent products, promote intelligent production process, cultivate new production methods, and comprehensively enhance the intelligent level of the research and development, production, management and service of the enterprises.

The Development Plan of the New Generation of Artificial Intelligence (《新一代人工智能發展規劃》) was promulgated by the State Council on July 8, 2017 and came into effect on the same date, emphasizing that the cultivation of an artificial intelligence industry with a major leading role shall be accelerated, the in-depth integration of artificial intelligence and various industrial fields shall be promoted, and therefore a data-driven, human-machine collaboration, cross-border integration, and co-creation and sharing of intelligent economic forms will be established.

The Guidelines for the Construction of the New Generation of National Artificial Intelligence Open Innovation Platform (《國家新一代人工智能開放創新平台建設工作指引》) was promulgated by the Ministry of Science and Technology of the PRC, or the MOST, on August 1, 2019 and came into effect on the same date, which points out that "open and sharing" shall be the important guideline in promoting artificial intelligence innovation and industry development in China, and encourages the enterprises to open innovation platforms for companies to do testing, in order to form standard and modularized models, middleware and applications for providing services to the public in the form of open interfaces, model libraries, algorithm packages, etc.

The Guidelines for the Construction of the New Generation of National Artificial Intelligence Innovation and Development Pilot Zone (《國家新一代人工智能創新發展試驗區建設工作指引》) was promulgated by the MOST on August 29, 2019, last amended on September 29, 2020 and came into effect on the same date, which underlines that an environment conducive to the innovation and development of artificial intelligence shall be created, as well as to promote the construction of artificial intelligence infrastructure and strengthen the conditional support for the innovation and development of artificial intelligence.

REGULATIONS ON PHARMACEUTICAL PRODUCT RESEARCH, DEVELOPMENT, APPROVAL AND REGISTRATION

United States

The FDA and other regulatory authorities at federal, state, and local levels, as well as in foreign countries, 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 and biologics 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 of the governing regulatory agencies of the countries in which we wish to conduct studies or seek approval or licensure of our product candidates.

In the United States, the FDA regulates drugs under the Federal Food, Drug and Cosmetic Act, or FDCA, and its implementing regulations and biologics under the FDCA and the Public Health Service Act, or PHSA, and their implementing regulations. Both drugs and biologics also are subject to other federal, state and local statutes and regulations, such as those related to competition. Our product candidates must be approved by the FDA through either a New Drug Application, or NDA, or a Biologics License Application, or BLA, process before they may be legally marketed in the United States. Failure to comply with applicable FDA or other requirements at any time during product development, clinical testing, the approval process or after approval may result in administrative actions or judicial sanctions. These actions and sanctions could include 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 or biologic product candidates may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests and animal studies in accordance with applicable regulations, including studies conducted in accordance with Good Laboratory Practices, or GLP, requirements;

- submission to the FDA of an 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 Institutional Review Board, or IRB, or independent ethics committee at each clinical trial site before each human trial is commenced;

- performance of adequate and well-controlled human clinical trials in accordance with applicable IND regulations, Good Clinical Practices, or GCP, requirements and other clinical trial-related regulations to establish the safety and effectiveness of the investigational product for each proposed indications;

- preparation of and submission to the FDA of an NDA or BLA;

- a determination by the FDA within 60 days of its receipt of an NDA or BLA to accept the application for review;

- satisfactory completion of one or more FDA pre-approval inspection of the manufacturing facility or facilities at which the drug or biologic will be produced to assess compliance with Current Good Manufacturing Practices, or cGMP, requirements to assure that the facilities, methods and controls are adequate to preserve the drug or biological product's identity, strength, quality and purity;

- potential FDA audit of the nonclinical study and clinical trial sites that generated the data in support of the NDA or BLA; and

- FDA review and approval of the NDA or BLA, including consideration of the views of any FDA advisory committee, prior to any commercial marketing or sale of the drug or biologic in the United States.

Preclinical and Clinical Development

Before testing any drug or biological candidate in humans, the product candidate must undergo rigorous preclinical testing. Preclinical studies include laboratory evaluation of product chemistry and formulation, as well as *in vitro* and animal studies to assess safety and in some cases to establish a rationale for therapeutic use. The conduct of preclinical studies is subject to federal and state regulations and requirements, including GLP regulations for safety/toxicology studies.

An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and plans for clinical trials, among other things, to the FDA as part of an IND. An IND is a request for authorization from the FDA to administer an investigational product to humans. An IND must become effective before human clinical trials may begin. Some long-term preclinical testing, such as animal tests of reproductive AEs and carcinogenicity, may continue after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time, the FDA raises safety concerns or questions related to one or more proposed clinical trial. If the IND sponsor is not able to address FDA's concerns satisfactorily within the 30-day time frame, the IND may be placed on clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns or questions before the clinical hold is removed by 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. Additionally, the review of information in an IND submission may prompt the FDA to, among other things, scrutinize existing INDs or any marketed products and could generate requests for information or clinical holds on other product candidates or programs.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCP requirements, 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, dosing procedures, subject selection and exclusion criteria, 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 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. Some studies also include oversight by an independent group of qualified experts organized by the clinical trial sponsor, known as a data and safety monitoring board, or DSMB, which provides recommendation on whether or not a study should move forward at designated check points based on access to certain data from the study. The DSMB may recommend halting of the clinical trial if it determines that there is an unacceptable safety risk for subjects or on other grounds, such as no demonstration of efficacy. There are also requirements governing the reporting of ongoing clinical trials and clinical trial results to public registries.

A sponsor who wishes to conduct a clinical trial outside of the United States may, but need not, obtain FDA authorization to conduct the clinical trial under an IND. If a foreign clinical trial is not conducted under an IND, the sponsor may submit data from the clinical trial to the FDA in support of an NDA or BLA. The FDA will accept a well-designed and well-conducted foreign clinical study not conducted under an IND if the study was conducted in accordance with GCP requirements, and the FDA is able to validate the data through an onsite inspection if deemed necessary.

Clinical trials are typically conducted in three sequential phases that may overlap.

- Phase I—The investigational product is initially introduced into healthy human subjects or patients with the target disease or condition. These studies are designed to test the safety, dosage tolerance, absorption, metabolism and distribution of the investigational product in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness. For investigational products developed for oncology indications, the Phase I trials are normally conducted in patients with serious or life-threatening diseases without other treatment alternatives.

- Phase II—The investigational product is administered to a limited patient population with a specified disease or condition to evaluate the preliminary efficacy, optimal dosages and dosing schedule and to identify possible adverse side effects and safety risks. Multiple Phase II clinical trials may be conducted to obtain information prior to beginning larger and more expensive Phase III clinical trials.

- Phase III—The investigational product is administered to an expanded patient population to further evaluate dosage, to provide statistically significant evidence of clinical efficacy and to further test for safety, generally at multiple geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the investigational product and to provide an adequate basis for product labeling.

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 or BLA. 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 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.

FDA Review Process

Following completion of the clinical trials, data are analyzed to assess whether the investigational product is safe and effective for the proposed indicated use or uses, the results of product development, preclinical studies and clinical trials are submitted to the FDA as part of an NDA or BLA requesting approval to market the product for one or more indications. The NDA or BLA 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 or BLA requires payment of a substantial application user fee to the FDA unless a waiver or exemption applies.

Once an NDA or BLA has been submitted, FDA has 60 days to determine whether the application can be filed. If FDA determines that an application is deficient on its face in a way that precludes a complete review, FDA may not accept the application for review and may issue a refuse-to-file letter to the sponsor. If 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. The FDA does not always meet its goal dates for standard and priority NDAs or BLA, and, the review process is often extended by FDA requests for additional information or clarification. The FDA reviews an NDA or BLA to determine, among other things, whether a product is safe and effective for a drug or safe, pure and potent for a biologic. The FDA may convene an advisory committee to provide clinical insight on application review questions. The FDA is not bound by recommendations of an advisory committee, but it considers such recommendations when making decisions on approval. Before approving an

NDA or BLA, 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 or BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP requirements. 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 or BLA 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 or BLA in its present form, the FDA will issue a complete response letter that usually describes all of the specific deficiencies in the NDA or BLA identified by the FDA. The complete response letter may require the applicant to obtain additional clinical data, including the potential requirement to conduct additional pivotal Phase 3 clinical trial(s) and/or to complete other significant and time-consuming requirements related to clinical trials, or to conduct additional preclinical studies or manufacturing activities. If a complete response letter is issued, the applicant may either resubmit the NDA or BLA, addressing all of the deficiencies identified in the letter, or withdraw the application or request an opportunity for a hearing. Even if such data and information are submitted, the FDA may decide that the NDA or BLA does not satisfy the criteria for approval.

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 NDA or BLA with 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 for qualifying product candidates.

The fast track program is intended to expedite or facilitate the process for reviewing new drugs and biologics 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. A fast track designated product may be eligible for rolling review, in which case the FDA may consider for review sections of the NDA or BLA 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 or BLA, the FDA agrees to accept sections of the NDA or BLA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the NDA or BLA.

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 and an organizational commitment to expedite the development and review of the product, including involvement of senior managers.

A 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 is designed to treat a serious or life-threatening disease condition and, if approved, would provide a significant improvement in safety and effectiveness compared to available therapies. Priority review means that, for a new molecular entity or original BLA, the FDA sets a target date for FDA action on the marketing application at six months after accepting the application for filing as opposed to ten months.

A product may also be eligible for accelerated approval if it is designed to treat a serious or life-threatening disease or condition and generally provides a meaningful advantage over available therapies upon a determination that the product has an effect on either a surrogate or intermediate clinical endpoint that is reasonably likely to predict clinical benefit or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, or IMM, that is reasonably likely to predict an effect on IMM or other clinical benefit, taking into account the severity, rarity, or prevalence of the disease or condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require that a sponsor of a drug or biologic receiving accelerated approval perform adequate and well-controlled post-marketing confirmatory clinical trials with due diligence and, under FDORA, the FDA is permitted to require, as appropriate, that such confirmatory studies be underway prior to approval or within a specified time period after accelerated approval is granted. In addition, the FDA currently requires, unless otherwise informed by the agency, pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product.

Under FDORA, the FDA has increased authority for expedited procedures to withdraw approval of a drug or indication approved under accelerated approval if, for example, the confirmatory trial fails to verify the predicted clinical benefit of the product.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or the time period for FDA review or approval may not be shortened. Furthermore, fast track designation, breakthrough therapy designation, priority review and accelerated approval do not change the standards for approval.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biologic 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 or biologic intended to treat a disease or condition affecting 200,000 or more individuals in the United States if there is no reasonable expectation that the cost of developing and making available the drug or biologic to treat that disease or condition will be recovered from sales in the United States for that drug or biologic. Orphan drug designation must be requested before submitting an NDA or BLA. 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. 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 or condition for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications to market the same drug for the same indication for seven years from the date of such approval, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity by means of greater effectiveness, greater safety or providing a major contribution to patient care. Orphan drug exclusivity does not prevent the FDA from approving a different drug or biologic for the same disease or condition, or the same drug or biologic for a different disease or condition. Among the other potential benefits of orphan drug designation are tax credits for certain research and a waiver of the NDA or BLA application fee.

A product 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.

Pediatric Information and Pediatric Exclusivity

Under the Pediatric Research Equity Act, or PREA, certain NDAs and BLAs and certain supplements to an NDA or BLA must contain data to assess the safety and efficacy of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of pediatric data or full or partial waivers. The Food and Drug Administration Safety and Innovation Act, or FDASIA, amended the FDCA to require that a sponsor who is planning to submit a marketing application for a drug that includes a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration submit an initial Pediatric Study Plan, or PSP, within 60 days of an end-of-Phase 2 meeting or, if there is no such meeting, as early as practicable before the initiation of the Phase 3 or Phase 2/3 study. The initial PSP must include an outline of the pediatric study or studies that the sponsor plans to conduct, including study objectives and design, age groups, relevant endpoints and statistical approach, or a justification for not including such detailed information, and any request for a deferral of pediatric assessments or a full or partial waiver of the requirement to provide data from pediatric studies along with supporting information. The FDA and the sponsor must reach an agreement on the PSP. A sponsor can submit amendments to an agreed-upon initial PSP at any time if changes to the pediatric plan need to be considered based on data collected from preclinical studies, early phase clinical trials and/or other clinical development programs.

A drug or biologic product can also obtain pediatric market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric study in accordance with an FDA-issued "Written Request" for such a study.

Post-Approval Requirements

Following approval of a new product, the manufacturer and the approved products are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to monitoring and record keeping activities, reporting of adverse experiences, periodic reporting, product sampling and distribution, and advertising and promotion of the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims, are subject to prior FDA review and approval. There also are continuing user fee requirements, under which FDA assesses an annual program fee for each product identified in an approved NDA or BLA.

Further, if there are any modifications to the drug or biologic, including changes in indications, labeling or manufacturing processes or facilities, the applicant may be required to submit and obtain FDA approval of a new NDA/BLA or NDA/BLA supplement, which may require the development of additional data or preclinical studies and clinical trials. Such regulatory reviews can result in denial or modification of the planned changes, or requirements to conduct additional tests or evaluations that can substantially delay or increase the cost of the planned changes.

The FDA may also place other conditions on approvals including the requirement for a REMS, to assure the safe use of the product. If the FDA concludes a REMS is needed, the sponsor of the NDA or BLA must submit a proposed REMS. The FDA will not approve the NDA or BLA without an approved REMS, if required. A REMS 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. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription or dispensing of products. Product approvals may be withdrawn for non-compliance with regulatory requirements, if problems occur following initial marketing or if the FDA determines that the product is no longer safe or effective.

FDA regulations require that products be manufactured in specific approved facilities and in accordance with cGMP regulations. NDA and BLA holders using contract manufacturers, laboratories or packagers are responsible for the selection and monitoring of qualified firms, and, in certain circumstances, qualified suppliers to these firms. These manufacturers must comply with cGMP regulations that require, among other things, quality control and quality assurance, the maintenance of records and documentation and the obligation to investigate and correct any deviations from cGMP. Manufacturers and other entities involved in the manufacture and distribution of approved drugs or biologics are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP requirements and other laws. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance. The discovery of violative conditions, including failure to conform to cGMP regulations, could result in enforcement actions, and the discovery of problems with a product after approval may result in restrictions on a product, manufacturer or holder of an approved NDA or BLA, including recall or withdrawal of the product from the market.

The FDA may issue enforcement letters or withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Corrective action could delay drug or biologic distribution and require significant time and financial expenditures. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- mandated corrective advertising or communications with doctors;
- restrictions on the marketing or manufacturing of a product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;

- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of existing product approvals;

- product seizure or detention, or refusal of the FDA to permit the import or export of products; or

- injunctions or the imposition of civil or criminal penalties.

The FDA closely regulates the marketing, labeling, advertising and promotion of drugs and biologics to ensure that these activities are carried out in a manner that is truthful, non-misleading and consistent with FDA-approved labeling. Under the FDCA and its implementing regulations, a medical product, including a drug or biologic, may be deemed misbranded if its labeling is false or misleading in any particular, or if the medical product is promoted in a manner that evidences a new intended and unapproved indication. Failure to comply with FDCA requirements can result in, among other things, adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available products for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties, as physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA and other agencies do, however, actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability, including investigation by federal and state authorities. Prescription drug promotional materials must be submitted to the FDA in conjunction with their first use or first publication, and may be required to be reviewed in advance in certain circumstances such as for products that receive accelerated approval.

Biosimilars and Reference Product Exclusivity

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA, signed into law in 2010, includes a subtitle called the Biologics Price Competition and Innovation Act of 2009, or BPCIA, which created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-approved reference biological product.

Biosimilarity, which requires that the biological product be highly similar to the reference product notwithstanding minor differences in clinically inactive components and there be no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency, can be shown through analytical studies, animal studies, and a clinical trial or studies. Interchangeability requires that a product be biosimilar to the reference product and the product must demonstrate that it can be expected to produce the same clinical results as the reference product in any given patient and, for products that are administered to a patient more than once, the biologic and the reference biologic may be alternated or switched after one has been previously administered without increasing safety

risks or risks of diminished efficacy relative to exclusive use of the reference biologic. Complexities associated with the larger, and often more complex, structures of biological products, as well as the processes by which such products are manufactured, pose significant hurdles to implementation of the abbreviated approval pathway that are still being worked out by the FDA.

Under the BPCIA, an application for a biosimilar product may not be accepted by the FDA until four years after the date of first licensure of the reference product. In addition, the FDA may not approve an application for a biosimilar or interchangeable product until 12 years after the date of first licensure of the reference product.

The BPCIA also created certain exclusivity periods for biosimilars approved as interchangeable products. At this juncture, it is unclear whether products deemed "interchangeable" by the FDA will, in fact, be readily substituted by pharmacies, which are governed by state pharmacy law.

The BPCIA is complex and continues to be interpreted and implemented by the FDA. In addition, government proposals have sought to reduce the 12-year reference product exclusivity period. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. As a result, the ultimate implementation and impact of the BPCIA is subject to significant uncertainty.

PRC

Drug Regulatory Regime

The Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), or the Drug Administration Law, was promulgated by the Standing Committee of the NPC, in September 1984, and amended in February 2001, December 2013, April 2015 and August 2019, respectively. The Regulations for the Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), or the Regulations for the Implementation of the Drug Administration Law, was promulgated by the State Council in August 2002, and amended in February 2016 and March 2019, respectively. The Drug Administration Law and the Regulations for the Implementation of the Drug Administration Law have jointly established the legal framework for the administration of pharmaceutical products in China, including the research, development and manufacturing of new drugs. The Drug Administration Law applies to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products. It regulates and provides for a framework for the administration of pharmaceutical manufacturers, pharmaceutical trading companies and medicinal preparations of medical institutions, and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products. The Regulations for the Implementation of the Drug Administration Law, at the same time, provide the detailed implementation regulations for the Drug Administration Law.

In 2017, the drug regulatory system entered a new and significant period of reform. The General Office of the State Council and the General Committee of China Communist Party jointly issued Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》), or the Innovation Opinions, in October 2017. The expedited programs, the record-filing system, the prioritized review mechanism, the acceptance of foreign clinical data under the Innovation Opinions and other recent reforms encourage drug manufacturers to seek marketing approval in China first for the development of drugs in highly prioritized therapeutic areas, such as severe and life-threatening diseases that cannot be treated in an effective manner and those badly needed for public health or rare diseases.

To implement the regulatory reform introduced by Innovation Opinions, according to the Decision of the First Session of the Thirteenth NPC on the State Council Institutional Reform Proposal (《第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》) promulgated in March 2018, the National Medical Products Administration, or the NMPA was formed to assume the responsibilities of China Food and Drug Administration relating to administration of drugs and medical devices, or the CFDA, as well as other authorities. The NMPA is currently responsible for promulgating and supervising the enforcement of the rules and standards governing the pharmaceutical products.

In August 2019, the Standing Committee of the NPC promulgated the new Drug Administration Law, or the 2019 Amendment, which came into effect in December 2019. The 2019 Amendment contains many of the major reform initiatives implemented by the Chinese government since 2015, including but not limited to the Marketing Authorization Holder system, or the MAH system, conditional approvals of drugs, traceability system of drugs, and the cancellation of relevant certification according to the Good Manufacturing Practice, or the GMP, and the Good Supply Practice, or the GSP.

Regulatory Authorities

Pharmaceutical products in China are monitored and supervised on a national scale by the NMPA. The local provincial medical products administrative authorities are responsible for supervision and administration of drugs within their respective administrative regions. The NMPA was formed under the SAMR in 2018. The NMPA's predecessor, the State Drug Administration, or the SDA, was replaced by the State Food and Drug Administration, or the SFDA, which was later reorganized into the CFDA, as part of the institutional reforms implemented by the State Council.

The primary responsibilities of the NMPA include:

- supervision of the administration of pharmaceutical products, medical devices as well as cosmetics in the PRC;

- formulation of administrative rules, policies and standards concerning the supervision and administration of pharmaceutical, medical devices, and cosmetics industry;

- registration and administration of drugs, medical devices, and cosmetics, establishing the system for relevant registration and administration and performing stringent review and approval for marketing;

- administration of quality of drugs, medical devices, and cosmetics, formulating and supervising the implementation of regulations on quality management, formulation of the regulations on quality management of production and supervision of the relevant implementation within its authority;

- risk management of drugs, medical devices, and cosmetics that have been launched to the market, organization of inspection, test, evaluation and handling of cases in relation to adverse reaction or events arising from drugs, medical devices, and cosmetics;

- guiding the supervising and inspecting work on drugs, medical devices, and cosmetics;

- guiding work of authorities responsible for supervision and administration of drugs in provinces, autonomous regions and municipalities directly under the central government.

In 2013, the Ministry of Health and the National Population and Family Planning Commission were integrated into the National Health and Family Planning Commission of the PRC, or the NHFPC. In March 2018, according to Decision of the First Session of the Thirteenth NPC on the State Council Institutional Reform Proposal (《國務院機構改革方案》), NHFPC and certain other governmental authorities were consolidated into the National Health Commission, or the NHC. The responsibilities of the NHC include coordinating the formulation of national drug policies, the national essential medicine system and the National Essential Medicines List and drafting the administrative rules for the procurement, distribution and use of national essential medicines.

According to the Decision of the CFDA on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs (《國家食品藥品監督管理總局關於調整部分藥品行政審批事項審批程序的決定》), which was promulgated by the CFDA in March 2017 and came into effect in May 2017, the approval for clinical trials of drugs and supplementary drug applications (both including domestic and imported drugs) and renewal of the approval for imported drugs should be issued by the Center for Drug Evaluation, or the CDE, on behalf of the CFDA and now the NMPA.

Non-Clinical Research

The institutions for non-clinical safety evaluation and study shall implement the Good Laboratory Practice for Non-Clinical Laboratory Studies (《藥物非臨床研究質量管理規範》), or the GLP. The GLP contains a set of rules and criteria for the quality system concerned with the organizational process and conditions under which non-clinical laboratory studies are planned, performed, monitored, recorded, achieved and reported. Other pre-clinical related research activities for the purpose of drug registration shall be carried out with reference to the GLP.

Administrative Measures for Drug Registration

The Administrative Measures for Drug Registration (《藥品註冊管理辦法》), or the Registration Measures, was promulgated by the SFDA in October 2002 and was last amended in January 2020, which became effective in July 2020. According to the Registration Measures, drug registration refers to the activities including, an applicant for drug registration submitting an application or where applicable, a supplementary application, for approval of drug clinical trial, marketing authorization and re-registration of drugs upon expiration of the initial registration period, and the drug supervisory and administrative authority examining the safety, efficacy and quality control based on the applicable laws and regulations, as well as the existing scientific cognitions, to decide whether to approve the application. Drug registration is classified into different categories based on the types of drugs, namely, traditional Chinese drug, chemical drugs and biological products.

The Registration Measures amended in 2020 provide detailed procedural and substantive requirements for the key regulatory concepts established by the Drug Administration Law, and confirms a number of reform actions that have been taken in the past years, including but not limited to: (i) the full implementation of the MAH system and implied approval of the commencement of clinical trial; (ii) the implementation of associated review of chemical raw material medicines, auxiliary materials, and packaging materials and containers in direct contact with drugs; and (iii) the introduction of four procedures for expedited registration of drugs, which are procedures for ground-breaking therapeutic drugs, procedures for conditional approval, procedures for prioritized reviews and approval, and procedures for special examination and approval. Detailed implementation rules for drug classification and requirements for corresponding application materials will be promulgated by the NMPA.

In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》), which outlined the reclassifications of drug applications under the Registration Measures promulgated in 2007. According to the Reform Plan for Registration Category of Chemical Medicine, Category 1 drugs refer to innovative chemical drugs that have not been marketed anywhere in the world. Improved new chemical drugs that are not marketed anywhere in the world fall into Category 2 drugs. Generic chemical drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed abroad but not yet in China, can be classified as Category 3 drugs. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4 drugs. Category 5 drugs are drugs which have already been marketed abroad, but are not yet approved in China.

As a support policy and implementing rule of the Registration Measures amended in 2020, the NMPA issued the Chemical Drug Registration Classification and Application Data Requirements (《化學藥品註冊分類及申報資料要求》) in June 2020, which reaffirmed the principles of the classification of chemical drugs set forth by the Reform Plan for Registration Category of Chemical Medicine.

In January 2009, the SFDA promulgated the Administrative Provisions on Special Examination and Approval of Registration of New Drugs (《新藥註冊特殊審批管理規定》), according to which, the SFDA, and now the NMPA, conducts special examination and approval for new drug registration applications when: (1) the effective constituent extracted from plants, animals, minerals, etc., as well as the preparations thereof which have never been marketed in China, and the medicinal materials and the preparations thereof that are newly discovered; (2) the chemical raw material medicines as well as the preparations thereof and the biological products that have not been approved for marketing at home and abroad; (3) the new drugs which have obvious clinical treatment advantages for diseases such as AIDS, malignant tumors and orphan diseases, etc. or (4) the new drugs that treat diseases currently with no effective methods of treatment.

The Administrative Provisions on Special Examination and Approval of Registration of New Drugs further provide that the applicant may file for special examination and approval at the clinical trial application stage if the product candidate falls within items (1) or (2), and for product candidates that fall within items (3) or (4), the application for special examination and approval cannot be made until filing for production.

Accelerated Approval for Clinical Trial and Registration

The Opinions of the State Council on the Reform of Evaluation and Approval System for Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》) issued by the State Council in August 2015, established a reform framework of the evaluation and approval system for drugs and medical devices, and indicated the tasks of enhancing the standards of approval for drug registration, accelerating the evaluation and approval process for innovative drugs, and improving the approval for clinical trials of drugs, etc.

The Opinions of the State Council on the Reform of Evaluation and Approval System for Drugs and Medical Devices established a framework for reforming the evaluation and approval system for drugs and medical devices, improved the system of approval for drug registration and accelerated the evaluation and approval process for new drugs as well as drug clinical trials.

The CFDA released the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》) in November 2015, which further clarified the measures and policies for simplifying and accelerating the approval process for clinical trials and drug registration, including:

- a one-time umbrella approval procedure allowing the overall approval of all phases of a new drug's clinical trials, replacing the current phase-by-phase application and approval procedure; and

- a fast track drug registration or clinical trial approval pathway for the following applications: (1) registration of innovative new drugs for preventing and treating AIDS, malignant tumors, serious infectious diseases and orphan diseases, etc.; (2) registration of pediatric drugs; (3) registration of geriatric drugs and drugs treating PRC-prevalent diseases in elders; (4) registration of drugs listed in national major science and technology projects and national key research and development plans; (5) registration of clinical urgently needed drugs using advanced technology, using innovative treatment methods, or having obvious treatment advantages; (6) registration of foreign innovative drugs to be manufactured locally in China; (7) concurrent applications for new drug clinical trials which are already approved in the United States or EU or concurrent drug registration applications for drugs which have applied to the competent drug approval authorities for marketing authorization and passed such authorities' onsite inspections in the United States or EU and are manufactured using the same production line in China; and (8) clinical trial applications for drugs with urgent clinical need and patent expiry within three years, and manufacturing authorization applications for drugs with urgent clinical need and patent expiry within one year.

The NMPA released 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》) in July 2018, according to which, within 60 days after the acceptance of and the fees paid for the drug clinical trial application, the applicant may conduct the clinical trials for the drug in accordance with the clinical trial protocol submitted, if the applicant has not received any negative or questioning opinion from the CDE. Such approval process has been further enacted into the 2019 Amendment, according to which, if the applicant has not received any notice from NMPA within 60 working days after the acceptance of clinical trial application, such application shall be deemed as approved.

In July 2020, the NMPA issued Review and Approval Procedures for Conditional Approval of Drug Marketing Applications (Trial Implementation) (《藥品附條件批准上市申請審評審批工作程序(試行)》), pursuant to which and the Registration Measures amended in 2020, an applicant may submit, during the stage of clinical trials, an application for conditional approval, for pharmaceuticals which fall under the following circumstances: (i) drugs for treatment of life-threatening illnesses for which there is no effective treatment, whose clinical trial has data to prove efficacy and to forecast the clinical value thereof; (ii) drugs urgently needed for public health, whose clinical trial has data to prove efficacy and to forecast the clinical value thereof; and (iii) other vaccines urgently needed for major public health emergencies or deemed by the NHC to be urgently needed, which has been concluded upon evaluation that the benefits outweigh the risks. For applications for a conditional approval, the applicant shall communicate with the CDE on the conditional approval criteria for marketing and the post-marketing research work to be continued and completed, and apply for drug marketing authorization upon communication and confirmation. If it is concluded that the conditional approval requirements are complied with, the drug registration certificate shall state the validity period of the drug registration with conditional approval, the post-marketing research work to be continued and completed and the deadline to complete such work, etc. For the drug which is granted with conditional approval, the holder shall adopt the appropriate risk management measures following marketing of the drug, and complete the drug clinical trial and relevant post-marketing research within the stipulated period, and declare so to the CDE via a supplementary application.

In July 2020, NMPA issued the Priority Review and Approval Procedures for Drug Marketing Authorizations (Trial Implementation) (《藥品上市許可優先審評審批工作程序(試行)》), at the time of application for drug marketing authorization, the following drugs which have obvious clinical value may apply for prioritized review and approval procedures: (i) clinically and urgently needed but insufficient drugs, innovative drugs and improved new drugs for prevention and treatment of major contagious diseases and rare diseases; (ii) new pediatric use pharmaceutical products, dosage form and specifications which comply with pediatric physiological characteristics; (iii) vaccines and innovative vaccines urgently needed for prevention and control of diseases; (iv) drugs included in the procedures for breakthrough therapy designation; (v) drugs which comply with conditional approval criteria; and (vi) other circumstances entitled to prioritized review as stipulated by the NMPA. Upon communication and confirmation with the CDE, when the applicant submits the application for drug marketing authorization, the applicant shall simultaneously submit an application for prioritized review and approval. If an application satisfies one of the foregoing criteria, the CDE shall announce so and admit the application in the prioritized review and approval procedures. The following policy support shall be granted to an application for drug marketing authorization admitted in the prioritized review and approval procedures: (i) the review period shall be limited to no more than 130 days; (ii) for clinically and urgently needed imported drugs for rare diseases which are not yet marketed in the PRC, the review period shall be limited to no more than 70 days; (iii) priority shall be granted to examination, inspection and approval of the commonly used name of drugs (if applicable); and (iv) upon communication and confirmation, supplementary supporting materials may be required.

Research and Development of New Drugs

Pursuant to the Drug Administration Law (2019 Amendment), for clinical trials on pharmaceuticals, relevant data, information and samples such as development methods, quality indicators and pharmacological and toxicological testing results shall be truthfully submitted to and approved by the NMPA. Clinical trial organizations shall implement the Good Clinical Practice of Drugs.

Pursuant to the Regulations for the Implementation of the Drug Administration Law, research and development of new drugs that require clinical trials shall be approved by the NMPA. The applicant shall choose institutions qualified for conducting clinical trials of drugs and record the chosen clinical trial institution with NMPA. Before clinical trials for drugs are conducted by such institutions, the subjects or their guardians (for a person without capacity or with limited capacity for civil conducts) shall be informed of the facts and their written consents shall be obtained. Pursuant to the Registration Measures amended in 2020, an applicant shall, before applying for marketing registration of the drug, complete pharmaceutical research, pharmacological and toxicological research, clinical drug trial, and other relevant research work.

Trial Exemptions and Acceptance of Foreign Data

The NMPA issued the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data of Drugs (《接受藥品境外臨床試驗數據的技術指導原則》) in July 2018, or the Technical Guidance, as one of the implementing rules for the Innovation Opinions, which provides that overseas clinical data can be submitted for the drug registration applications in China when relevant requirements are met. According to the Technical Guidance, sponsors may use the data of foreign clinical trials as clinical evaluation materials to support drug registration in China, provided that sponsors must ensure the authenticity, completeness, accuracy and traceability of foreign clinical trial data and such data must be obtained consistent with the relevant requirements under the Good Clinical Trial Practice of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, or the ICH. Sponsors must also comply with other relevant sections of the Registration Measures, when applying for drug registrations in China using foreign clinical trial data.

The NMPA now officially permits, and its predecessor agencies have permitted on a case-by-case basis in the past, drugs approved outside of China to be approved in China on a conditional basis without pre-approval clinical trials being conducted in China. Specifically, the NMPA and the NHC released the Procedures for Reviewing and Approval of Clinical Urgently Needed Overseas New Drugs (《關於臨床急需境外新藥審評審批相關事宜的公告》) in October 2018, permitting drugs that have been approved within the last ten years in the United States, the EU or Japan and that prevent or treat orphan diseases, or prevent or treat serious life-threatening illnesses for which there is either no effective therapy in China, or for which the foreign-approved drugs would have clear clinical advantages to be approved through specialized channel. Applicants will be required to establish a risk management and control plan and may be required to complete trials in China after the drug has been marketed. The CDE has issued and may continue to announce lists of qualifying drugs that meet the foregoing criteria from time to time.

Clinical Trial Process and Good Clinical Practices

According to the Registration Measures, clinical trials are classified into Phase I, Phase II, Phase III, Phase IV and bioequivalence clinical trials. Pursuant to the Registration Measures, an applicant that applies for a drug clinical trial shall submit relevant research materials according to the requirements for application materials, which will be accepted if they are deemed qualified upon formal examination. The CDE shall organize pharmaceutical, medical and other technicians to review the application for the drug clinical trials.

To improve the quality of clinical trials, the SFDA promulgated the Good Clinical Trial Practice for Drugs (《藥物臨床試驗質量管理規範》) in August 2003, or the GCP Rules, which was replaced by the revised Good Clinical Trial Practice for Drugs, or the Revised GCP Rules, promulgated by the NMPA and the NHC in April 2020 and coming into effect in July 2020. According to the Revised GCP Rules, clinical trial means systematical investigation of the efficacy and safety of drugs conducted on human subjects (patients or healthy volunteers) to

prove or reveal the clinical, pharmacological and other pharmacodynamic function, adverse reactions and/or absorption, distribution, metabolism and excretion of the drug being investigated. The purpose of a clinical trial is to determine the therapeutic efficacy and safety of the drug. The Revised GCP Rules provide comprehensive and substantive requirements on the design and conduct of clinical trials in China. In particular, the Revised GCP Rules enhance the protection for study subjects and tighten the control over bio-samples collected under clinical trials. Pursuant to the Revised GCP Rules, a trial protocol shall be distinct, explicit and operable and may be executed only upon the consent of the ethics committee. An investigator shall abide by the relevant trial protocol during a clinical trial, and each medical judgment or clinical decision-making involved shall be made by clinicians. The quality management system for clinical trials shall cover the whole process of a clinical trial with emphasis on the protection of subjects, reliability of the trial results and compliance with relevant laws and regulations.

The Revised GCP Rules also set out the qualifications and requirements for the investigators and clinical trial institutions participating in clinical trial, who must: (i) have professional certification at a clinical trial institution, professional knowledge, training experience and capability of clinical trial, and be able to provide the latest resume and relevant qualification documents per request; (ii) be familiar with the trial protocol, investigator's brochure and relevant information of the trial drug provided by the applicant; (iii) be familiar with and comply with the Revised GCP Rules and relevant laws and regulations relating to clinical trials; (iv) keep a copy of the authorization form on work allocation signed by investigators; (v) accept supervision and inspection organized by the applicant and inspection by the drug regulatory authorities; and (vi) in the case of investigators and clinical trial institutions authorizing other individual or institution to undertake certain responsibilities and functions relating to clinical trial, they shall ensure such individual or institution are qualified and establish complete procedures to ensure the responsibilities and functions are fully performed and generate reliable data.

Drug Clinical Trial Registration

According to the Registration Measures, upon obtaining the approval of its clinical trials applications and before conducting a clinical trial, the applicant shall (a) formulate corresponding drug clinical trial protocol and implement such protocol upon approval of ethics committee and submit such protocol and supporting materials on the website of CDE; (b) register the drug clinical trial protocol and other information on the Drug Clinical Trial Registration and Information Publicity Platform. The CFDA released the Announcement on Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》) in September 2013, according to which, the applicant shall complete the trial pre-registration within one month after obtaining the clinical trial approval in order to obtain the trial's unique registration number and complete registration of certain follow-up information and first submission for publicity before the first subject's enrollment in the trial. If the first submission is not completed within one year after the approval of the clinical trial applications, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of the clinical trial applications shall automatically expire.

MAH System

Pursuant to the Drug Administration Law (2019 Amendment), China implements a system of drug marketing authorization holder, or MAH, for drug administration. MAHs, namely enterprises or drug research and development institutions which have obtained drug registration certificates, shall be responsible for drug safety, efficacy and quality control throughout the process of drug research and development, production, marketing and use. MAHs may engage in drug manufacturing and sale on their own or outsource the manufacturing or sale activities to a third party. When engaging third parties to take charge of the drug storage and transportation, the MAHs shall evaluate the quality control and risk management competence of such third parties, enter into an agreement with such third parties to stipulate the quality control responsibility, operating procedures etc., and supervise the activities of such third parties. Upon approval by the NMPA, a MAH may transfer its drug marketing authorization certificate.

International Multi-Center Clinical Trials

The International Multi-Center Clinical Trial Guidelines (Trial Implementation) (《國際多中心藥物臨床試驗指南(試行)》), or the Multi-Center Clinical Trial Guidelines, which was promulgated by the CFDA in January 2015 and came into effect in March 2015, provided guidance on the implementation of International Multi-center Clinical Trials, or the IMCCT, in China. According to the Multi-Center Clinical Trial Guidelines, international multi-center clinical trial applicants may simultaneously perform clinical trials in different centers using the same clinical trial protocol. Where the applicants plan to implement the international multi-center clinical trials in the PRC, the applicants shall comply with relevant laws and regulations, such as the Drug Administration Law, the Regulations for the Implementation of the Drug Administration Law and the Registration Measures, execute the Revised GCP Rules, make reference to universal international principles such as the ICH-GCP and comply with the laws and regulations of the countries involved in the international multi-center clinical trials. Where the applicants plan to use the data derived from the international multi-center clinical trials for approval of a drug registration in the PRC, it shall involve at least two countries, including China, and shall satisfy the requirements for clinical trials set forth in the Multi-Center Clinical Trial Guidelines, current Registration Measures and other related laws and regulations.

In April 2020, the NMPA and the NHC promulgated the Revised GCP Rules, which came into effect in July 2020. The Revised GCP Rules summarize the requirements for initiating an IMCCT, that is: (i) the applicant shall ensure that all the centers participating in the clinical trial comply with the trial protocol; (ii) the applicant shall provide each center with the same trial protocol, and each center shall comply with the same unified evaluation criterion for clinical trial and laboratory data and the same guidance for case report form; (iii) each center shall use the same case report form to record the data obtained during the trial; (iv) before initiating a clinical trial, a written document is required to specify the responsibilities of the investigators of each center; and (v) the applicant shall ensure the communication among the investigators of each center.

Data derived from an IMCCT can be used for the new drug applications with the NMPA. When using IMCCT data to support new drug applications in China, applicants shall submit the completed global clinical trial report, statistical analysis report and database, along with relevant supporting data in accordance with the content and format requirements under the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use-Common Technical Document; subgroup research results summary and comparative analysis shall also be conducted concurrently.

The CFDA released the Decision on Adjusting Relevant Items concerning the Administration of Imported Drug Registration (《關於調整進口藥品註冊管理有關事項的決定》) in October 2017, which includes the following key points:

- If the IMCCT of a drug is conducted in China, Phase I clinical trial of the drug is allowed simultaneously. The IMCCT drug does not need to be approved or to enter into either a Phase II or III clinical trial in a foreign country, except for preventive biological products;

- If the IMCCT is conducted in China, the application for drug marketing authorization can be submitted directly after the completion of the IMCCT. The Amended Registration Measures and relevant laws and regulations shall be complied with for registration application;

- With respect to applications for clinical trial and marketing of the imported new chemical drugs and innovative therapeutic biological products, the marketing authorization in the country or region where the foreign drug manufacturer is located will not be required; and

- With respect to drug applications that have been accepted before the release of this Decision, if relevant requirements are met, importation permission can be granted if such applications request exemption of clinical trials for the imported drugs based on the data generated from the IMCCT.

Real-Word Data

The NMPA published the Guidelines on Using Real-world Evidence to Support Research, Development and Review of Drugs (Trial Implementation) (《用於產生真實世界證據的真實世界數據指導原則(試行)》) in April 2021. Real-world data, or the RWD, refers to a variety of data collected on a daily basis related to patients' health conditions and/or diagnosis, treatment and healthcare. Subject to relevance and reliability of the collected data, the RWD may be used to form real-world evidence which may be used as supporting materials when considering the approval in the PRC. When assessing the data reliability, the following five aspects will be taken into account: the completeness, accuracy, transparency, quality control and quality guarantee of the RWD.

Approval of Human Genetic Resources

Pursuant to the Regulations on the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》) which was promulgated by the State Council in May 2019 and became effective in July 2019, the Biosecurity Law of the PRC (《中華人民共和國生物安全法》) which was promulgated by the Standing Committee of the NPC in October 2020 and became effective in April 2021, utilization of human genetic resources in China for the purposes of conducting research and development of biotechnology or clinical trials shall be subject to the relevant laws, regulations and state provisions with respect to biotechnology development and clinical application and management, and shall also conform to ethical principles and shall not harm public health, national security or public interest. Unless otherwise stipulated by laws and regulations, no institution or individual may preserve human genetic resources, collect certain human genetic resources as stipulated by laws and regulations, use human genetic resources for international collaborative scientific research or export human genetic resources, or take such resources outside of China, or provide the same to other countries in other forms without permission or recordation.

Foreign organizations and the institutions formed or actually controlled by any foreign organizations and individuals, or a Foreign Entity, shall not collect or preserve Chinese human genetic resources within the territory of the PRC, and shall not provide Chinese human genetic resources abroad, unless otherwise stipulated in laws and regulations. Where a Foreign Entity needs to use Chinese human genetic resources to conduct scientific research activities, it shall cooperate with Chinese scientific research institutions, institutions of higher education, medical institutions or enterprises. Utilization of human genetic resources in China for the purpose of conducting international collaborative scientific research shall be jointly applied by the parties and get approval by the MOST, and shall comply with the following conditions: (i) it will not harm the public health, state security or public interest of China; (ii) the collaboration shall be between a Chinese entity and a Foreign Entity, both of which shall have legal person status and have the bases and capability to perform relevant duties; (iii) the purposes and contents of the cooperative research are clear and legitimate, and the cooperation period is reasonable; (iv) the cooperative research plan is reasonable; (v) the sources of human genetic resources to be utilized are legal, and the types and quantities of such human genetic resources are consistent with the research contents; (vi) they have passed the ethical review of the respective countries (regions) where the parties are located; and (vii) there are clear agreements on the ownership of research achievements reasonable and clear arrangements for the distribution of benefits. In order to obtain the market authorization of relevant drugs and medical devices in China, the clinical trials conducted through international cooperation at clinical institutions by using Chinese human genetic resources are not subject to approval provided that they do not involve the transport of materials of human genetic resources out of China. However, the type, quantity and use of human genetic resources to be used shall, before the collaborating parties start clinical trials, be submitted to the MOST for recordation. Where Chinese human genetic resource information is to be provided or made available to a Foreign Entity, a report shall be made to the MOST, with a backup of the information submitted.

On May 26, 2023, the MOST promulgated the Implementation Rules for the Administrative Regulation on Human Genetic Resources (《人類遺傳資源管理條例實施細則》), or the Implementation Rules for HGR, which will come into effect on July 1, 2023. The Implementation Rules for HGR further provide detailed implementation regulations for the Administration of Human Genetic Resources of the PRC, such as:

- Clarifying the scope of human genetic resource information, which shall include information resources generated from human genetic resource materials (such as human genes and genome data) and exclude clinical data, image data, protein data and metabolic data;

- Further clarifying the criteria to constitute a Foreign Entity, which shall include (i) any foreign organization or individual that holds directly or indirectly more than 50% of the shares, equity interests, voting rights, property shares or other interests in the institution, (ii) any foreign organization or individual that is able to dominate or have material effect on the decision-making or management of the institution through its voting right or other interests, although the shares, equity interests, voting rights, property share or other interests it directly or indirectly holds in the institution is less than 50%, (iii) any foreign organization or individual that is able to dominate or have material effect on the decision-making or management of the institution through investment relationship, contract or other arrangement; and (iv) other situations stipulated by laws, regulations and rules;

- Specifically listing the situations where security review may be required, which shall include: (i) human genetic resource information of important genetic families; (ii) human genetic resources information of specific regions, (iii) exome sequencing and genome sequencing information resources with a population greater than 500 cases; and (iv) other situation that may affect the public health, national security and social public interest of China;

- Further improve the clarity and efficiency of the administration of human genetic resources, for example, clarifying the method for the calculation of illegal gains and providing detailed exemptions on certain matters that are subject to approval.

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, state and federal anti-kickback, fraud and abuse, false claims, the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, and transparency laws and regulations related to drug pricing and payments and other transfers of value made to physicians and other healthcare providers. The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that some pharmaceutical manufacturers may engage in business activities, or arrangements with physicians, that could subject them to challenge under one or more of such laws.

If their operations are found to be in violation of any of such laws or any other governmental regulations that apply, they 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 their operations. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical or biological product for which pharmaceutical manufacturers obtain regulatory approval. 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. Decisions regarding the extent of coverage and amount of reimbursement to be provided are made on a plan-by-plan basis.

There may be significant delays in obtaining coverage and reimbursement as the process for doing so is often time-consuming and costly. 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. Factors payors consider in determining reimbursement are based on whether the product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

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.

Healthcare Reform

The United States and some foreign jurisdictions are considering or have enacted a number of reform proposals to change the healthcare system. There is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by federal and state legislative initiatives, including those designed to limit the pricing, coverage, and reimbursement of pharmaceutical and biopharmaceutical products, especially under government-funded healthcare programs, and increased governmental control of drug pricing.

The continuing efforts of the government, insurance companies, managed care organizations and other payers of healthcare services to contain or reduce costs of healthcare may adversely affect pharmaceutical manufacturers in the following ways:

- the demand for any product candidates, if approved;
- the ability to set a price that they believe is fair for any product candidates, if approved;
- their ability to generate revenue and achieve or maintain profitability;
- the level of taxes that they are required to pay; and
- the availability of capital.

There has been increasing legislative and enforcement interest in the United States with respect to drug pricing practices. Specifically, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, and review the relationship between pricing and manufacturer patient programs.

The Inflation Reduction Act of 2022, or IRA includes several provisions that may impact pharmaceutical manufacturers to varying degrees, including provisions that reduce the out-of-pocket spending cap for Medicare Part D beneficiaries from US$7,050 to US$2,000 starting in 2025, thereby effectively eliminating the coverage gap; impose new manufacturer financial liability on certain drugs under Medicare Part D; allow the U.S. government to negotiate Medicare Part B and Part D price caps for certain high-cost drugs and biologics without generic or biosimilar competition; require companies to pay rebates to Medicare for certain drug prices that increase faster than inflation; and delay until January 1, 2032 the implementation of the HHS rebate rule that would have limited the fees that pharmacy benefit managers can charge. Further, under the IRA, orphan drugs are exempted from the Medicare drug price negotiation program, but only if they have one orphan designation and for which the only approved indication is for that disease or condition. If a product receives multiple orphan designations or has multiple approved indications, it may not qualify for the orphan drug exemption. The implementation of the IRA is currently subject to ongoing litigation challenging the constitutionality of the IRA's Medicare drug price negotiation program. The effects of the IRA on pharmaceutical manufacturers and the healthcare industry in general is not yet known.

In addition, President Biden has issued multiple executive orders that have sought to reduce prescription drug costs. In February 2023, HHS also issued a proposal in response to an October 2022 executive order from President Biden that includes a proposed prescription drug pricing model that will test whether targeted Medicare payment adjustments will sufficiently incentivize manufacturers to complete confirmatory trials for drugs approved through FDA's accelerated approval pathway. Although a number of these and other proposed measures may require authorization through additional legislation to become effective, and the Biden administration may reverse or otherwise change these measures, both the Biden administration and Congress have indicated that they will continue to seek new legislative measures to control drug costs.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that these and other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and in additional downward pressure on the price that pharmaceutical manufacturers receive for any approved 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 the Health Insurance Portability and Accountability

Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, the U.S. Department of Health and Human Services, or 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 are subject to HIPAA and HITECH.

HIPAA and HITECH include the privacy and security rules, breach notification requirements and electronic transaction standards. The privacy rule covers the use and disclosure of PHI by covered entities and business associates. The 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 security rule requires covered entities and business associates 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 they are 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 PHI than HIPAA. California, for example, has enacted the Confidentiality of Medical Information Act, 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 on January 1, 2020. The CCPA contains new disclosure obligations for 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 protected health information regulated by HIPAA and certain data regarding clinical trials, the CCPA, to the extent applicable to our business and operations, may increase our compliance costs and potential liability with respect to other personal information we maintain about California residents. The CCPA has substantial penalties for non-compliance and we continue to assess its impact on our business. 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.

OTHER GOVERNMENT REGULATIONS

Regulations on Intellectual Property Rights

United States

Patent Term Restoration, Extension and Marketing Exclusivity

A patent claiming a new drug product may be eligible for a limited patent term extension under the Hatch-Waxman Act, which permits a patent restoration of up to five years for patent term lost during the FDA regulatory review. The restoration period granted on a patent covering a product is typically one-half the time between the effective date of a clinical investigation involving human beings is begun and the submission date of an application, plus the time between the submission date of an application and the ultimate approval date. 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 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 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 another 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.

PRC

In terms of international conventions, China has entered into (including but not limited to) the Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協定》), the Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), the Madrid Agreement Concerning the International Registration of Marks (《商標國際註冊馬德里協定》) and the Patent Cooperation Treaty (《專利合作條約》).

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》), or the PRC Patent Law, which was promulgated by the Standing Committee of the NPC in March 1984, amended in September 1992, August 2000, December 2008 and October 17, 2020 and came into effect on June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), which was promulgated by the State Council in June 2001, amended in December 2002 and January 2010 and came into effect in February 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. According to the PRC Patent Law, the protection period is 20 years for an invention patent, 10 years for a utility model patent and 15 years for a design patent (10 years for a design patent filed on or before May 31, 2021), commencing from their respective application dates. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files patent applications for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any individual or entity that utilizes a patent or conducts any other activities that infringe a patent without prior authorization of the patent holder shall pay compensation to the patent holder and if counterfeiting patent, is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. Any organization or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the patent administrative authorities of the State Council for confidentiality examination. The PRC Patent Law also provides a patent protection period compensation system in the event of unreasonable delay in granting the invention patent right, a special patent protection period compensation system for making up the time required for assessment and approval of marketing of new drugs and punitive damages for willful patent infringement under severe circumstances. In addition, under the Regulations of the PRC on the Administration of Human Genetic Resources, patents derived from the cross-border collaboration using the PRC human genetic resources shall be jointly applied for and owned by the PRC and foreign parties.

Patent Transfer and License

Patent transfer (patent assignment) and patent license are two different ways of transferring or granting rights of a patent.

Patent assignment refers to the transfer of ownership of a patent from one party (assignor) to another (assignee). The party who receives the assignment (assignee) becomes the new owner of the patent, has the entire right to enforce it. Pursuant to the PRC Patent Law, patent assignment is required to be registered with the competent patent administration authority and announced to public, and such patent assignment will come into effect on its registration date.

On the other hand, patent license grants permission to another party (licensee) to use a patent, but ownership of the patent remains with the original owner (licensor). The licensee is allowed to use the patent subject to the terms of the license agreement, which may specify limitations on territory, field, scope and/or duration of use. Pursuant to the Implementation Rules of the Patent Law of the PRC, a patent license agreement is required to be filed with the competent patent administration authority within three months after the date when such patent license agreement becomes effective.

Patent Enforcement

Unauthorized use of patents without consent from owners of patents, forgery of the patents belonging to other persons, or engagement in other patent infringement acts, will subject the infringers to infringement liability. Serious offences such as forgery of patents may be subject to criminal penalties.

A patent owner, or an interested party who believes the patent is being infringed, may either file a civil legal suit or file an administrative complaint with the relevant patent administration authority. A PRC court may issue a preliminary injunction upon the patent holder's or an interested party's request before instituting any legal proceedings or during the proceedings. Damages for patent infringement shall be calculated as the losses suffered by the patent holder arising from the infringement or the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined by using a reasonable multiple of the license fee under a contractual license. If the patent infringement is found to be willful and has caused severe consequences, the damages for patent infringement may be determined by one to five times of the damage calculated according to the foregoing sentence.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), which was promulgated by the Standing Committee of the NPC in September 1993 and amended in November 2017 and April 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has commercial value, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; (3) disclosing, using or permitting others to use the trade secrets, in violation of any confidentiality

obligation or any requirements of the legal owners or holders to keep such trade secrets in confidence; or (4) instigating, inducing or assisting others to violate a confidentiality obligation or to violate a legal owner or holder's requirements on keeping confidentiality of trade secrets, obtaining, disclosing, using or permitting others to use the trade secrets of the legal owners or holders. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, discloses, uses or permits others to use the trade secrets acquired through the illegal conduct, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may initiate actions in people's court, and regulatory authorities may stop any illegal activities and fine infringing parties.

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》), or the PRC Trademark Law, promulgated by the Standing Committee of the NPC in August 1982, amended in February 1993, October 2001, August 2013 and April 2019 respectively, and the latest amendment came into effect in November 2019, and the Regulation on the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated by the State Council in August 2002 and amended in April 2014, trademarks may seek registration with the Trademark Office of State Intellectual Property Office, or the Trademark Office, and the successfully registered trademarks are entitled to the protections afforded by the PRC Trademark Law. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or pending in application for use in the same or similar category of commodities or services, the later application for registration of such trademark may be rejected. The period of validity for a registered trademark is ten years, commencing on the date of registration. The registrant shall go through the formalities for renewal within 12 months prior to the expiry date of the validity period if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten years, commencing on the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be cancelled. Trademark license agreements must be filed with the Trademark Office. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. Market regulation administrative authorities have the authority to investigate any behavior that infringes the exclusive right under a registered trademark in accordance with laws. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to laws.

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 in August 2017 which came into effect in November 2017, and the Implementing Rules on Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》), which was promulgated by China Internet Network Information Center in and

came into effect in June 2019 which became effective on the same day. The Ministry of Industry and Information Technology is the main regulatory body 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.

Copyright and Software Products

On September 7, 1990, the Standing Committee of the NPC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》), or the PRC Copyright Law, which was amended in October 2001, February 2010 and November 2020 respectively and the latest amendment came into effect on June 1, 2021. The PRC Copyright Law provides that Chinese citizens, legal persons, or other unincorporated organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, architecture, photography, audiovisual, engineering technology and computer software. There is a voluntary registration system administered by the PRC Copyright Protection Center. In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council in December 2001, and amended in January 2011 and January 2013 with the last amended version coming into effect on March 1, 2013, the National Copyright Administration issued the Measures on Computer Software Copyright Registration (《計算機軟件著作權登記辦法》) in February 2002 (which was amended in May 2004), which apply to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of the PRC shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China, or the CPCC, is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Measures on Computer Software Copyright Registration and the Computer Software Protection Regulations.

PRC Regulations on Product Liability

In addition to the strict new drug approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in the PRC. Under current PRC laws, manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products.

According to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by the NPC in May 2020 and came into force in January 2021, the manufacturer or vendor of a defective product which causes property damage or physical injury to any person may be subject to civil liability for such damage or injury.

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), or the PRC Product Quality Law, promulgated in February 1993 and amended in July 2000, August 2009 and December 2018 respectively, the legitimate rights and interests of the

end-users and consumers shall be protected and the supervision and control of the quality of products shall be strengthened. Manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), or the PRC Consumer Protection Law, was promulgated in October 1993 and amended in August 2009 and October 2013 to protect consumers' rights when they purchase or use goods and services. According to which, all business operators must comply with this law when they provide customers with the goods manufactured or sold by them and/or provide services to customers, and all business operators shall protect the customers' privacy and keep any consumer information they obtain during the business operation strictly confidential. In addition, violations of the PRC Consumer Protection Law may result in the indemnification liabilities and/or the imposition of fines, and if the circumstances are serious, the operator may be ordered to suspend operations and its business license may be revoked, if constituting a crime, shall be held criminally liable in accordance with the laws.

PRC Regulations on Tort

According to the Civil Code of the PRC, if damages to other persons are caused by defective products due to the fault of third parties, such as the parties providing transportation or warehousing, the producers and the sellers of the products have the right to recover their respective losses from such third parties. If defective products are identified after they have been put into circulation, the producers or the sellers shall take remedial measures such as issuance of a warning, recall of products, etc., in a timely manner. The producers or the sellers shall be liable under tort if they fail to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus expanding damages. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

PRC Regulations on Environment Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the Standing Committee of the NPC, or the Environmental Protection Law, in September 1979, last amended in April 2014 and became effective in January 2015, any entity which discharges or will discharge pollutants during its course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, medical wastes, dust, malodorous gases, radioactive substances, noise, vibrations, optical radiation, electromagnetic radiation and other hazards produced during such activities. According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Ecology and Environment and its local counterparts take charge of administering and supervising said environmental protection matters.

Pursuant to the Environmental Protection Law, the environmental impact assessment shall be prepared for construction project that have impacts on environment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project.

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which was promulgated in October 2002 and amended in July 2016 and December 2018, and Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated in November 1998 and amended in July 2017, the PRC government implements a classification-based management on the environmental impact assessment of construction projects according to the impact of the construction projects on the environment. Construction entities shall prepare an environmental impact report, an environmental impact report form, or fill out the environmental impact registration form. The construction entity for a project that is required to prepare the environmental impact report or environmental impact report form in accordance with the laws shall obtain the approval from the relevant environmental protection authority for its environmental impact assessment documents; otherwise it shall not commence the construction. After the construction project is completed, the construction entity shall conduct environmental protection acceptance of the construction project and prepare acceptance report pursuant to the standard and formality set by relevant environmental protection authority, and environmental impact post-assessment shall also be conducted after the construction project is put into production or use according to relevant regulations and provisions.

The Law of the PRC on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》), promulgated by the Standing Committee of the NPC on May 11, 1984, last amended with effect from January 1, 2018, requires that the environmental impact assessment shall be conducted in accordance with the law if the applicant plans to initiate any new construction, reconstruction, and expansion of those projects which directly or indirectly discharge pollutants into the water or other facilities on water. The water pollution prevention and treatment facilities of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the said construction project. The applicants shall ensure the water pollution prevention and treatment facilities comply with the requirements set out in the environmental impact assessment documents approved by or filed with the competent administrative authority.

Pursuant to the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated in October 2013 and came into effect in January 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated in January 2015, amended in December 2022 and came into effect in February 2023, drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where an enterprise, public institution or individual business operator engaging in industry, construction, catering, medical services or other activities needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

According to the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (2020 Revision) (《中華人民共和國固體廢物污染環境防治法(2020修訂)》), promulgated on October 30, 1995 and last amended with effect from September 1, 2020, the construction of projects which discharge solid waste and the construction of projects for storage, use and treatment of solid waste shall be carried out upon the assessment regarding their effects on the environment and in compliance with the relevant regulations concerning the administration of environmental protection in respect of construction projects. The necessary supporting facilities for the prevention and control of environmental pollution caused by solid wastes as specified in the environmental impact assessment documents of the construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

According to the Environmental Protection Law of the PRC, the Regulation on Administration of Permits for Pollutant Discharge (《排污許可管理條例》), which was promulgated by the State Council in January 2021 and came into effect in March 2021, and the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), which was promulgated by the Ministry of Ecology and Environment, or the MEE, in December 2019 and came into effect on the same date, key management, simplified management and registration management of pollutant discharge permits are implemented based on factors such as the volume of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. The pollutant discharging entity subject to registration management does not need to apply for the pollutant discharge permit, but shall fill in the pollutant discharge registration form on the national pollutant discharge permit administration information platform.

According to the Guidelines for the Registration of Pollutant Discharge for Stationary Pollution Sources (Trial Implementation) (《固定污染源排污登記工作指南(試行)》), issued by the MEE on January 6, 2020 and came into effect on the same date, registration of pollutant discharge refers to the situation where enterprises that do not need to apply for a pollutant discharge permit in accordance with the law because the volume of pollutants they generate, discharge is small and the impact on the environment is limited, such enterprises shall carry out pollutant discharge registration in accordance with the relevant provisions.

The Regulations on Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》), or the Hazardous Chemicals Regulation, was promulgated by the State Council on January 26, 2002, last amended on December 7, 2013 and became effective on the same date. The Hazardous Chemicals Regulation provides regulatory requirements on the safe production, storage, use, operation and transportation of hazardous chemicals. The hazardous chemicals shall be stored in specialized warehouses, sites or storerooms and be managed by special personnel. An entity storing hazardous chemicals shall establish the system of examination and registration on the entry and exit of hazardous chemicals into and out of warehouses. The Regulations on the Administration of Precursor Chemicals (2018 Revision) (《易製毒化學品管理條例(2018修訂)》) was promulgated by the State Council on September 18, 2018 and became effective on the same date, which adopts a classified administration and licensing

system for the production, distribution, purchase, transportation and import and export of precursor chemicals. The precursor chemicals are classified into three categories. Category I includes the major materials that can be used for producing drugs. Categories II and III include the chemical formulation that can be used for producing drugs. Any entity that is to purchase any precursor chemicals in Category II or III shall, prior to its purchase, file an information about the type and quantity in demand for record, with the public security organ of the local people's government at the county level.

PRC Regulations on Enterprise Investment Projects

According to Regulations on the Administration of Approval and Filing of Enterprise Investment Projects (《企業投資項目核准和備案管理條例》) implemented in February 2017, pre-approval is required for projects that have national security concern or relate to major productivity distribution, strategic resource development and major public interests are subject to approval management, while the other enterprise investment projects are subject to the filing requirements provided under the aforesaid rules.

The Notice of the State Council on Issuing the Catalogue of Investment Projects Approved by the Government (2016 Version) (《國務院關於發佈政府核准的投資項目目錄(2016年本)的通知》) promulgated by the State Council and taking effect from December 12, 2016 sets out a list of projects that may be subject to pre-approvals of the competent authorities.

PRC Regulations on Construction

Construction Work Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), promulgated by the Standing Committee of the NPC on October 28, 2007 and last amended with effect from April 23, 2019, where construction work is conducted in a city or town planning area, the relevant construction entity shall apply for a Construction Work Planning Permit from competent construction administration authority in charge of urban and rural planning.

Construction Work Commencement Permit

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the Standing Committee of the NPC in November 1997 and last amended in April 2019, a construction entity shall, prior to the commencement of a construction project, apply for a construction work commencement permit (施工許可證) from a competent construction administration authority, except that certain small-scale projects may be exempted from obtaining a construction work commencement permit.

Pursuant to the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction (the predecessor of the Ministry of Housing and Urban-Rural Development, or the MOHURD) in October 1999, last amended in March 2021 and came into effect on the same day, within the territory of the PRC, any entity in China that carries out construction or decoration of a building and its ancillary facilities, installation of supporting lines, pipelines or equipment, as well as the construction of municipal infrastructure projects shall, prior to the commencement of the construction, apply for a construction permit. Construction works with an investment amount of less than RMB300,000 or a construction area of less than 300 square meters are not required for construction permits.

Acceptance on Completion of Construction

Pursuant to the Construction Law of the PRC (《中華人民共和國建築法》), or the Construction Law, promulgated by the Standing Committee of the NPC in November 1997, last amended in April 2019 and came into effect on the same date, enterprises engaged in construction, engineering survey, engineering design and supervision shall apply for the qualifications of different grades according to its registered capital, professional and technical personnel, technical equipment and achievements and after passing the qualification examination, could separately obtain qualification certificates of commensurate grades for construction, surveying, design, supervision, only with which, can it undertake construction, survey, design, and supervision activities within the scope set out in its qualifications.

Pursuant to the Administrative Measures for the Administration of Completion Acceptance and Filing of Housing Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the MOHURD in October 2009 and came into effect on the same day, any entity in China that carries out construction works to build, expand or re-build real properties or municipal infrastructure projects shall, within 15 days after the acceptance upon completion of the relevant construction work, make a record-filing with the competent construction administration authority.

Pursuant to the Provisions on the Acceptance Inspection of Completed Housing and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by the MOHURD in December 2013 and came into effect on the same date, the project owner shall, no later than 7 days prior to the date when the acceptance inspection is to be conducted, notify the competent quality supervision authority in writing of the time and place to conduct the acceptance inspection as well as a list of the acceptance inspection team members.

PRC Regulations on Fire Protection

The Fire Prevention Law of the PRC (《中華人民共和國消防法》), or the Fire Prevention Law, which was promulgated in April 1998 and most recently amended in April 2021, provides that design and construction of the fire control facilities for a construction work shall comply

with the national fire control technical standards. The developer, designer, constructors and project supervisor of a construction project shall be responsible for the quality of the design and construction of the fire control facilities for the construction work according to the relevant laws.

According to the Fire Prevention Law and the Interim Provisions on Design Inspection and Acceptance of Fire Protection of Construction Works (《建設工程消防設計審查驗收管理暫行規定》), or the Interim Provisions on Fire Protection, promulgated by the MOHURD on April 1, 2020 and effective as of June 1, 2020, a special construction work as stipulated in the Interim Provisions on Fire Protection shall be subject to fire protection design review before the construction of such work is commenced and shall be subject to fire protection inspection before such work is put into use. Construction works other than a special construction work shall be subject to fire protection inspection filing, and the competent administration authority in charge of the examination and acceptance of fire protection design shall conduct spot inspections. If a construction work fails to pass the spot inspection, the use of such construction shall be required to cease, and rectification actions must be taken with a view to applying for a re-inspection.

PRC Regulations on Safety Production

According to the Safety Production Law of the PRC (《中華人民共和國安全生產法》), promulgated by the SCNPC on June 29, 2002 and last amended with effect from September 1, 2021, any enterprise that carries out production and business operation activities shall (1) abide by the Safety Production Law of the PRC and other laws and regulations related to production safety, strengthen production safety management, and establish a sound production safety responsibility system and formulate a set of production safety rules and regulations for all employees; (2) increase the efforts to guarantee the input of funds, supplies, technology and personnel to production safety, improve production safety conditions, and strengthen standardization and informatization of production safety; (3) construct a "dual-prevention" mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, enhance production safety levels and ensure production safety. Enterprises that do not have the conditions for safe production shall not engage in production and business activities.

The person in charge of an enterprise shall be fully responsible for the work safety of the enterprise. An enterprise with more than one hundred employees shall set up an institution for the management of work safety or designate full-time staff for the management of work safety. The management personnel of the enterprise in charge of work safety shall conduct regular inspections of the work safety status according to the production and operation characteristics of the enterprise; the safety risks identified during the inspection shall be dealt with immediately; if they cannot be dealt with, they shall be reported to the relevant person in charge in a timely manner, who shall then promptly take measures to eliminate the safety risks. The inspection and measures taken for elimination of the safety risks must be truthfully recorded. Enterprises shall educate their employees on work safety, and truthfully inform them of the dangerous factors that exist in the workplaces and positions, preventive measures and

emergency response measures. In addition, enterprises must provide employees with personal protective equipment that meets national or industry standards, and supervise and train employees to use the equipment.

According to the Measures for the Supervision and Administration of "Three Simultaneities" Requirements for the Safety Facilities of Construction Projects (《建設項目安全設施"三同時"監督管理辦法》), which were promulgated by the former State Administration of Work Safety (now the Ministry of Emergency Management, or the MEM) on April 2, 2015 and became effective on May 1, 2015, the safety facilities of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

PRC Regulations on Prevention and Control of Occupational Diseases

According to the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), which was promulgated by Standing Committee of the NPC on October 27, 2001 and last amended with effect from December 29, 2018, the Measures for the Supervision and Administration of "Three Simultaneities" of Facilities for the Prevention and Control of Occupational Diseases of Construction Projects (《建設項目職業病防護設施"三同時"監督管理辦法》), which was promulgated by the MEM on March 9, 2017 and became effective on May 1, 2017, and the Measures for the Declaration of Projects with Occupational Hazards (《職業病危害項目申報辦法》), which was promulgated by the MEM on April 27, 2012 and became effective on June 1, 2012, the facilities for the prevention and control of occupational diseases of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

PRC Regulations on Pathogenic Microorganism Laboratories

According to the Regulations on Administration of Bio-safety in Pathogenic Microorganism Laboratories (《病原微生物實驗室生物安全管理條例》), which was promulgated by the State Council on November 12, 2004 and last amended on March 19, 2018, the pathogenic microorganism laboratory is classified into four levels, namely Bio-safety Level 1, 2, 3 and 4 in terms of the national standard on biosafety of the laboratory. A laboratory of Bio-safety Level 1 or 2 shall not conduct laboratory activities related to highly pathogenic microorganisms. The construction, alteration or expansion extension of a laboratory of Bio-safety Level 1 or 2 shall be reported for the record to competent health authorities. The person who establishes a laboratory shall develop a scientific and strict management system, regularly inspect the implementation of the regulations on bio-safety, and regularly inspect, maintain and update the facilities, equipment and materials in the laboratory, to ensure its compliance with the national standards.

PRC Regulations on Lease of Property

Pursuant to the Administrative Measures for the Leasing of Commodity Housing (《商品房屋租賃管理辦法》) issued by the MOHURD on December 1, 2010 and effective on February 1, 2011, within 30 days after the execution of the housing lease contract, parties to the leasing of housing shall file and register the leasing of housing at the departments in charge of construction (real estate) of the governments at the municipality, city or country level where the leased housing is located.

PRC Regulations on Foreign Exchange and Dividend Distribution

Foreign Exchange Control

According to the Regulation of the PRC for the Foreign Exchange Administration (《中華人民共和國外匯管理條例》) promulgated by the State Council in January 1996, which was amended in January 1997 and August 2008, payments of current account items, such as trade, services, benefits or current transfer-related transactions in foreign currencies, may be proceeded without prior approval from the State Administration of Foreign Exchange, or the SAFE, as long as certain procedural requirements are complied with. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China for items under the capital account such as repayment of foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans extended to a PRC subsidiary.

The Provisions on the Administration of Foreign Exchange in Domestic Direct Investments by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), which were promulgated by the SAFE in May 2013 and amended in October 2018 and December 2019, regulate and clarify the administration over foreign exchange administration in foreign investors' direct investments, and provide that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

However, according to the Circular of the State Administration of Foreign Exchange on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) and its appendix promulgated in November 2012 and amended in May 2015, October 2018 and December 2019 by the SAFE, the foreign exchange procedures are further simplified: (1) the opening of and payment into foreign exchange accounts under direct investment are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-invested enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment is no longer subject to approval by SAFE; and (6) the administration over the settlement of foreign exchange capital of foreign-invested enterprises is improved. Later, the SAFE promulgated the

Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015 which became effective in June 2015 and was further amended in December 2019, prescribed that the banks instead of the SAFE can directly handle the foreign exchange registration under foreign direct investment and outbound investment while the SAFE and its branches indirectly supervise the foreign exchange registration under foreign direct investment through the bank.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) promulgated by the SAFE in March 2015 and amended in December 2019, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE in June 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for their own operational purposes within the business scope of the foreign invested enterprises and follow the principles of authenticity.

On October 23, 2019, the SAFE issued the Circular on Further Facilitating the Convenience of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), or Circular 28, which took effect on the same day. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the requirements on the Negative List and the target investment projects are genuine and in compliance with laws and regulations.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE in April 2020, eligible enterprises are allowed to make domestic payments by using their funds received by way of capital contribution, foreign debts and overseas listing, with no need to provide the evidentiary materials concerning authenticity of such payment for banks in advance, provided that their capital use shall be authentic and compliant, and conform with the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct *ex post* spot check and the local branches of the SAFE shall strengthen operational and post-operational oversight in accordance with the relevant requirements.

Dividend Distribution

The principal regulations governing distribution of dividends of wholly foreign-invested enterprise, or WFOE, include the PRC Company Law, under which, WFOEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, foreign investment enterprises in the PRC are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

The SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Administration Reform (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements for any remittance of profits of more than (not excluding) USD50,000; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration and outward remittance procedures in connection with an outbound investment.

Foreign Exchange Registration of Offshore Investment by PRC Residents

The SAFE promulgated the Circular on Relevant Issues Concerning the Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, in July 2014. The SAFE Circular 37 requires PRC residents (including PRC institutions and individuals) to register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or the SPV, directly established or indirectly controlled by PRC residents for offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registrations with the SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV.

Failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations for evasion of foreign exchange controls.

Employee Stock Incentive Plan

In February 2012, the SAFE promulgated the Circular on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules, which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to complete

the foreign exchange registration and certain other procedures. These participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the registration with respect to the share scheme if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

PRC Regulations on Labor

Labor Law and Labor Contract Law

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the NPC in July 1994 and amended in August 2009 and December 2018 respectively, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the NPC in June 2007 and amended in December 2012 and came into effect in July 2013, and the Implementing Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council in September 2008, employers shall establish and improve labor rules and regulations according to the laws and regulations and shall strictly comply with the national standards, provide trainings to its employees, protect their labor rights and perform its labor obligations. Labor contracts in written form shall be executed to establish labor relationships between employers and employees. Labor contracts shall be categorized into contracts with fixed term, contracts without fixed term and contracts to be expired upon completion of certain tasks. In addition, wages cannot be lower than the local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards. Violations of the PRC Labor Law and the PRC Labor Contract Law and its implementation rules may result in the imposition of fines and other administrative and criminal liabilities in the case of serious violations.

Social Insurance and Housing Provident Funds

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the NPC in October 2010 and came into effect in July 2011, and further amended in December 2018, and the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council in January 1999 and amended in March 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council in April 1999 and amended in March 2002 and March 2019 and other regulations and rules (e.g. Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》) coming into effect in January 1995 and Regulations on Work-Related Injury Insurance (《工傷保險條例》) coming into effect in January 2004 and amended in December 2010, the Decision of the State Council on Establishing the Urban Employees' Basic Medical Insurance System (《國務院關於建立城鎮

職工基本醫療保險制度的決定》) coming into effect in December 1998, the Regulations on Unemployment Insurance (《失業保險條例》) coming into effect in January 1999 and the Decision of the State Council on Establishing the Unified Enterprise Employee Basic Pension Insurance System (《國務院關於建立統一的企業職工基本養老保險制度的決定》) coming into effect in July 1997), employers are required to register with relevant social insurance and housing provident fund authorities, contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds, in full and on time. If an employer fails to go through the formalities or does not pay the full amount as required, the relevant administration authority shall order it to rectify and make up the shortfall within the prescribed time limit and a late payment fee for each overdue shall be paid. If the rectification for social insurance registration is not made within the stipulated period, the employer shall be imposed a fine. If an employer fails to undertake requisite registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees, a fine shall be imposed. If an employer fails to make payment for the housing provident fund, it may be subject to an order for compulsory enforcement issued by the people's court.

On July 20, 2018, the General Office of the Communist Party of China and the General Office of the State Council of the PRC issued the Reform Plan of the State Tax and Local Tax Collection Administration System (《國税地税徵管體制改革方案》), under which, beginning from January 1, 2019, tax authorities are responsible for the collection of social insurance contributions in the PRC. According to the Notice on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated by the General Office of the State Taxation Administration, or the STA, in September 2018 and the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated by the General Office of the Ministry of Human Resources and Social Security in September 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》) promulgated by the Statement Administration for Tax in November 2018, repeated that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years. The Notice on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《關於印發降低社會保險費率綜合方案的通知》) promulgated by the General Office of the State Council in April 2019, generally reduces the social insurance contribution burden of enterprises, underlines that the duties for collection of social insurances premium paid by the enterprises in any province shall not be transferred to tax authorities until the condition of the province is mature, and re-emphasizes that local authorities shall not conduct self-collection of historical unpaid social insurance contributions from enterprises.

PRC Regulations on Taxation

Enterprise Income Tax ("EIT")

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the NPC in March 2007 and amended in February 2017 and December 2018, and the Implementation Regulation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council in December 2007 and amended in April 2019 (collectively, the "EIT Law"), other than a few exceptions, the income tax rate for both domestic enterprises and foreign-invested enterprises is 25%. Enterprises are classified as either "resident enterprises" or "non-resident enterprises." Apart from enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered as "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which has an establishment or place of business in the PRC, or which does not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the STA in April 2009 and amended in December 2017 sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

According to the EIT Law, the EIT tax rate of a high-tech enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), came into effect from January 1, 2008 and amended on January 29, 2016, the certificate of a high and new technology enterprise is valid for three years. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the statements on annual conditions concerning the intellectual property rights, scientific and technical personnel, expenses on research and development and operating income for the previous year on the "website for the administration of accreditation of high-tech enterprises." Besides, when any high-tech enterprise has changed its name or has undergone any major change concerning the accreditation conditions (such as a division, merger, reorganization or change of business), it shall report the change to the accreditation institution within three months upon occurrence of the change. If the high-tech enterprise is qualified upon review by the accreditation institution, it continues to have the qualification as a high-tech enterprise, and in case of change in the name, a new accreditation certificate will be issued with the number and term of validity remaining the same as the previous certificate; otherwise, the qualification as a high-tech enterprise shall be canceled as of the year of change in the name or any other condition.

Dividend Withholding Tax

Pursuant to the EIT Law, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. According to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), or the Double Tax Avoidance Arrangement, which was promulgated and came into effect in August 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) which was promulgated by the STA, in February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Announcement on Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》), which was promulgated by the STA in February 2018 and came into effect in April 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner," and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Income Tax for Share Transfers

On February 3, 2015, the STA issued the Circular on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》), or Circular 7. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise, or PRC Taxable Assets. For example, Circular 7 specifies that where a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company which directly or indirectly holds such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and without any other reasonable commercial purpose. Except as otherwise provided in Circular 7, transfers of PRC Taxable Assets under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC EIT: (i) more than 75.00% of the value of the equity interest of the overseas enterprise is directly or indirectly attributable to the PRC

Taxable Assets; (ii) more than 90.00% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of PRC Taxable Assets, or more than 90.00% of the income of the overseas enterprise is directly or indirectly derived from China during the year prior to the indirect transfer of PRC Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold PRC Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organizational forms, yet demonstrate to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; and (iv) the income tax from the indirect transfer of PRC Taxable Assets payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Value Added Tax ("VAT")

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》), effective in January 1994 and further amended in November 2008, February 2016, and November 2017, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例實施細則》) which became effective in December 1993 and amended in December 2008 and October 2011, except stipulated otherwise, taxpayers who sell goods, labor services or tangible movable property leasing services or import goods shall be subject to a 17% tax rate; taxpayers who sell transport services, postal services, basic telecommunications services, construction services, or real property leasing services, sell real property, transfer the land use right and sell or import certain goods shall be subject to an 11% tax rate, and taxpayers who sell services or intangible assets shall be subject to a 6% tax rate.

According to the Circular of the Ministry of Finance and the STA on Adjusting Value-added Tax Rates (《財政部、税務總局關於調整增值税税率的通知》) adopted in April 2018, as of May 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% rates are respectively adjusted to 16% and 10%.

According to the Announcement of the Ministry of Finance, the STA and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (《財政部、税務總局、海關總署關於深化增值税改革有關政策的公告》), effective in April 2019, the 16% VAT tax rate, which applies to the sales or imported goods of a VAT general taxpayer, will be lowered to 13%; and the 10% VAT tax rate will be lowered to 9%.

According to the Measures for the Exemption of Value-Added Tax from Cross-Border Taxable Activities in the Collection of Value-Added Tax in Lieu of Business Tax (Trial Implementation) (《營業税改徵增值税跨境應税行為增值税免税管理辦法(試行)》) promulgated in May 2016 and amended in June 2018, if domestic enterprises provide cross-border taxable activities such as professional technical services, technology transfer, software services, the above-mentioned cross-border taxable activities are exempt from VAT.

Regulations on Data Privacy and Cybersecurity

General Data Protection Regulation 2016/679 ("GDPR") and the UK GDP

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 GPDR 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, and permits data protection authorities to impose large penalties for violations of the GDPR, including potential fines of up to €20 million or 4% of annual global revenue, whichever is greater. 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 ("UK") ceased to be a member of the European Union in January 2020, the UK GDPR has applied to the processing of personal data in the UK. Although the UK GDPR is a copy of 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.

PRC

Scientific data

In March 2018, the General Office of the State Council of the PRC promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provide a broad definition of scientific data and relevant rules for the management of scientific data. Pursuant to the Scientific Data Measures, the scientific data involving state secrets, national security, social or public interests, trade secrets and individual privacy shall be kept confidential; where it is necessary to disclose such data, the purposes of utilization, qualifications of users and confidentiality conditions, among others shall be examined, and the scope of those with access thereto shall be strictly controlled. Enterprises in the PRC must seek governmental approval before any scientific data involving a state secret is provided during foreign contacts and cooperation. Upon approval by the competent

authorities, corporate entities shall undergo the relevant formalities as required, and sign confidentiality agreements with users. Furthermore, any researcher conducting research funded in part or in whole by the PRC government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before that data may be published in any foreign academic journal.

Personal data

Pursuant to the Civil Code of the PRC, the personal information of an individual shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or publish personal information of others. In addition, the processing of personal information shall follow the principles of lawfulness, appropriateness and necessity.

On August 20, 2021, the Standing Committee of the NPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which became effective on November 1, 2021. The Personal Information Protection Law requires, among others, that the processing of personal information should have a clear and reasonable purpose and should be limited to the minimum scope necessary to achieve the processing purpose, adopt a method that has the least impact on personal rights and interests, and shall not process personal information that is not related to the processing purpose.

The Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), or the Interpretations, was promulgated on May 8, 2017 and became effective on June 1, 2017. The Interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including "citizens' personal information," "violation of relevant national provisions," "provision of citizens' personal information" and "illegally obtaining any citizen's personal information by other methods." In addition, the Interpretations specify the standards for determining "serious circumstances" and "extraordinary serious circumstances" of this crime.

Information security and censorship

Under the Administrative Measures for the Multi-level Protection of Information Security (《信息安全等級保護管理辦法》), or the Measures for the Multi-level Protection, which was promulgated jointly by the Ministry of Public Security and certain other PRC government authorities in January 2006, and was last amended on June 17, 2007 and became effective on the same day, the national multi-level protection of the information security shall follow the principle of "independent grading and independent protection." Companies operating or using information systems shall determine their security protection level of the information system

pursuant to the Measures for the Multi-level Protection and the Guidelines for Grading of Classified Protection of Information Systems (《信息系統安全等級保護定級指南》) or the Guidelines for Grading, and report the level to the relevant authority for examination and approval. According to the Measures for the Multi-level Protection and the Guidelines for Grading, the security protection of an information system may be classified into five levels, and for any system equal to or above level II as determined in accordance with these measures, a record-filing with the competent authority is required.

On July 1, 2015, the Standing Committee of the NPC promulgated the National Security Law of the PRC (《中華人民共和國國家安全法》), or the National Security Law, which came into effect on the same date. The National Security Law provides that the state shall build a network and information security guarantee system and improve network and information security protection capability to realize the controllable security of the network information key technologies and critical infrastructure and the information systems and data in important fields. In addition, a national security review and supervision system is required to be established to review, among other things, foreign investment, key technologies and network information technology products and services and other important activities that impact or are likely to impact the national security of the PRC.

On November 7, 2016, the Standing Committee of the NPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017, pursuant to which, network operators shall fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements concluded with its users, and network operators of key information infrastructure shall store within the PRC all the personal information and important data collected and produced within the PRC. The purchase of network products and services that may affect national security shall be subject to national cyber security review.

On June 10, 2021, the Standing Committee of the NPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), or the Data Security Law, which came into effect on September 1, 2021. The Data Security Law sets forth the regulatory framework and the responsibilities of the relevant governmental authorities in regulating data security. It provides that the central government shall establish a central data security work liaison system, which shall coordinate the relevant authorities covering different industries to formulate the catalogues of key data, and the special measures that shall be taken to protect the security of the key data.

On July 30, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. According to the Regulations on the Protection of the Security of Critical Information Infrastructure, a "critical information infrastructure" refers to any of the network facilities and information systems in important industries and fields (such as public communication and information services, energy, transportation, water conservancy, finance, public services, e-government, and science, technology and industry for national defense) that may seriously endanger national security, national economy and people's livelihood, and the public interests in which event that they are damaged, lose their functions or leak their data. These regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cyber Security Law of the PRC, and provide that the competent governmental authorities and supervision and management authorities of the aforementioned important industries will be responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the Ministry of Public Security of the identification results. These regulations require that the relevant operator shall submit a report to the competent PRC governmental authority in accordance with relevant provisions upon the occurrence of any major cybersecurity incident or the discovery of any major cybersecurity threat to the critical information infrastructures, and the operators of critical information infrastructures shall purchase the safe and trusted network products and services in the first place. If the purchase of network products and services may affect national security, such operators shall pass the cybersecurity review accordingly.

On December 28, 2021, the Cyberspace Administration of China, or the CAC, jointly with 12 other governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the MCR, which became effective on February 15, 2022. Pursuant to the MCR, critical information infrastructure operators that purchase network products and services, and network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review under the MCR. In addition, network platform operators with personal information of over one million users shall be subject to cybersecurity review before listing abroad (國外上市). The competent governmental authorities may also initiate a cybersecurity review against the operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. During the verbal consultation conducted on July 10, 2023 with the China Cybersecurity Review Technology and Certification Center (CCRC), the Company was advised that the Company is not required to file an application for cybersecurity review under Article 7 of the MCR with respect to the [**REDACTED**]. As of the Latest Practicable Date: (i) we had not been designated as a critical information infrastructure operator by any governmental authorities; (ii) we believe that we had not engaged in any data processing activities that affect or may affect national security; and (iii) we had not been involved in any investigations on cybersecurity review made by CAC, and had not received any inquiry, notice, warning or sanctions in this regard.

On July 7, 2022, the CAC promulgated the Cross-border Data Transfer Security Assessment Measures (《數據出境安全評估辦法》), or the Security Assessment Measures, which became effective on September 1, 2022. The Security Assessment Measures provide that, among others, data processors shall apply to competent authorities for security assessment when (i) the data processors transferring important data abroad; (ii) a critical information infrastructure operator or a personal information processor that has processed personal information of more than one million people, transferring personal information abroad; (iii) a data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals abroad, in each case as calculated cumulatively, since January 1 of the last year, transferring personal information abroad, and (iv) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC. In addition, on February 22, 2023, the Provisions on the Prescribed Agreement on Cross-border Data Transfer of Personal Information (《個人信息出境標準合同辦法》), or the Provisions on Prescribed Agreement were promulgated by the CAC, which took effect on June 1, 2023. The Provisions on Prescribed Agreement attach the prescribed template for cross-border data transfer agreement that could be used as an available option to satisfy the condition for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law.

On November 14, 2021, CAC promulgated the Regulation on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Cyber Data Security Regulation. Pursuant to Article 2 and Article 73 of the Draft Cyber Data Security Regulation, the Draft Cyber Data Security Regulation applies to data processing activities by utilizing the internet as well as cyber data security supervision and management activities within the PRC. "Cyber data" refers to any information that is electronically recorded, whereas "data processing activities" refer to activities such as data collection, storage, usage processing, transmission, provision, disclosure and deletion. In general, any company which is engaged in data processing activities through the internet within the PRC will be subject to the Draft Cyber Data Security Regulation. In particular, Article 32 of the Draft Cyber Data Security Regulation provides that, any data processor who processes important data or who is listed overseas shall complete an annual data security assessment either by itself or by a data security service organization engaged, and before January 31 of each year, submit the annual data security assessment report of the previous year to the competent cyberspace administration. As advised by our PRC Legal Advisor, by collecting, storing and otherwise processing certain information via internet in connection with our business operation, the Company would be subject to relevant requirements under the Draft Cyber Data Security Regulation in terms of personal data protection, cyber security management, assessment and report and other applicable aspects, assuming that such regulation is implemented in the current form. In addition, Article 13 of the Draft Cyber Data Security Regulation stipulates that data processors must apply for cybersecurity review when carrying out activities including (i) seeking to be listed in Hong Kong that affect or may affect national security and (ii) other data processing activities that affect or may affect national security. Given that the Draft Cyber Data Security Regulation was still in the draft form for comments and had not come into force as of the Latest Practicable Date, the applicability and interpretation of various requirements under the Draft Cyber Data Security Regulation remain uncertain at current stage.

PRC Regulations on Overseas Listing

CSRC Filing Requirements for Overseas Offering and Listing

On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, which became effective on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities, and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list 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 provide that an overseas offering and listing is explicitly prohibited, if any of the following exists: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended overseas securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, 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 intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major 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 provide that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. The determination of the indirect overseas issuance and listing of domestic enterprises follows the principle of "substance over form."

According to the Overseas Listing Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. Generally, once the filing documents are complete and in compliance with the stipulated requirements, the CSRC will, within 20 working days, conclude the review procedure and publish the filing results on the CSRC website. To the extent the filing documents are incomplete or do not conform to stipulated requirements, the CSRC will, within 5 working days upon receipt of filing documents, request supplementation and amendment to the filing. Then the issuer has 30 working days to prepare any requested supplemented/amended filing. In addition, following the listing on an overseas market, the issuer shall submit a report to the CSRC within 3 working days after the occurrence and public disclosure of the following events involving the issuer: (i) change of control; (ii) investigations or sanctions imposed by overseas regulators; (iii) change of listing status; and (iv) voluntary or involuntary delisting. Besides, if any material change in the principal business and operation of the issuer after its overseas offering and listing takes place and results in the issuer no longer within the scope of record-filing under Overseas Listing Trial Measures, the issuer shall submit a special report and a legal opinion issued by a PRC law firm to the CSRC within 3 working days after the occurrence of such change in order to provide an explanation of the relevant situation.

Non-compliance with the Overseas Listing Trial Measures will result in regulatory action by the CSRC and fines for PRC issuers in an amount up to RMB10 million. If a domestic company fails to comply with the filing procedures or conceals material facts or falsifies major contents in the filing documents, it may be subject to orders to make corrections, warnings, fines and other administrative penalties, and its controlling shareholder, de facto controller, directly responsible supervisors and other directly responsible persons may also be subject to warnings or fines.

CSRC Requirements on Confidentiality and Archives Administration for Overseas Offering and Listing

On February 24, 2023, the CSRC, the Ministry of Finance, National Administration of State Secrets Protection and National Archives Administration of China jointly released the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), or the Archives Administration Provisions, which came into effect on March 31, 2023. The Archives Administration Provisions shall apply to both (i) the PRC domestic companies seeking direct listing on the overseas stock exchange and (ii) the PRC domestic operating entities of a foreign company seeking listing on the overseas stock exchange that qualifies as an "indirect listing" (above (i) and (ii) collectively, "**Domestic Companies**").

According to the Archives Administration Provisions, the Domestic Companies shall establish and implement a solid confidentiality and archives administration system. If a Domestic Company decides to disclose any documents or materials containing state secrets, work secrets of governmental agencies or any Information that may be detrimental to national

security or public interest once leaked, such Domestic Company shall go through proper governmental approval procedures with competent authorities, and complete the relevant filings with the secrecy administration at the same level for the record purpose. After obtaining the governmental clearance, the Domestic Company disclosing such information, as one party, and the securities companies and securities services providers receiving such information, as the other party, shall also enter into non-disclosure agreements, setting forth the confidentiality obligations of the securities companies and securities services providers. When providing above information to the securities companies and securities services providers retained by it, the Domestic Companies are also required to issue a written statement outlining its compliance with the relevant regulatory requirements and procedures.

In terms of providing accounting archives or copies thereof to any other entities or persons (such as securities companies, securities services providers and overseas regulators), the Archives Administration Provisions stipulate that relevant governmental procedures should be followed.

Any violation of the Archives Administration Provisions may subject the Domestic Companies to regulatory penalties under the PRC Law of Safeguarding State Secrets (《中華人民共和國保守國家秘密法》) and the PRC Law of Archives (《中華人民共和國檔案法》) and even criminal liabilities to the extent applicable.

OVERVIEW

Our Group was established in 2015 by our Co-founders, Dr. Wen, Dr. Ma and Dr. Lai, who are MIT-trained scientists. We have since developed into a globally leading, quantum physics-based, AI-powered, and robotics-driven, innovative R&D platform, and have made significant contributions in the fields of drug design and discovery by improving the speed, scale, novelty and success rate. We are also making substantive progress in the fields of material science (such as the design and discovery of bio-based materials, novel chemical compounds for agritech applications, new chemical surfactants and catalysts, and cosmetics and healthcare products) and automation (such as automated chemical synthesis). We aim to revolutionize the design and discovery of novel molecules and materials, and venture into new fields where our vision and strengths lead us. See "Business" for details of our achievements.

Since our founding, we have received substantial investments and support from world-renowned private equity and strategic investors, and have raised funds of approximately US$732 million. We ranked first among global AI-powered drug discovery companies by aggregate funding raised through private equity financing as of June 30, 2023, according to Frost & Sullivan. See "—[**REDACTED**] Investments" for details of our [**REDACTED**] Investors.

OUR MILESTONES

The following table sets forth our key development milestones:

Year	Milestone
2015	Our Group was founded by our Co-founders with the establishment of Shenzhen Jingtai to provide crystal structure prediction and drug research development services.
	We began to develop our research platform to study the solid-state form of drugs.
2016	We established a CSP platform for crystal form prediction, leveraging quantum physics applications and AIs.
	Our CSP platform was proven accurate in a blind test held by Pfizer.
	We established our AI R&D center.
	We completed our Series Pre-A Financing, Series A-1 Financing and Series A-2 Financing which had first launched since 2015.
2017	We launched our AI-powered integrated technology platform "Atompai" and our AI-powered drug discovery platform "Renova".
	Our Company was incorporated in the Cayman Islands.
	We began our cooperation with Pfizer to provide polymorph screening and selection service.
	We completed our Series B Financing.

Year	Milestone
2018	We entered into a ten-year strategic Master Collaboration Research and License Agreement with Pfizer to develop force field platform.
	We developed the XFF high-precision force field in cooperation with Pfizer and XFEP for free energy perturbation calculations.
	We established wet lab facilities for solid-state R&D, synthesis and experimental research.
	We developed our drug discovery platform for small molecules.
	We completed our Series B+ Financing.
2019	We began to develop our drug discovery platform for antibody, peptide and protein therapeutics.
	We completed our Series B++ Financing.
2020	We started R&D of automation laboratory and completed development and concept certification on the prototype machine of the automation station.
	We completed our Series C Financing.
2021	We completed the development of our experimental and computing R&D center in Futian, Shenzhen.
	We completed the development of our pharmaceutical innovation R&D center in Pudong, Shanghai.
	We developed a proprietary AI-powered next-generation antibody discovery platform "XupremAb".
	We completed our Series D Financing.
2022	We built-up our scalable and standardized intelligent robotic wet labs.
2023	We have developed our proprietary ProteinGPT, an AI-based biomedical generative tool, designed to predict and screen protein sequences and generate protein drugs that meet specific pre-set criteria by incorporating LLM into our algorithms.
	We entered into an AI small molecule drug discovery collaboration worth up to US$250 million with a global leading pharmaceutical company headquartered in Indianapolis, Indiana.
	We established an innovative demo lab in Boston, Massachusetts to showcase our R&D capability in the U.S. market.
	We unveiled the brands "XtalPi Drug Discovery" and "XtalPi Intelligent Automation".

OUR GROUP

Our Company

Our Company was incorporated in the Cayman Islands on April 28, 2017 as an exempted company with limited liability to serve as the holding company and [**REDACTED**] vehicle of our Group. See "Major Corporate Developments of our Group" below for details.

Our Principal Subsidiaries

The following are our principal subsidiaries:

Name	Date of incorporation	Place of incorporation	Direct or indirect shareholding attributable to our Company	Principal activities/functions
Shenzhen Jingtai	September 11, 2015	PRC	100%	Provision of solid-state R&D, drug discovery solutions and other services
XtalPi US	February 10, 2016	U.S.	100%	Business development
Shenzhen Zhiyao	July 5, 2017	PRC	100%	Patent holding platform
Beijing Jingtai	March 14, 2016	PRC	100%	Provision of drug discovery solutions and other services
Shanghai Zhiyao	December 2, 2019	PRC	100%	Provision of solid-state R&D, drug discovery solutions and other services
Shanghai Jingtai	September 21, 2022	PRC	100%	Provision of drug discovery solutions and other services
XtalPi Investment	December 22, 2021	Cayman Islands	87.69%	Incubator platform
Shenzhen Zhongge	January 20, 2022	PRC	100%	Patent holding platform

For the alterations in the share capital of our subsidiaries that have taken place within the two years immediately preceding the date of this document and which are not set out below, see "Appendix IV—A. Further information about our Group—3. Changes in the Share Capital of our Subsidiaries."

MAJOR CORPORATE DEVELOPMENTS OF OUR GROUP

Establishment of Shenzhen Jingtai

Shenzhen Jingtai is our principal operating subsidiary in the PRC and is principally engaged in the provision of solid-state R&D, drug discovery solutions and other services. It was established in the PRC with limited liability on September 11, 2015 with an initial registered capital of RMB100,000. As of the date of its establishment, Shenzhen Jingtai was owned as to 41.22% by Dr. Wen, 23.14% by Dr. Ma, 17.82% by Dr. Lai and 17.82% by Mr. Zhu Qiang (朱強).

Mr. Zhu Qiang is our former R&D engineer and an Independent Third Party. On July 13, 2017, due to Mr. Zhu Qiang's resignation from our Group to pursue other career opportunities, he transferred his entire equity interests in Shenzhen Jingtai to Shenzhen Quantum Pengyun Technology Enterprise (Limited Partnership) (深圳量子鵬雲科技企業(有限合夥)) ("**Quantum Pengyun**"), a limited partnership established in the PRC which was the then employee incentive platform of Shenzhen Jingtai, at a consideration of RMB17,820, which was determined with reference to the then paid-up capital of Shenzhen Jingtai contributed by him and has been settled. Quantum Pengyun was owned as to 30% by Dr. Wen as its general partner, 30% by Dr. Ma as its general partner and 40% by Dr. Zhang Peiyu as its limited partner, who had held the partnership interest on behalf of the eligible participants.

Series Pre-A Financing

On October 13, 2015, we conducted the Series Pre-A Financing, resulting in an 19.36% increase in the registered capital in Shenzhen Jingtai. See "—[**REDACTED**] Investments" for further details.

Concurrently with the completion of the Series Pre-A Financing, Quantum Pengyun, the then employee incentive platform of Shenzhen Jingtai, subscribed for 19.73% of the enlarged registered capital in Shenzhen Jingtai at a consideration of RMB32,390.

Series A-1 Financing

On December 15, 2015, we conducted the Series A-1 Financing, resulting in an 25.00% increase in the registered capital in Shenzhen Jingtai. See "—[**REDACTED**] Investments" for further details.

Series A-2 Financing

In June and August 2016, we conducted the Series A-2 Financing, pursuant to which we were extended a convertible loan (the "**Series A-2 CB**") in the principal amount of US$400,000. See "—[**REDACTED**] Investments" for further details.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands on April 28, 2017 as an exempted company with limited liability to serve as the holding company of our Group. Upon incorporation, one share of US$0.0001 was issued to the initial subscriber, an Independent Third Party, who transferred such share to QuantumPharm Holdings, a company which was then owned as to 50.16% by SSBL Holdings (a company which was wholly owned by Dr. Wen), 28.16% by Jian Guo Pai (a company which was wholly owned by Dr. Ma) and 21.68% by Sevening B Holdings (a company which was wholly owned by Dr. Lai). On the same date, additional 9,999 ordinary shares of US$0.0001 each were issued to QuantumPharm Holdings at par. As a result, our Company became ultimately wholly owned by the Co-founders through QuantumPharm Holdings.

Incorporation of QuantumPharm HK and Shenzhen Zhiyao

QuantumPharm HK was incorporated in Hong Kong with limited liability on May 19, 2017 to serve as an intermediate holding company of our Group. Upon its incorporation, 10,000 shares were issued to our Company at a subscription price of HK$10,000 and QuantumPharm HK became wholly owned by our Company.

Shenzhen Zhiyao was established in the PRC with limited liability on July 5, 2017 with an initial registered capital of US$5.0 million. Since its establishment, Shenzhen Zhiyao has been wholly owned by QuantumPharm HK.

Share Consolidation and Adoption of WVR Structure and VIE Structure

On November 17, 2017, our Company conducted a share consolidation pursuant to which ten shares of US$0.0001 each in our share capital were consolidated into one Share of US$0.001 each.

On the same date, following the aforesaid share consolidation, our Company adopted a weighted voting rights structure (the "**WVR Structure**") by re-classifying and re-designating all the then issued and unissued ordinary shares in our share capital into (i) Class A Ordinary Shares, (ii) Class B Ordinary Shares, (iii) Series Pre-A Preferred Shares; (iv) Series A-1 Preferred Shares; (v) Series A-2 Preferred Shares; and (vi) Series B Preferred Shares. Each Class B Ordinary Share entitles its holder to exercise ten votes. The 10,000 ordinary shares of US$0.001 each held by QuantumPharm Holdings, representing all the then issued shares of our Company prior to the adoption of the WVR Structure, were re-classified and re-designated into 1,000 Class B Ordinary Shares.

Concurrently, we adopted a variable interest entity structure (the "**VIE Structure**") and entered into the Former Contractual Arrangements with the then existing shareholders of Shenzhen Jingtai in order to pursue potential business opportunities in an area which could fall within the scope of prohibited or restricted categories for foreign investment in the PRC at that time. The VIE Structure was unwound in July 2021. See "—Former Contractual Arrangements" for further details.

Following the adoption of the WVR Structure and the VIE Structure, our Company (i) issued 4,363,647 Class B Ordinary Shares at par to QuantumPharm Holdings; (ii) issued 1,452,210 Series Pre-A Preferred Shares and 2,500,010 Series A-1 Preferred Shares at par to the investors of the Series Pre-A Financing and Series A-1 Financing, in proportion to the respective shareholdings of the then shareholders of Shenzhen Jingtai.

On November 17, 2017, concurrently with the aforesaid issuance of the Series Pre-A Preferred Shares and the Series A-1 Preferred Shares, our Company further issued 563,383 Series A-2 Preferred Shares upon the conversion of the Series A-2 CB. See "—[**REDACTED**] Investments" for further details.

Series B Financing

On November 17, 2017, we conducted the Series B Financing, resulting in the issuance of 3,018,109 Series B Preferred Shares. See "—[**REDACTED**] Investments" for further details.

On May 22, 2018 and May 28, 2018, Mr. Zhu Qiang and Dr. Zhang Peiyu agreed to transfer options to purchase an aggregate of 443,184 Class A Ordinary Shares to QuantumPharm Holdings at a total consideration of US$2.6 million. The considerations were determined after arm's length negotiations based on an agreed premium on the valuation of our Company under the Series B Financing. We issued 443,184 Class A Ordinary Shares to QuantumPharm Holdings subsequently on August 17, 2018 upon the exercise of the aforesaid options.

Series B+ Financing

On September 5, 2018 and October 26, 2018, we conducted the Series B+ Financing, resulting in the issuance of 2,646,649 Series B+ Preferred Shares. See "—[**REDACTED**] Investments" for further details.

Share Split

On August 9, 2019, our Company effected a 100-for-1 share split (the "**Share Split**") whereby each of our then issued and unissued shares of US$0.001 each was sub-divided into 100 shares of US$0.00001 each.

Series B++ Financing

On August 9, 2019, we conducted the Series B++ Financing, resulting in the issuance of 29,305,077 Series B++ Preferred Shares. See "—[**REDACTED**] Investments" for further details.

On the same date, we issued 198,127,000 Class A Ordinary Shares to QuantumPharm Roc, a company wholly owned by QuantumPharm Holdings which, at the relevant time was a shareholding platform for our then Share incentive scheme, which held the Shares underlying the awards to be granted thereunder for the benefit of the eligible participants.

Series C Financing

On September 28, 2020, we conducted the Series C Financing, resulting in the issuance of 6,811,360 Class A Ordinary Shares, 696,568,031 Series C Preferred Shares and the issuance of warrants (the "**Series C Warrants**") with the right to purchase an aggregate of 71,838,567 Series C Preferred Shares. See "—[**REDACTED**] Investments" for further details.

On the same date, concurrently with the completion of the Series C Financing, 6,811,360 Class B Ordinary Shares were repurchased from QuantumPharm Holdings at a total consideration of US$2,560,000. The consideration was determined with reference to the issue price per Share under the Series C Financing.

Subsequently, on June 18, 2021, our Company issued an aggregate of 71,838,567 Series C Preferred Shares upon exercise of the Series C Warrants.

Issuance of Shares upon exercise of options prior to the Series D Financing

On July 19, 2021, we issued 3,195,700 Class A ordinary shares to QuantumPharm Holdings upon the exercise of the remaining options granted to Mr. Zhu Qiang, which were acquired by QuantumPharm Holdings pursuant to an option transfer agreement dated May 28, 2021 at a consideration of US$840,000. The consideration was determined after arm's length negotiations based on an agreed discount on the valuation of the Company under the Series C Financing and has been settled.

Establishment of discretionary trusts by the Co-founders

On July 19, 2021, QuantumPharm Holdings repurchased the 28.16% shareholding interest held by Jian Guo Pai. The consideration was settled by QuantumPharm Holdings transferring 122,908,500 Class B Ordinary Shares to Crete Helix, a company owned as to 1% by Jian Guo Pai and 99% by MH International, a holding vehicle wholly owned by TMF (Cayman) Ltd. for the administration of the MH Fund Trust, a discretionary trust the beneficiary of which is Dr. Ma.

On the same date, QuantumPharm Holdings repurchased the 21.68% shareholding interest held by Sevening B Holdings. The consideration was settled by QuantumPharm Holdings transferring 87,814,140 Class B Ordinary Shares to SeveningBAlpha, a company owned as to 1% by Sevening B Holdings and 99% by LPHappy Holding Limited, a holding vehicle wholly owned by TMF (Cayman) Ltd. for the administration of the LPHappy Family Trust, a discretionary trust the beneficiary of which is Dr. Lai.

On the same date, WSH Family Holdings, a holding vehicle wholly owned by TMF (Cayman) Ltd. for the administration of the WSH Family Trust, a discretionary trust the beneficiary of which is Dr. Wen, subscribed for 99% of the enlarged issued share capital of QuantumPharm Holdings for nomination consideration. Upon the completion of the aforesaid subscription, QuantumPharm Holdings became owned as to 1% by SSBL Holdings and 99% by WSH Family Holdings.

Series D Financing

On August 5, 2021, we conducted the Series D Financing, resulting in the issuance of 621,632,043 Series D Preferred Shares. See "—[**REDACTED**] Investments" for further details.

On the same date, we issued 99,914,143 Class A Ordinary Shares to QuantumPharm Roc, which held such Shares for grants of awards under our share incentive schemes.

Shareholding structure of our Company as of the date of this document

See "—Capitalization" for a summary of the shareholding and the voting power of the Shareholders of our Company as of the date of this document.

MAJOR ACQUISITIONS AND DISPOSALS

We had not conducted any major acquisitions or disposals during the Track Record Period.

MAJOR INVESTMENTS

XtalPi Investment

XtalPi Investment was incorporated in the Cayman Islands as an exempted company with limited liability on December 22, 2021 (the "**Cayman Incubator**") and is the holding company of our incubator platform.

On August 12, 2022, we conducted the series A round of financing for XtalPi Investment, resulting in the issuance of 10,000,000 series A preferred shares at a total consideration of US$10,000,000. The consideration was determined after arm's length negotiations based on a pre-money valuation of US$71.3 million with reference to the prospects and development potential of the investments held by XtalPi Investment, and was fully settled on September 13, 2022.

As a result, XtalPi Investment became held as to 87.69% by our Company and 12.31% by other investors under such round of financing, all being Independent Third Parties.

FORMER CONTRACTUAL ARRANGEMENTS

On November 6, 2017, we adopted the VIE Structure in order to pursue potential business opportunities in an area which could fall within the scope of prohibited or restricted categories for foreign investment in the PRC at that time.

For the purpose of the Former Contractual Arrangements, Shenzhen Zhiyao entered into a series of contractual arrangements with Shenzhen Jingtai and its then registered shareholders. As a result of these contractual arrangements, we were able to obtain effective control and enjoy all the economic benefits to be derived from the operations of the business in the PRC carried out by Shenzhen Jingtai. Shenzhen Jingtai and its subsidiaries became our Consolidated Affiliated Entities, such that their financial results were consolidated and accounted for as subsidiaries of our Company.

As we continued to evaluate our business plan, we decided we would no longer pursue such business opportunities. Accordingly, the Former Contractual Arrangements with Shenzhen Jingtai and its shareholders were no longer necessary. In July 2021, the Former Contractual Arrangements were terminated and the VIE Structure was unwound, resulting in QuantumPharm HK obtaining direct ownership of Shenzhen Jingtai and Shenzhen Jingtai became a wholly-owned subsidiary of QuantumPharm HK.

As advised by our PRC Legal Advisor, the termination of the Former Contractual Arrangements was binding among the parties thereto and the Former Contractual Arrangements have been effectively unwound. The termination of the Former Contractual Arrangements was merely a reorganization of our Group's corporate structure with no substantive change in the economic substance of the ownership and our Group's business before and after the termination. Accordingly, the historical financial information has been prepared and presented as a continuation of the financial information of our Group's business prior to the termination of the Former Contractual Arrangements.

PREVIOUS LISTING ATTEMPT

In May 2021, we considered the possibility of seeking an initial public offering in the United States (the "**Contemplated U.S. Listing**"). As part of the process of the Contemplated U.S. Listing, we submitted the application documents on a confidential basis to the SEC for its review. Our Directors are of the view that we had satisfactorily addressed SEC's questions and review and there was no disagreement with the SEC or other professional parties in the Contemplated U.S. Listing. In light of the introduction of the listing regime under Chapter 18C of the Listing Rules, our Directors decided to suspend the Contemplated U.S. Listing and pursue a [**REDACTED**] in Hong Kong.

SHARE INCENTIVE SCHEMES

Historically, our Group has adopted various share incentive schemes to recognize the contribution of certain eligible participants and to provide incentives to retain and attract suitable personnel for the continued operation and development of our Group.

As of the Latest Practicable Date, we had one share incentive scheme subsisting, being the [**REDACTED**] ESOP adopted on July 14, 2021 and amended on August 5, 2021, which had granted outstanding options to purchase an aggregate of 298,041,143 underlying Shares, representing [**REDACTED**]% of the total number of issued Shares immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs), to a total of 190 grantees. The terms of the [**REDACTED**] ESOP are not subject to the provisions of Chapter 17 of the Listing Rules. All Shares underlying the outstanding options are held by QuantumPharm Roc, a shareholding platform for the [**REDACTED**] ESOP which holds such Shares for the benefit of the grantees.

For the purpose of the [**REDACTED**], our Company adopted the [**REDACTED**] Share Option Scheme and the [**REDACTED**] RSU Scheme on [●], the terms of which comply with the requirements of Chapter 17 of the Listing Rules. The [**REDACTED**] Share Option Scheme and the [**REDACTED**] RSU Scheme will take effect upon the [**REDACTED**] and will replace the [**REDACTED**] ESOP in its entirety. Upon the effectiveness of the [**REDACTED**] Share Option Scheme and the [**REDACTED**] RSU Scheme, no new awards can be granted under the [**REDACTED**] ESOP, but the awards previously granted under the [**REDACTED**] ESOP will continue to be valid and governed by the terms of the [**REDACTED**] ESOP.

See "Appendix IV—D. Share Incentive Schemes" for details.

VOTING PROXY ARRANGEMENTS

Pursuant to the powers of attorney dated July 19, 2021 executed by (i) Dr. Ma, Jian Guo Pai and Crete Helix; and (ii) Dr. Lai, Sevening B Holdings and SeveningBAlpha (collectively, the "**Co-founder Grantors**"), QuantumPharm Holdings is indefinitely and irrevocably authorized and appointed to exercise all the voting rights attached to the Shares held by them at any time and from time to time which they are entitled to under the laws of the Cayman Islands and the Memorandum and the Articles on all matters submitted to a vote of Shareholders at a meeting of Shareholders or through the solicitation of a written consent of Shareholders, except for any matter the outcome of the vote on which will disproportionately, materially and adversely affect the Co-founder Grantors, as compared to QuantumPharm Holdings or any other Shareholder.

[REDACTED] INVESTMENTS

We completed several rounds of [**REDACTED**] Investments, namely the Series Pre-A Financing, the Series A-1 Financing, the Series A-2 Financing, the Series B Financing, the Series B+ Financing, the Series B++ Financing, the Series C Financing and the Series D Financing.

	Series Pre-A Financing	Series A-1 Financing	Series A-2 Financing	Series B Financing	Series B+ Financing	Series B++ Financing	Series C Financing	Series D Financing
Date of agreement(s)	September 23, 2015	November, 2015	June 16, 2016, July, 2016 and September 15, 2017	September 16, 2017	September 5, 2018 and October 26, 2018	August 9, 2019	September 16, 2020 and September 28, 2020	July 29, 2021
Number of Shares issued[1]	145,221,000 Series Pre-A Preferred Shares	250,001,000 Series A-1 Preferred Shares	56,338,300 Series A-2 Preferred Shares	301,810,900 Series B Preferred Shares	264,664,900 Series B+ Preferred Shares	29,305,077 Series B++ Preferred Shares	768,406,598 Series C Preferred Shares	621,632,043 Series D Preferred Shares
Amount of consideration paid[2]	RMB2,000,000	RMB24,469,600	US$1,066,666	US$14,285,714	US$38,000,000	US$6,550,000	US$288,800,000	US$380,000,000
Date of settlement of consideration	October 27, 2015	December 11, 2015	November 22, 2017	November 24, 2017	December 27, 2018	September 5, 2019	June 18, 2021	October 12, 2021
Cost per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Pre-money valuation of the Company[3]	RMB8.3 million	RMB73.4 million	US$18.9 million[5]	US$50.0 million[6]	US$206.1 million[7]	US$380.0 million[8]	US$650.0 million[9]	US$1,588.0 million[10]
Post-money valuation of the Company[4]	RMB10.3 million	RMB97.9 million	US$20.0 million[5]	US$64.3 million[6]	US$244.1 million[7]	US$386.6 million[8]	US$938.8 million[9]	US$1,968.0 million[10]
Discount to the [REDACTED][11]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Use of proceeds received by our Company from the [REDACTED] Investments	For the purpose of business expansion, capital expenditure and as working capital of our Group, including the operation and development of business on XtalPi Drug Discovery and XtalPi Intelligent Automation. In addition, the proceeds from the Series D Financing will also be used for the investment in or acquisition of other business or entity. As of September 30, 2023, 39.3% of the net proceeds received by our Company from the [REDACTED] investments were utilized. We intend to utilize the remaining net proceeds from the [REDACTED] Investments after the [REDACTED].							
Strategic benefits of the [REDACTED] Investors brought to our Company	At the time of the [REDACTED] Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the [REDACTED] Investors' investments in our Company and the [REDACTED] Investors' knowledge and experience. The [REDACTED] Investments also signify our [**REDACTED**] Investors' endorsement of and confidence in our Company.							
Lock-up	Six months commencing on the [**REDACTED**]. See "[REDACTED]" for details. Our Pathfinder SIIs will be subject to additional disposal restrictions pursuant to Rule 18C.14 of the Listing Rules.							

Notes:

(1) Representing the respective class of Preferred Shares in issue as of the date of this document.

(2) Representing the total investment cost paid for the corresponding class of Preferred Shares issued in the respective round of the [**REDACTED**] Investment. The consideration was determined after arm's length negotiations with reference to our funding needs and the prospects and development potential of our Group.

(3) Representing the price per Share under the respective round of the [**REDACTED**] Investments multiplied by the capitalization of the Company (on a fully diluted basis) immediately before the closing of the corresponding round of the [**REDACTED**] Investments.

(4) Representing the price per Share under the respective round of the [**REDACTED**] Investments multiplied by the capitalization of the Company (on a fully diluted basis) immediately after the closing of the corresponding round of the [**REDACTED**] Investments.

(5) The increase in valuation from the Series Pre-A Financing to the Series A-1 Financing and the Series A-2 Financing was mainly due to (a) the planning and prospects of our Group, including but not limited to the set-up of our management team and the research results on crystal form prediction; and (b) the establishment of our AI R&D center in March 2016.

(6) The increase in valuation from the Series A-2 Financing to the Series B Financing was mainly due to (a) the AI-related capabilities we achieved, in particular we developed the first generation of our ADMET properties prediction model and evaluation model for small molecule drugs; and (b) the launch of our AI-powered integrated technology platform "Atompai" and our AI-powered drug discovery platform "Renova."

(7) The increase in valuation from Series B Financing to Series B+ Financing was mainly due to (a) the AI-related capabilities we achieved, in particular we developed protein pocket's pharmacophore selection model; and (b) the improvement of ADMET properties prediction model with AI-powered virtual screening and evaluation model for small molecule drugs.

(8) The increase in valuation from Series B+ Financing to Series B++ Financing was mainly due (a) to the breakthrough in chemical synthesis and experimentation in drug R&D as a result of the establishment of our wet lab facilities for solid-state R&D, synthesis and experimental research in September 2018; (b) the launch of our small molecule drug discovery platform; and (c) the computational chemistry-related capabilities we achieved, in particular we developed the XFF high-precision force field in cooperation with Pfizer and XFEP for free energy perturbation calculations.

(9) The increase in valuation from Series B++ Financing to Series C Financing was mainly due to (a) the AI-related and computational chemistry-related capabilities we achieved, in particular we developed small molecule drug efficacy evaluation model, antibody developability prediction model; (b) the launch of our MicroED platform and polypeptide and protein drug R&D platform.

(10) The increase in valuation from Series C Financing to Series D Financing was mainly due to (a) the completion of concept certification on the prototype machine of automation station; (b) the breakthrough of our solid-state R&D services in cooperation with Pfizer to develop Paxlovid; (c) the AI-related capabilities we achieved, in particular we developed small molecule library model for comparison and evaluation, binding affinity calculation tool, cyclic peptide design model; (d) the establishment of our AI-powered antibody drug discovery platform; and (e) the establishment of our experimental and computing R&D center in Futian, Shenzhen and our pharmaceutical innovation R&D center in Pudong, Shanghai.

(11) The discount to the [**REDACTED**] is calculated based on the [**REDACTED**] of [**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range of [**REDACTED**] to [**REDACTED**], and the conversion of the Shares into Ordinary Shares having completed upon the [**REDACTED**].

Rights of the [REDACTED] Investors

The special rights granted to the [**REDACTED**] Investors included, among others, information rights, redemption rights, pre-emptive rights, director nomination rights, rights to be consented prior to certain corporate actions and anti-dilution rights. All special rights which are required to be terminated pursuant to the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange have been terminated or will terminate upon the [**REDACTED**]. The special rights which have been terminated on the date of filing of [**REDACTED**] application shall be restored upon the earliest of (i) the withdrawal of the [**REDACTED**] application to the Stock Exchange by our Company; (ii) the Stock Exchange returning or rejecting our [**REDACTED**] application; (iii) the lapse of the [**REDACTED**] application has not been renewed within three months after the lapse; and (iv) our Company fails to complete the [**REDACTED**] within 12 months after the first submission of the [**REDACTED**] application to the Stock Exchange.

Information about the [REDACTED] Investors

Our Pathfinder SIIs and Sophisticated Independent Investors

We have received meaningful investments from the following Sophisticated Independent Investors, all of whom are our Pathfinder SIIs, and each having invested in our Company for at least 12 months prior to the first submission of our [**REDACTED**] to the Stock Exchange.

Image Frame

Image Frame Investment (HK) Limited ("**Image Frame**") is interested in 13.66% of the total number of Shares as of the date of this document.

Image Frame is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Tencent, a company listed on the Main Board of the Stock Exchange (stock code: 00700). Tencent is principally engaged in the provision of communication, social, digital content, games, online advertising, fintech and cloud services in the PRC. Tencent manages its investment portfolio with a primary objective to strengthen its leading position in core businesses and complement its "Connection" strategy in various industries.

Tencent pays a lot of attention to investment risk and has established an investment committee under its board of directors. Tencent also puts in place an investment evaluation and approval process, and sets up a dedicated professional team to advise on investment projects. Finance, legal and other relevant professional teams are responsible for managing relevant investment risks and following up with post-investment management, reviewing the operating and financial information of the investee companies on a regular basis, monitoring and analyzing the performance of the investee companies, to ensure that they continue to meet Tencent's investment strategies.

As of June 30, 2021 and 2023, the investment portfolio of Tencent amounted to approximately RMB844,262 million and RMB713,697 million as recorded in its unaudited consolidated results for the six months ended June 30, 2021 and 2023, respectively, under various categories including investments in associates and joint ventures which are accounted for by using equity method; and financial assets at fair value through profit or loss and through other comprehensive income (including assets held for distribution).

HongShan

HSG Venture VI Holdco, Ltd., HSG Venture VIII Holdco, Ltd. and HSG Growth VI Holdco E, Ltd. are interested in 8.25% of the total number of Shares as of the date of this document.

Each of HSG Venture VI Holdco, Ltd., HSG Venture VIII Holdco, Ltd. and HSG Growth VI Holdco E, Ltd. is an exempted company with limited liability incorporated in the Cayman Islands.

HSG Venture VI Holdco, Ltd. is wholly owned by HongShan Capital Venture Fund VI, L.P., whose general partner is HSG Venture VI Management, L.P. HSG Venture VIII Holdco, Ltd. is wholly owned by HongShan Capital Venture Fund VIII, L.P., whose general partner is HSG Venture VIII Management, L.P. HSG Growth VI Holdco E, Ltd. is wholly owned by HongShan Capital Growth Fund VI, L.P., whose general partner is HSG Growth VI Management, L.P.

The general partner of each of HSG Venture VI Management, L.P., HSG Venture VIII Management, L.P. and HSG Growth VI Management, L.P. is HSG Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited.

HongShan is a leading venture capital and private equity firm investing across technology, healthcare and consumer sectors. Since 2005, HongShan has been fostering entrepreneurship and innovation, backing more than 1,500 companies around the globe with transformative technologies, disruptive business models and high-growth potential.

5Y Capital

5Y Capital, through Evolution Fund I, L.P., Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P., is interested in 7.94% of the total number of Shares as of the date of this document.

Evolution Fund I, L.P., Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P., are exempted limited partnerships established under the laws of the Cayman Islands and are controlled by 5Y Capital GP Limited, as their general partner. Each of Liu Qin and Shi Jianming is entitled to exercise or control the exercise of one-half of the voting power of all issued shares in 5Y Capital GP Limited at its general meeting.

5Y Capital, a venture capital firm, specializes in fostering the growth of outstanding companies in the technology, life sciences, and consumer innovation sectors. The unwavering commitment of 5Y Capital is to serve as the premier, enduring, and most impactful investor for top-tier entrepreneurs.

China Life Chengda

China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) (國壽成達(上海)健康產業股權投資中心(有限合夥)) ("**China Life Chengda**") is interested in 7.32% of the total number of Shares as of the date of this document.

China Life Chengda is a limited partnership established in the PRC. Its general partner is China Life Chengda (Shanghai) Healthcare Equity Investment Management Co., Ltd., a limited liability company indirectly owned by China Life Insurance (Group) Company. The ultimate limited partners of China Life Chengda are China Life Insurance Company Limited ("**China Life Insurance**"), a company listed on the Stock Exchange (stock code: 2628) and the Shanghai Stock Exchange (stock code: 601628), being its largest limited partner of with 74.94% partnership interest, and the Ministry of Finance of the PRC.

Investment is one of the principal businesses of China Life Insurance. China Life Insurance mainly adopts the mode of entrusted investment for management of its investment assets, and has established a diversified framework of entrusted investment management with China Life Insurance's internal managers playing the key role and the external managers offering effective supports. As of June 30, 2020 and 2023, the investment assets of China Life Insurance amounted to RMB3,781,024 million and RMB5,386,667 million, respectively, which comprised investment in bond, term deposits, debt-type financial products, stocks and funds.

PICC Health & Pension Fund

Beijing PICC Health and Pension Industry Investment Fund (Limited Partnership) (北京人保健康養老產業投資基金(有限合夥)) ("**PICC Health & Pension Fund**") is interested in 3.72% of the total number of Shares as of the date of this document.

PICC Health & Pension Fund is a limited partnership established in the PRC which focuses on investment in life science, biotechnology, medical devices and healthcare services industries. Its general partner is PICC Capital Equity Investment Company Limited (人保資本股權投資有限公司) ("**PICC Equity Investment**"), a company principally engaged in the provision of growth equity and fund management services and is wholly owned by PICC Capital Insurance Asset Management Co., Ltd. ("**PICC Capital**"). PICC Capital is wholly owned by The People's Insurance Company (Group) of China Limited ("**PICC**"). PICC Health & Pension Fund has a total of two limited partners, with the largest limited partner, PICC Life Insurance Co., Ltd. (中國人民人壽保險股份有限公司) ("**PICC Life**") holding approximately 66.5% of its ownership. PICC Life is a subsidiary of PICC, the shares of which are listed on the Stock Exchange (stock code: 1339) and the Shanghai Stock Exchange (stock code: 601319).

PICC Capital focuses on various investments such as private debt, private equity, infrastructure and private equity funds and invests extensively in energy resources, infrastructure, technology and innovation, healthcare sectors. PICC Health & Pension Fund has invested in other biotechnology or healthcare companies such as Biocytogen Pharmaceuticals (Beijing) Co., Ltd. (stock code: 2315) and Jenscare Scientific Co., Ltd. (stock code: 9877).

In accordance with the Guidance Letter HKEX-GL115-23 issued by the Stock Exchange, each of the aforesaid Pathfinder SIIs and Sophisticated Independent Investors holds 3% or more, and in aggregate 10% or more, of the issued share capital of the Company as of the date of our [**REDACTED**] application and throughout the pre-application 12-month period. For details of the shareholding in our Company of each of the aforesaid Pathfinder SIIs and Sophisticated Independent Investors, see "—Capitalization" below.

On the basis that (i) [**REDACTED**] Shares are expected to be in issue upon the completion of the [**REDACTED**]; and (ii) the market capitalization of our Company will be [**REDACTED**] as calculated based on the [**REDACTED**] of [**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range, upon the [**REDACTED**], the aforesaid Pathfinder SIIs and Sophisticated Independent Investors will hold, in aggregate, no less than [**REDACTED**]% of the issued share capital of the Company (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs).

Our other* [REDACTED] *Investors

We have also received investments from the following [**REDACTED**] Investors.

Aqua Elite Capital	Aqua Elite Capital Limited is a company incorporated in the BVI and is wholly by Aqua Fund Investment SPC—Global Fund XI SP. Aqua Elite Capital Limited primarily engages in private equity investment and is ultimately controlled by Yang Xuan.
Artisan Partners	Artisan China Post-Venture Holdings Limited is a company incorporated in Hong Kong, which is wholly owned by Artisan China Post-Venture Master Fund LP, an exempted limited partnership registered in the Cayman Islands. The investments made by Artisan China Post-Venture Master Fund LP are directed by Artisan Partners Limited Partnership ("**Artisan Partners**"), a limited partnership incorporated in Delaware, the United States and an investment manager registered with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. Artisan Partners Holdings LP wholly owns Artisan Partners and is Artisan Partners' sole limited partner. Artisan Investments GP LLC (a wholly-owned subsidiary of Artisan Partners Holding LP) is Artisan Partners' general partner. Artisan Partners Holdings LP is a limited partnership incorporated in the Delaware, the United States, the general partner of which is Artisan Partners Asset Management Inc., a Delaware corporation with its Class A common stock listed on the New York Stock Exchange (ticker: APAM).

Bopu Capital

Bopu Capital Management Ltd is a company incorporated in the Cayman Islands and is wholly owned by Bopu Technologies Limited. Bopu Technologies Limited primarily engages in investments.

Bopu HiTech Portfolio XP LP is an exempted limited partnership incorporated in the Cayman Islands focusing on investment opportunities in Biotech. The general partner of Bopu HiTech Portfolio XP LP is Zeta Venture Limited and the fund is managed by Zeta Capital (H.K.) Limited, a limited company incorporated in Hong Kong with Type 4 and Type 9 licenses issued by the SFC and ultimately controlled by Mr. Zhu Xuejun. Mr. Zhu, the founder and responsible officer of Zeta Capital (H.K.) Limited, with approximately 20 years of experience in asset management, has managed investment into a number of early-stage biotech companies.

Brainpower Electronic Technology

Brainpower Electronic Technology Limited is a company incorporated in the BVI and is owned as to 100% by Lin Li. Brainpower Electronic Technology Limited primarily engages in business of investment and is ultimately controlled by Lin Li.

Cassini Partners, Favor Star and Neumann

Neumann Capital is a mutual fund registered with Cayman Islands Monetary Authority. Cassini Partners, L.P. is a limited partnership formed in Delaware, the United States. Neumann Advisory Hong Kong Limited ("**NAHKL**") is acting as the investment advisor for the above two entities. NAHKL is a licensed corporation to conduct Type-9 (asset management) regulated activities under the SFO and a registered investment advisor with U.S. Securities and Exchange Commission. NAHKL is managed by Mr. Zhang Fei.

Favor Star Limited is a company incorporated in the BVI and is a holding company owned by Mr. Chan Adriel Wenbwo.

Neumann Galaxy Limited is a company incorporated in the BVI and is a holding company owned by Ms. Leung Yee Ting.

Central Point

Central Point Holding Development Limited is a company incorporated under the laws of British Virgin Islands with limited liability and is owned as to 50% by Chan Wai Hang, and 50% by So Kai Sing. Central Point Holding Development Limited primarily engages in private equity investment.

China Renaissance	CR Life Star Fund LLC is a company incorporated in the Cayman Islands and is managed by the manager, Grand Eternity Limited, a BVI company, which is ultimately owned by China Renaissance Holdings Limited, a company listed on the Stock Exchange (stock code: 1911).
CICC	CICC Biomedical Fund L.P. (中金啟德(廈門)創新生物醫藥創業投資合夥企業(有限合夥) (formerly known as 中金啟德(廈門)創新生物醫藥股權投資基金合夥企業(有限合夥)) ("**CICC Biomedical Fund**") is a limited partnership established in the PRC focusing on world-leading innovative medicines and technologies. Its general partner is CICC Capital Management Co., Ltd., a wholly-owned subsidiary of China International Capital Corporation Limited, a company listed on the Stock Exchange (stock code: 3908) and the Shanghai Stock Exchange (stock code: 601995). CICC Qizhi (Shanghai) Private Equity Investment Center L.P. ("**CICC Qizhi**") is a limited partnership established in the PRC focusing on equity and industrial investment, investment management and investment consulting. Its general partner is CICC Private Equity Investment Management Co., Ltd. (中金私募股權投資管理有限公司), a wholly-owned subsidiary of China International Capital Corporation Limited.
CITIC Securities	Pluto Connection Limited is an indirectly wholly-owned subsidiary of CITIC Securities Company Limited (中信証券股份有限公司). CITIC Securities Company Limited is a joint stock limited company established in the PRC with limited liability, the H shares and A shares of which are listed on the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030).
CITIC Venture Capital	CITIC (Shenzhen) Venture Capital Equity Investment Fund Partnership (Limited Partnership) (中信(深圳)創業投資股權投資基金合夥企業(有限合夥)) ("**CITIC Venture Capital**") is a limited partnership established in the PRC focusing on investment opportunities in intelligent manufacturing, new generation of information technology and healthcare. The general partner of CITIC Venture Capital is CITIC (Shenzhen) Innovation Equity Investment Management Co., Ltd. (中信(深圳)創新股權投資管理有限公司), which is owned as to 60% by Tianjin Yuebo Investment Consultancy Co., Ltd. (天津躍波投資諮詢有限公司) and 40% by CITIC Industrial Cloud Co., Ltd. (中信雲網有限公司). Tianjin Yuebo Investment Consultancy Co., Ltd. is ultimately held by Zhao Yan (趙彥) and Wang Ranxu (王冉旭) and CITIC Industrial Cloud Co., Ltd. is wholly-owned by CITIC Group Corporation Ltd. (中國中信集團有限公司), the holding company of the Sole Sponsor.

CMBI

Nanjing Zhaoyin Gongying Equity Investment Partnership (南京市招銀共贏股權投資合夥企業(有限合夥)) ("**Nanjing Zhaoyin Gongying**") is a limited partnership established in the PRC. The general partner of Nanjing Zhaoyin Gongying is Jiangsu Zhaoyin Industrial Fund Management Co., Ltd., a wholly-owned subsidiary of CMB International Capital Management (Shenzhen) Ltd., which in turn is a wholly-owned subsidiary of CMB Financial Holdings (Shenzhen) Co., Ltd. (招銀金融控股(深圳)有限公司). CMB Financial Holdings (Shenzhen) Co., Ltd. is wholly owned by CMB International Capital Corporation Limited (招銀國際金融有限公司).

Shanghai Yuji Technology LLP is a limited partnership established in the PRC. The general partner of Shanghai Yuji Technology LLP is Shenzhen CMB Telecom Equity Investment Fund Management Co., Ltd. (深圳招銀電信股權投資基金管理有限公司) which is ultimately controlled by CMB International Capital Management (Shenzhen) Ltd. (招銀國際資本管理(深圳)有限公司), an indirect wholly-owned subsidiary of CMB International Capital Corporation Limited, with a focus on private equity investment and investment fund management.

CMB International Capital Corporation Limited is an indirect wholly-owned subsidiary of China Merchants Bank Co., Ltd. whose shares are listed on the Stock Exchange (stock code: 3968) and Shanghai Stock Exchange (stock code: 600036).

Crystal Technology

Crystal Technology Investment Company Ltd is a company incorporated in the BVI with limited liability and is wholly owned by Crystal Technology Holding Company Ltd. Crystal Technology Holding Company primarily engages in investing in the technology sector.

Crystal II Technology Investment Company Ltd is a company incorporated in the BVI with limited liability and is wholly owned by Crystal II Technology Holding Company Ltd. Crystal II Technology Holding Company primarily engages in investing in the technology sector.

Decent Capital

Decent Capital Overseas Limited is a company incorporated in the BVI and is wholly owned by Zeng Liqing who primarily engages in investment.

Duckling Fund Duckling Fund, L.P. ("**Duckling Fund**") is a limited partnership incorporated in the Cayman Islands on June 16, 2020. The general partner of Duckling Fund is Grandiflora Hook GP Limited. The sole limited partner of Duckling Fund is Lionet Fund, L.P..

Epiphron Capital Epiphron Capital Holdings Limited is a company incorporated in Hong Kong and is owned as to 100% by Epiphron Capital (Hong Kong) Limited. It is primarily engaged in investment holding business and is ultimately controlled by Mr. Timothy Mark Fletcher Ferdinand.

Fangyuan Capital Fangyuan J Fund is an exempted company incorporated in the Cayman Islands and Fangyuan Growth SPC (for and on behalf of PCJ Healthcare Fund SP) is an exempted segregated portfolio company incorporated in the Cayman Islands. Both Fangyuan J Fund and Fangyuan Growth SPC are managed by Fangyuan Capital (Hong Kong) Limited, a limited liability company incorporated in Hong Kong, which is active in healthcare investments, with focus on enacting innovation and technology transformation.

Flaming Capital Flaming Capital Limited is a company incorporated in Hong Kong and is wholly owned by Ng Kong Ping Albert. Flaming Capital Limited primarily engages in investment management.

FreeS Fund FreeS Fund LP is an exempted limited partnership incorporated in the Cayman Islands focusing on investment opportunities in equity and equity-linked securities of privately-held companies in the technology, media and telecommunications industry, finance, education and healthcare industries as they relate to the TMT industry, and business service industry, which are in seed-stage, early stage or high-growth stage and organized and/or operated in United States, China, or otherwise with a significant nexus to China. The general partner of FreeS Fund LP is FreeS Capital Management LP which is ultimately controlled by Brightest Leads Limited.

Glut Treasure Glut Treasure International Limited is a company incorporated in the BVI and is owned as to 95% by Shang Fengjiao and 5% by He Yijun. Glut Treasure International Limited primarily engages in investment.

Google

Google's mission is to organize the world's information and make it universally accessible and useful. Through products and platforms like Search, Maps, Gmail, Android, Google Play, Google Cloud, Chrome and YouTube, Google plays a meaningful role in the daily lives of billions of people and has become one of the most widely-known companies in the world. Google is a subsidiary of Alphabet Inc. (ticker: GOOGL for Class A and GOOG for Class C, listed on Nasdaq).

Harvest

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP ("**Harvest**") is a fund established in February 2022. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited ("**HGI**") and 9% of the management shares are held by Harvest Global Capital Investments Limited ("**HGCI**"). Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd ("**HFM**"). HFM is one of the first ten public fund management companies approved to be established within China. HGCI is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The sole participating shareholder of Harvest is Navigator Technology Limited ("**NTL**"), and the ultimate beneficial owner of NTL is Zheng Fuhua.

Hermitage Fund

Hermitage Fund Two SP is a segregated portfolio created by and held under Hermitage Galaxy Fund SPC. Hermitage Galaxy Fund SPC is an exempted segregated portfolio company incorporated in the Cayman Islands. Hermitage Galaxy Fund SPC primarily engages in private equity investments. The management share of Hermitage Galaxy Fund SPC is owned as to 100% by Hermitage Fund Management Limited. Hermitage Fund Management Limited is ultimately controlled by Mr. Yuqiu Xiang.

Founded in 2017, Hermitage Fund is headquartered in Hong Kong and has an office in Shanghai. It is an investment group focusing on the global technology field. The total assets managed by Hermitage Fund exceeds US$1.5 billion, and all partners have served as senior executives in top international investment banks and asset management firms. Hermitage Fund is dedicated to the global technology field, focusing on artificial intelligence, autonomous driving, financial technology, cloud computing, energy technology and other potential emerging industries with great potential.

HCHP

HCHP Holdco, Ltd. is an exempted company incorporated with limited liability under the laws of the Cayman Islands. HCHP Holdco, Ltd. is a wholly-owned subsidiary of HCHP Master Fund, which is managed by HCHP Management Limited as investment manager, which is in turn wholly owned by HCHP Management Holding Limited. HCHP Master Fund is an investment fund whose primary purpose is to make China-related public equity investments in healthcare sector. HCHP Management Limited was incorporated under the laws of Hong Kong in 2021 and is licensed for Type 9 regulated activities under the SFO.

HX Quality

HX Quality Selection Limited is a company incorporated in the BVI. HX Quality Selection Limited primarily engages in an investment holding and its management shareholder is Grand Eternity Limited, which is ultimately owned by China Renaissance Holdings Limited, a company listed on the Stock Exchange (stock code: 1911).

IMO Ventures

IMO Global Growth Fund SPC—IMO Opportunity Fund I SP, IMO Global Growth Fund SPC—IMO Opportunity Fund II SP and IMO Global Growth Fund SPC—IMO Opportunity Fund V SP (collectively, the "**IMO Opportunity Fund SP**") are segregated portfolios created by IMO Global Growth Fund SPC. IMO Global Growth Fund SPC is a segregated portfolio company incorporated in the Cayman Islands. The management shares of IMO Global Growth Fund SPC is owned as to 100% by Global Growth Fund Investment Limited. Global Growth Fund Investment Limited is the investment advisor of IMO Global Growth Fund SPC—IMO Opportunity Fund I SP and IMO Global Growth Fund SPC—IMO Opportunity Fund II SP. Immersion Ventures Capital Limited is the investment manager of IMO Global Growth Fund SPC—IMO Opportunity Fund V SP.

IMO Opportunity Fund V, L.L.C. is a company incorporated in Delaware, the United States with limited liability and is wholly owned by Bobby Lo. IMO Opportunity Fund V, L.L.C. primarily engages in investment. IMO Opportunity Fund V, L.L.C. is ultimately controlled by IMO Ventures L.L.C.

Mirae

Mirae Asset Growth Xtalpi Investment Company Limited is a company incorporated in the BVI and is wholly owned by Mirae Asset Growth Investment Company Limited, a company incorporated in the BVI, which is in turn wholly owned by Mirae Asset Global Investments (Hong Kong) Limited, a company incorporated in Hong Kong. Mirae Asset Growth Xtalpi Investment Company is a special vehicle for private equity investments.

Mirae Asset New Economy Fund L.P. ("**Mirae Asset Fund**") is an exempted limited partnership incorporated in the Cayman Islands and its general partner is Mirae Asset General Partners. Mirae Asset Securities (HK) Limited holds 30% or more limited partnership interests in Mirae Asset New Economy Fund L.P. The shareholder of Mirae Asset Securities (HK) Limited is Mirae Asset Securities Co Ltd. which is a company listed on the Korea Exchange (stock code 006800). Mirae Asset New Economy Fund L.P. mainly invests in growth stage companies in healthcare, consumer, telecommunications, media and technology (TMT) sectors in Greater China.

Musketeers Capital

The Musketeers Capital Limited is a company incorporated in Hong Kong with limited liability and is owned as to 40% by Mr. Woo Ying Hung Alan, 40% by Mr. Zhang Yao, and 20% by Mr. Chen Bo. The Musketeers Capital Limited primarily engages in financial consulting and investment holding and is ultimately controlled by Mr. Woo Ying Hung Alan, Mr. Zhang Yao and Mr. Chen Bo.

Oceanpine

Oceanpine Investment Fund II LP is an exempted limited partnership incorporated in the Cayman Islands. The general partner of Oceanpine Investment Fund II LP is Oceanpine Growth (Cayman) Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is wholly owned by Dave Liguang Chenn.

OrbiMed

OrbiMed Genesis Master Fund, L.P. ("**OrbiMed Genesis**") and OrbiMed New Horizons Master Fund, L.P. ("**OrbiMed New Horizons**") are each an exempted limited partnership incorporated in the Cayman Islands with OrbiMed Advisors LLC acting as the investment manager. OrbiMed Advisors LLC exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho and W. Carter Neild.

OrbiMed Partners Master Fund Limited is an exempted company limited by shares incorporated in Bermuda. OrbiMed Capital LLC is the sole investment advisor of OrbiMed Partners Master Fund Limited. OrbiMed Capital LLC exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho and W. Carter Neild.

OrbiMed Partners SPV, Ltd. is an exempted company incorporated in the Cayman Islands. OrbiMed Advisors LLC is the investment manager of OrbiMed Partners SPV, Ltd. OrbiMed Advisors LLC exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho and W. Carter Neild.

The Biotech Growth Trust PLC is a publicly listed trust organized in England and Wales with OrbiMed Capital LLC acting as its sole portfolio manager. OrbiMed Capital LLC exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho and W. Carter Neild.

Parkway Parkway Limited is a company incorporated in the BVI and is wholly owned by Star Forum Limited. Star Forum Limited is solely owned by Mr. Xie Yijing. Mr. Xie Yijing is a director of China Renaissance Holdings Limited, a company listed on the Stock Exchange (stock code: 1911).

Shunwei Capital Astrend Opportunity III Alpha Limited is a company incorporated in the BVI, which is wholly owned by Shunwei China Internet Opportunity Fund III, L.P. The general partner of Shunwei China Internet Opportunity Fund III, L.P. is Shunwei Capital Partners IV GP, L.P., and the general partner of Shunwei Capital Partners IV GP, L.P. is Shunwei Capital Partners IV GP Limited. Silver Unicorn Ventures Limited holds more than 50% of the issued and outstanding shares of Shunwei Capital Partners IV GP Limited, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn Ventures Limited. Mr. Koh Tuck Lye co-founded Shunwei Capital in 2011, an early to growth stage venture capital firm, and has served as its chief executive officer.

SIG SIG Global China Fund I, LLLP is a limited liability partnership incorporated in Delaware, the United States with SIG Asia Investment, LLLP acting as the investment manager. Heights Capital Management, Inc., a Delaware corporation, is the investment manager for SIG Asia Investment, LLLP. SIG Global is ultimately controlled by an individual who is a U.S. citizen.

Sino Biopharm	Sino Biopharmaceutical Limited ("**Sino Biopharm**") is a company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1177), and has been a constituent stock of the Hang Seng Index since 2018. Sino Biopharm is principally engaged in the research and development as well as the manufacture and sales of pharmaceutical products. Its products have gained a competitive foothold in various therapeutic areas with promising potentials, comprising a variety of biopharmaceutical and chemical medicines for tumors, liver diseases, respiratory system diseases and surgery/analgesia.
Sixth Dimension	Sixth Dimension Investment Limited is a company incorporated in Hong Kong and is owned as to 100% by Ms. Wen Yuan. Sixth Dimension Investment Limited primarily engages in investments.
Sky9 Capital	Sky9 MVP XtalPi, L.P. is an exempted limited partnership incorporated in the Cayman Islands. The general partner of Sky9 MVP XtalPi, L.P. is Sky9 Capital MVP GP Ltd.
SoftBank Vision Fund II-2 L.P.	SVF II Crystal Subco (DE) LLC is a limited liability company incorporated in Delaware, the United States, and is an indirect subsidiary of SoftBank Vision Fund II-2 L.P.. SoftBank Vision Fund II-2 L.P., a limited partnership established in Jersey, is an investment fund that focuses on investments in the global technology industry. Its general partner is SVF II GP (Jersey) Limited, a company incorporated in Jersey and a wholly-owned subsidiary of SoftBank Group Corp. ("**SoftBank Group**") and its manager is SB Global Advisers Limited, a company incorporated in the United Kingdom and also a wholly-owned subsidiary of SoftBank Group. SB Global Advisers Limited is responsible for making final decisions related to the acquisition, structuring, financing and disposal of SoftBank Vision Fund II-2 L.P.'s investments. SoftBank Group is a Japanese corporation listed on the Tokyo Stock Exchange (stock code: 9984), with operations in broadband, mobile and fixed-line telecommunications, e-commerce, Internet, technology services, media and marketing, and other businesses.
Summer Inspiration	Summer Inspiration Holdings Limited is a company incorporated in BVI and is owned as to 100% by Summer Healthcare Fund, L.P. Summer Inspiration Holdings Limited primarily engages in investment holding. The general partner of Summer Healthcare Fund, L.P. is Summer Capital GP Limited which is ultimately controlled by Summer Capital Limited.

Ten Fortress	Ten Fortress Limited is a company incorporated in the BVI. Ten Fortress Limited focuses on investment in the healthcare industry and it is controlled by ZWC Fund II General Partners Limited as its controlling shareholder.
TPFG Crystal	TPFG Crystal Limited (formerly known as "Pine Peak Crystal Limited") is a company incorporated in the BVI and is wholly owned by TPFG Holdings Limited. TPFG Crystal Limited primarily engages in investment holdings business and is ultimately controlled by Mr. Ma Chi Kong Karl.
Wealth Maker	Wealth Maker Holdings Limited is a company incorporated in the BVI and is wholly owned by a Hong Kong resident.
Yael Capital	Yael Capital Partners I L.P. is a limited partnership incorporated in the BVI. The general partner of Yael Capital Partners I L.P. is Yael Capital Management Limited which is ultimately controlled by LIU Chong. Yael Capital Partners I L.P. primarily focuses on investment area of new drug discovery and relevant services.
Yan Capital	Yan Capital L.P. is an exempted limited partnership incorporated in the Cayman Islands focusing on investment opportunities in AI areas. The general partner of Yan Capital L.P. is Yan Capital Management Ltd. which is ultimately controlled by Yan Dan.

Save for Image Frame which is a core connected person only because it is a substantial shareholder of our Company, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, each of the [**REDACTED**] Investors is an Independent Third Party.

Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the considerations for the [**REDACTED**] Investments have been settled no less than 120 clear days before the [**REDACTED**]; and (ii) all the special rights granted to the [**REDACTED**] Investors as set out above have been terminated or will terminate upon the [**REDACTED**], the Sole Sponsor confirms that the [**REDACTED**] Investments are in compliance with the Guidance Letter HKEX-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and the Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in in March 2017 by the Stock Exchange.

CAPITALIZATION

The table below sets out a summary of the shareholding structure of our Company as of the date of this document and immediately upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs):

No.	Name of Shareholder	Class A Ordinary Shares	Class B Ordinary Shares	Series Pre-A Preferred Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series B++ Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Number of Shares held as of the date of this document	Number of Shares held immediately upon the completion of the [REDACTED]	Shareholding as of the date of this document	Shareholding immediately upon the completion of the [REDACTED]
1	QuantumPharm Holdings	3,195,700	218,930,700	–	–	–	–	–	–	–	–	222,126,400	[REDACTED]	6.90%	[REDACTED]%
2	QuantumPharm Roc	298,041,143	–	–	–	–	–	–	–	–	–	298,041,143	[REDACTED]	9.26%	[REDACTED]%
3	Crete Helix	–	122,908,500	–	–	–	–	–	–	–	–	122,908,500	[REDACTED]	3.82%	[REDACTED]%
4	SeveningBAlpha	–	87,814,140	–	–	–	–	–	–	–	–	87,814,140	[REDACTED]	2.73%	[REDACTED]%
5	Image Frame	–	–	–	250,001,000	14,084,700	63,380,300	–	–	63,324,366	49,076,214	439,866,580	[REDACTED]	13.66%	[REDACTED]%
6	HSG Growth VI Holdco E, Ltd.	–	–	–	–	–	–	–	–	–	49,076,214	49,076,214	[REDACTED]	1.52%	[REDACTED]%
7	HSG Venture VI Holdco, Ltd.	–	–	–	–	–	190,140,900	–	–	13,303,438	–	203,444,338	[REDACTED]	6.32%	[REDACTED]%
8	HSG Venture VIII Holdco, Ltd.	–	–	–	–	–	–	–	–	13,303,439	–	13,303,439	[REDACTED]	0.41%	[REDACTED]%
9	HCHP Holdco, Ltd.	–	–	–	–	–	–	–	–	–	16,358,738	16,358,738	[REDACTED]	0.51%	[REDACTED]%
10	Evolution Fund I Co-investment, L.P.	1,789,224	–	–	–	–	–	227,113	2,917,864	15,617,079	12,802,491	33,353,771	[REDACTED]	1.04%	[REDACTED]%
11	Evolution Fund I, L.P.	11,928,171	–	–	–	–	–	1,514,087	19,452,424	104,113,865	–	137,008,547	[REDACTED]	4.26%	[REDACTED]%
12	Evolution Special Opportunity Fund I, L.P.	–	–	–	–	–	–	–	–	–	85,349,937	85,349,937	[REDACTED]	2.65%	[REDACTED]%
13	China Life Chengda (Shanghai) Healthcare Industry Equity Investment Center (Limited Partnership)	–	–	–	–	–	–	208,946,000	–	26,606,877	–	235,552,877	[REDACTED]	7.32%	[REDACTED]%

No.	Name of Shareholder	Class A Ordinary Shares	Class B Ordinary Shares	Series Pre-A Preferred Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series B++ Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Number of Shares held as of the date of this document	Number of Shares held immediately upon the completion of the [REDACTED]	Shareholding as of the date of this document	Shareholding immediately upon the completion of the [REDACTED]
14	Beijing PICC Health & Pension Industry Investment Fund (Limited Partnership)	–	–	–	–	–	–	–	–	119,730,945	–	119,730,945	[REDACTED]	3.72%	[REDACTED]%
15	Aqua Elite Capital Limited	–	–	–	–	–	–	–	–	–	16,358,738	16,358,738	[REDACTED]	0.51%	[REDACTED]%
16	Artisan China Post-Venture Holdings Limited	–	–	–	–	–	–	–	–	–	8,179,369	8,179,369	[REDACTED]	0.25%	[REDACTED]%
17	Astrend Opportunity III Alpha Limited	6,906,035	–	–	–	–	–	1,741,200	–	7,982,063	4,907,621	21,536,919	[REDACTED]	0.67%	[REDACTED]%
18	Bopu Capital Management Ltd	–	–	–	–	–	–	–	–	–	1,635,874	1,635,874	[REDACTED]	0.05%	[REDACTED]%
19	Bopu HiTech Portfolio XP LP	–	–	23,620,314	–	–	–	–	–	–	–	23,620,314	[REDACTED]	0.73%	[REDACTED]%
20	BRAINPOWER ELECTRONIC TECHNOLOGY LIMITED	–	–	–	–	–	–	–	–	–	8,179,369	8,179,369	[REDACTED]	0.25%	[REDACTED]%
21	Cassini Partners, L.P.	–	–	–	–	–	–	–	–	–	1,511,937	1,511,937	[REDACTED]	0.05%	[REDACTED]%
22	CENTRAL POINT HOLDING DEVELOPMENT LIMITED	–	–	–	–	–	–	–	–	17,885,554	–	17,885,554	[REDACTED]	0.56%	[REDACTED]%
23	CICC Biomedical Fund L.P.	–	–	–	–	–	–	–	–	20,457,715	–	20,457,715	[REDACTED]	0.64%	[REDACTED]%
24	CICC Qizhi (Shanghai) Private Equity Investment Center L.P.	–	–	–	–	–	–	–	–	19,452,600	–	19,452,600	[REDACTED]	0.60%	[REDACTED]%
25	CITIC (Shenzhen) Venture Capital Equity Investment Fund Partnership (Limited Partnership)	–	–	–	–	–	–	–	–	2,660,688	–	2,660,688	[REDACTED]	0.08%	[REDACTED]%
26	CR Life Star Fund LLC	–	–	–	–	–	–	–	–	–	5,725,558	5,725,558	[REDACTED]	0.18%	[REDACTED]%
27	Crystal II Technology Investment Company Ltd	–	–	–	–	–	–	–	–	–	22,902,233	22,902,233	[REDACTED]	0.71%	[REDACTED]%

No.	Name of Shareholder	Class A Ordinary Shares	Class B Ordinary Shares	Series Pre-A Preferred Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series B++ Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Number of Shares held as of the date of this document	Number of Shares held immediately upon the completion of the [REDACTED]	Shareholding as of the date of this document	Shareholding immediately upon the completion of the [REDACTED]
28	Crystal Technology Investment Company Ltd	–	–	–	–	–	–	–	–	–	50,712,088	50,712,088	[REDACTED]	1.58%	[REDACTED]%
29	Decent Capital Overseas Limited	–	–	–	–	–	–	–	–	–	3,271,748	3,271,748	[REDACTED]	0.10%	[REDACTED]%
30	Duckling Fund, L.P.	–	–	–	–	–	–	–	–	79,820,630	19,630,486	99,451,116	[REDACTED]	3.09%	[REDACTED]%
31	Epiphron Capital Holdings Limited	–	–	–	–	–	–	–	–	–	1,635,874	1,635,874	[REDACTED]	0.05%	[REDACTED]%
32	Fangyuan Growth SPC – PCJ Healthcare Fund SP	–	–	–	–	–	–	–	–	13,303,438	–	13,303,438	[REDACTED]	0.41%	[REDACTED]%
33	Fangyuan J Fund	–	–	46,118,586	–	–	–	–	–	–	9,815,243	55,933,829	[REDACTED]	1.74%	[REDACTED]%
34	FAVOR STAR LIMITED	–	–	–	–	–	–	–	–	–	967,243	967,243	[REDACTED]	0.03%	[REDACTED]%
35	FLAMING CAPITAL LIMITED	–	–	–	–	–	–	–	–	–	4,907,622	4,907,622	[REDACTED]	0.15%	[REDACTED]%
36	FreeS Fund LP	–	–	–	–	12,947,431	–	–	–	–	–	12,947,431	[REDACTED]	0.40%	[REDACTED]%
37	Glut Treasure International Limited	–	–	–	–	–	–	4,711,274	–	4,757,549	–	9,468,823	[REDACTED]	0.29%	[REDACTED]%
38	Google LLC	–	–	–	–	–	29,375,901	–	–	–	–	29,375,901	[REDACTED]	0.91%	[REDACTED]%
39	Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP	–	–	28,007,062	–	21,126,800	18,913,799	12,437,333	–	–	–	80,484,994	[REDACTED]	2.50%	[REDACTED]%
40	Hermitage Galaxy Fund SPC for and on behalf of Hermitage Fund Two SP	–	–	–	–	–	–	–	–	–	44,168,592	44,168,592	[REDACTED]	1.37%	[REDACTED]%
41	HX Quality Selection Limited	–	–	–	–	–	–	–	–	–	6,543,495	6,543,495	[REDACTED]	0.20%	[REDACTED]%
42	IMO Global Growth Fund SPC – IMO Opportunity Fund I SP	–	–	14,412,058	–	–	–	–	–	–	–	14,412,058	[REDACTED]	0.45%	[REDACTED]%

No.	Name of Shareholder	Class A Ordinary Shares	Class B Ordinary Shares	Series Pre-A Preferred Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series B++ Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Number of Shares held as of the date of this document	Number of Shares held immediately upon the completion of the [REDACTED]	Shareholding as of the date of this document	Shareholding immediately upon the completion of the [REDACTED]
43	IMO Global Growth Fund SPC – IMO Opportunity Fund II SP	–	–	17,294,470	–	–	–	–	–	10,642,751	–	27,937,221	[REDACTED]	0.87%	[REDACTED]%
44	IMO Global Growth Fund SPC – IMO Opportunity Fund V SP	–	–	–	–	–	–	–	–	–	44,168,592	44,168,592	[REDACTED]	1.37%	[REDACTED]%
45	IMO Opportunity Fund V, L.L.C.	–	–	–	–	–	–	–	–	–	1,635,874	1,635,874	[REDACTED]	0.05%	[REDACTED]%
46	Mirae Asset Growth Xtalpi Investment Company Limited	–	–	–	–	–	–	–	–	2,660,688	–	2,660,688	[REDACTED]	0.08%	[REDACTED]%
47	Mirae Asset New Economy Fund L.P.	–	–	–	–	–	–	–	–	26,606,877	–	26,606,877	[REDACTED]	0.83%	[REDACTED]%
48	Nanjing Zhaoyin Gongying Equity Investment Partnership (Limited Partnership)	–	–	–	–	–	–	–	–	2,926,756	–	2,926,756	[REDACTED]	0.09%	[REDACTED]%
49	Neumann Capital	–	–	–	–	–	–	–	–	–	10,117,048	10,117,048	[REDACTED]	0.31%	[REDACTED]%
50	Neumann Galaxy Limited	–	–	–	–	–	–	–	–	–	490,762	490,762	[REDACTED]	0.02%	[REDACTED]%
51	Oceanpine Investment Fund II LP	–	–	–	–	–	–	–	–	26,606,877	–	26,606,877	[REDACTED]	0.83%	[REDACTED]%
52	OrbiMed Genesis Master Fund, L.P.	–	–	–	–	–	–	–	–	–	8,179,369	8,179,369	[REDACTED]	0.25%	[REDACTED]%
53	OrbiMed New Horizons Master Fund, L.P.	–	–	–	–	–	–	–	–	–	8,179,369	8,179,369	[REDACTED]	0.25%	[REDACTED]%
54	OrbiMed Partners Master Fund Limited	–	–	–	–	–	–	–	–	–	19,613,483	19,613,483	[REDACTED]	0.61%	[REDACTED]%
55	OrbiMed Partners SPV, Ltd.	–	–	–	–	–	–	–	–	–	4,924,624	4,924,624	[REDACTED]	0.15%	[REDACTED]%
56	PARKWAY LIMITED	–	–	–	–	–	–	–	–	7,982,063	–	7,982,063	[REDACTED]	0.25%	[REDACTED]%
57	Pluto Connection Limited	–	–	–	–	–	–	–	–	13,303,438	–	13,303,438	[REDACTED]	0.41%	[REDACTED]%
58	Shanghai Yuji Technology LLP	–	–	–	–	–	–	–	–	26,340,808	–	26,340,808	[REDACTED]	0.82%	[REDACTED]%

No.	Name of Shareholder	Class A Ordinary Shares	Class B Ordinary Shares	Series Pre-A Preferred Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series B++ Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Number of Shares held as of the date of this document	Number of Shares held immediately upon the completion of the [REDACTED]	Shareholding as of the date of this document	Shareholding immediately upon the completion of the [REDACTED]
59	SIG Global China Fund I, LLLP	–	–	–	–	–	–	26,906,426	–	8,774,133	–	35,680,559	[REDACTED]	1.11%	[REDACTED]%
60	SINO BIOPHARMACEUTICAL LIMITED	–	–	–	–	–	–	–	–	–	19,630,486	19,630,486	[REDACTED]	0.61%	[REDACTED]%
61	Sixth Dimension Investment Limited	–	–	–	–	–	–	–	–	–	4,907,621	4,907,621	[REDACTED]	0.15%	[REDACTED]%
62	Sky9 MVP XtalPi, L.P.	–	–	–	–	–	–	–	–	–	4,907,621	4,907,621	[REDACTED]	0.15%	[REDACTED]%
63	Summer Inspiration Holdings Limited	–	–	–	–	–	–	–	–	–	6,543,495	6,543,495	[REDACTED]	0.20%	[REDACTED]%
64	SVF II Crystal Subco (DE) LLC	–	–	–	–	–	–	–	–	93,975,747	–	93,975,747	[REDACTED]	2.92%	[REDACTED]%
65	TEN FORTRESS LIMITED	–	–	–	–	–	–	–	–	–	4,907,621	4,907,621	[REDACTED]	0.15%	[REDACTED]%
66	The Biotech Growth Trust PLC	–	–	–	–	–	–	–	–	–	24,538,107	24,538,107	[REDACTED]	0.76%	[REDACTED]%
67	The Musketeers Capital Limited	–	–	–	–	–	–	–	–	–	3,271,748	3,271,748	[REDACTED]	0.10%	[REDACTED]%
68	TPFG Crystal Limited	–	–	4,250,350	–	–	–	–	–	–	–	4,250,350	[REDACTED]	0.13%	[REDACTED]%
69	WEALTH MAKER HOLDINGS LIMITED	1,862,481	–	–	–	–	–	–	–	–	–	1,862,481	[REDACTED]	0.06%	[REDACTED]%
70	Yael Capital Partners I L.P.	28,643,849	–	11,518,160	–	8,179,369	–	3,581,867	6,934,789	26,266,214	31,899,539	117,023,787	[REDACTED]	3.64%	[REDACTED]%
71	Yan Capital L.P.	–	–	–	–	–	–	4,599,600	–	–	–	4,599,600	[REDACTED]	0.14%	[REDACTED]%
	Subtotal	*352,366,603*	*429,633,340*	*145,221,000*	*250,001,000*	*56,338,300*	*301,810,900*	*264,664,900*	*29,305,077*	*768,406,598*	*621,632,043*	*3,219,399,761*	[REDACTED]	*100.00%*	[REDACTED]%
72	Public Shareholders	–	–	–	–	–	–	–	–	–	–	–	[REDACTED]	–	[REDACTED]%
Total												3,219,399,761	[REDACTED]	100.00%	[REDACTED]%

Notes:

(1) Pursuant to the powers of attorney dated July 19, 2021 executed by (i) Dr. Ma, Jian Guo Pai and Crete Helix; and (ii) Dr. Lai, Sevening B Holdings and SeveningBAlpha (collectively, the "**Co-founder Grantors**"), QuantumPharm Holdings is indefinitely and irrevocably authorized and appointed to exercise all the voting rights attached to the Shares held by them at any time and from time to time which they are entitled to under the laws of the Cayman Islands and the Memorandum and Articles on all matters submitted to a vote of Shareholders at a meeting of Shareholders or through the solicitation of a written consent of Shareholders, except for any matter the outcome of the vote on which will disproportionately, materially and adversely affect the Co-founder Grantors, as compared to QuantumPharm Holdings or any other Shareholder.

(2) QuantumPharm Roc, the shareholding platform for the [**REDACTED**] ESOP which holds the Shares underlying the options granted thereunder for the benefit of the grantees, is wholly owned by QuantumPharm Holdings.

(3) Inclusive of transfers of shares between May 2019 and November 2023, between a number of investors at a total consideration of US$171.9 million.

PUBLIC FLOAT

Save for Image Frame, which will hold [**REDACTED**]% of the total number of our issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs) and will be a substantial shareholder of our Company, all [**REDACTED**] Investors are independent from our Group and not our core connected persons. Accordingly, the Shares held by such [**REDACTED**] Investors shall be counted towards the public float of our Company.

Further, upon the [**REDACTED**], (i) the Shares held by QuantumPharm Holdings, Crete Helix and SeveningBAlpha, representing [**REDACTED**]% of the total number of our issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs); and (ii) the Shares held by QuantumPharm Roc, representing [**REDACTED**]% of the total number of our issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs), will not be counted towards the public float of our Company.

Based on the above, it is expected that immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs), the total number of Shares held by the public represents [**REDACTED**]% of the total number of issued Shares upon the [**REDACTED**]. Therefore, our Company will be able to meet the minimum public float requirement under Rule 8.08 of the Listing Rules.

LOCK-UP AND FREE FLOAT

The following Shares will be subject to disposal restrictions pursuant to Rule 18C.14 of the Listing Rules at the time of the [**REDACTED**]:

Person(s)	**Capacity**	**Number of Shares subject to disposal restrictions immediately following the completion of the [REDACTED]**[(1)]	**Shareholding subject to disposal restrictions immediately following the completion of the [REDACTED]**[(1)]	**Lock-up period**
Dr. Wen	One of the Co-founders and executive Director	[**REDACTED**][(2)]	[**REDACTED**]%	Commencing on the date of this document and ending on expiry of 24 months from the [**REDACTED**][(3)]

Person(s)	Capacity	Number of Shares subject to disposal restrictions immediately following the completion of the [REDACTED][(1)]	Shareholding subject to disposal restrictions immediately following the completion of the [REDACTED][(1)]	Lock-up period
		[REDACTED][(4)]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 24 months from the [REDACTED][(3)]
		[REDACTED][(5)]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 24 months from the [REDACTED][(3)]
Dr. Ma	One of the Co-founders and executive Director	[REDACTED][(6)]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 24 months from the [REDACTED][(3)]
		[REDACTED][(7)]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 24 months from the [REDACTED][(3)]
		[REDACTED][(8)]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 24 months from the [REDACTED][(3)]
Dr. Lai	One of the Co-founders and executive Director	[REDACTED][(9)]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 24 months from the [REDACTED][(3)]

Person(s)	Capacity	Number of Shares subject to disposal restrictions immediately following the completion of the [REDACTED][(1)]	Shareholding subject to disposal restrictions immediately following the completion of the [REDACTED][(1)]	Lock-up period
		[REDACTED][(10)]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 24 months from the [REDACTED][(3)]
Dr. Gu Liang	Member of senior management	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 24 months from the [REDACTED][(3)]
Image Frame	Pathfinder SII	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 12 months from the [REDACTED][(13)]
HSG Venture VI Holdco, Ltd.	Pathfinder SII	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 12 months from the [REDACTED][(13)]
HSG Growth VI Holdco E, Ltd.	Pathfinder SII	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 12 months from the [REDACTED][(13)]
HCHP Holdco, Ltd.	Close associate of our Pathfinder SII	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 12 months from the [REDACTED][(13)]

Person(s)	Capacity	Number of Shares subject to disposal restrictions immediately following the completion of the [REDACTED][(1)]	Shareholding subject to disposal restrictions immediately following the completion of the [REDACTED][(1)]	Lock-up period
HSG Venture VIII Holdco, Ltd.	Pathfinder SII	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 12 months from the [REDACTED][(13)]
Evolution Fund I, L.P.	Pathfinder SII	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 12 months from the [REDACTED][(13)]
Evolution Special Opportunity Fund I, L.P.	Pathfinder SII	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 12 months from the [REDACTED][(13)]
Evolution Fund I Co-investment, L.P.	Pathfinder SII	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 12 months from the [REDACTED][(13)]
China Life Chengda (Shanghai) Healthcare Industry Equity Investment Center (Limited Partnership)	Pathfinder SII	[REDACTED]	[REDACTED]%	Commencing on the date of this document and ending on expiry of 12 months from the [REDACTED][(13)]

Person(s)	Capacity	Number of Shares subject to disposal restrictions immediately following the completion of the [REDACTED][(1)]	Shareholding subject to disposal restrictions immediately following the completion of the [REDACTED][(1)]	Lock-up period
Beijing PICC Health & Pension Industry Investment Fund (Limited Partnership)	Pathfinder SII	[**REDACTED**]	[**REDACTED**]%	Commencing on the date of this document and ending on expiry of 12 months from the [**REDACTED**][(13)]

Notes:

(1) On the basis that [**REDACTED**] Shares are expected to be in issue immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs.

(2) Representing the Shares held by QuantumPharm Holdings. QuantumPharm Holdings is held as to 99% by WSH Family Holdings, which is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the WSH Family Trust, a discretionary trust established by Dr. Wen as settlor.

(3) In the event that upon the notification by the Stock Exchange that our Company will no longer be regarded as a Pre-Commercial Company after the [**REDACTED**], the lock-up period will expire on the later of: (i) the date which is 12 months from the [**REDACTED**]; and (2) the date falling on the 30th day after the announcement on the removal of designation as a Pre-Commercial Company as required under Rule 18C.24 of the Listing Rules.

(4) Representing the Shares held by QuantumPharm Roc underlying vested options held by Dr. Wen.

(5) Representing the Shares held by QuantumPharm Roc underlying vested options held by Dr. Jiang Yide Alan (and his close associates) and Mr. Tam Man Hong, the voting right of which will be entrusted to Dr. Wen upon the [**REDACTED**].

(6) Representing the Shares held by Crete Helix. Crete Helix is held as to 99% by MH International Holdings, which is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the MH Fund Trust, a discretionary trust established by Dr. Ma as settlor.

(7) Representing the Shares held by QuantumPharm Roc underlying vested options held by Dr. Ma.

(8) Representing the Shares held by QuantumPharm Roc underlying vested options held by QuantumPharm Employee Holdings Limited, a holding vehicle wholly owned by TMF Trust (HK) Limited as trustee of the QuantumPharm Employee Benefit Trust for the benefit of 13 employees of our Group (including Dr. Zhang Peiyu, a member of our senior management). Dr. Ma has the power to provide voting instructions in respect of the Shares underlying the options held by the QuantumPharm Employee Benefit Trust.

(9) Representing the Shares held by SeveningBAlph. SeveningBAlpha is held as to 99% by LPHappy Holding, which is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the LPHappy Family Trust, a discretionary trust established by Dr. Lai as settlor.

(10) Representing the Shares held by QuantumPharm Roc underlying vested options held by Dr. Lai.

(11) Representing the Shares held by QuantumPharm Roc underlying vested options held by Dr. Jiang Yide Alan (and his close associates), the voting right of which will be entrusted to Dr. Wen upon the [**REDACTED**].

(12) Representing the Shares held by QuantumPharm Roc underlying vested options granted to Mr. Tam Man Hong, the voting right of which will be entrusted to Dr. Wen upon the [**REDACTED**].

(13) In the event that upon the notification by the Stock Exchange that our Company will no longer be regarded as a Pre-Commercial Company after the [**REDACTED**], the lock-up period will expire on the later of: (i) the date which is six months from the [**REDACTED**]; and (2) the date falling on the 30th day after the announcement on the removal of designation as a Pre-Commercial Company as required under Rule 18C.24 of the Listing Rules.

In addition, (a) [**REDACTED**] Shares underlying options granted under the [**REDACTED**] ESOP are subject to disposal restrictions pursuant to the respective award agreements during the period of 180 days commencing on the date of this document; and (b) [**REDACTED**] Shares held by the other [**REDACTED**] Investors are subject to disposal restrictions during the period of six months commencing on the [**REDACTED**]. The remaining [**REDACTED**] Shares expected to be in issue upon the completion of the [**REDACTED**], representing a market capitalization of our Company of [**REDACTED**] (as calculated based on the [**REDACTED**] of [**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range), will not be subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of the [**REDACTED**] and will satisfy the free float requirement under Rule 18C.10 of the Listing Rules.

UNWINDING OF THE WVR STRUCTURE AND CONVERSION OF THE PREFERRED SHARES

Upon the [**REDACTED**], by the adoption of the Memorandum and the Articles, the WVR Structure will be unwound, and each Share (including each of the Class B Ordinary Shares with super-voting rights) will be converted or re-designated to one Ordinary Share. After the re-designation, all the issued Shares will entitle their holders to one vote per Share at each general meeting of our Company. See "Share Capital" for further details.

Each of the Series Pre-A Preferred Shares, the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, the Series B Preferred Shares, the Series B+ Preferred Shares, the Series B++ Preferred Shares, the Series C Preferred Shares and the Series D Preferred Shares will be converted to one Ordinary Share upon the [**REDACTED**].

PRC LEGAL COMPLIANCE

Regulations on Overseas Listing

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a domestic enterprise: (1) any of the total assets, net assets, revenue or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (2) its major operational activities are carried out in China or its main places of business are located in China, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in China. The filing is required to be conducted within three business days after the submission of the application for initial public offering overseas to the overseas regulators. Our PRC Legal Advisor is of the view that this [**REDACTED**] shall be deemed as an indirect overseas [**REDACTED**] and [**REDACTED**] by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit application for this [**REDACTED**]. We will file with the CSRC within the specific time limit as required by the Overseas Listing Trial Measures and seek guidance from the relevant regulator and/or legal advisors to ensure our compliance in all respects. For details, see "Regulatory Overview—Regulations on Overseas Listing."

Circular 37

Pursuant to the Circular on Relevant Issues Concerning the Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the Circular 37, promulgated and implemented by SAFE on July 4, 2014, a special purpose vehicle refers to an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of investment and financing by utilizing the domestic corporate assets or interests or overseas assets or interests he/she/it legally holds. A domestic resident shall apply to the SAFE for foreign exchange registration of overseas investments before investing the domestic or overseas legal assets or interests into a special purpose vehicle. Where a domestic resident invest legally owned domestic assets or interests into a special purpose vehicle, he/she/it shall apply for registration to the local SAFE branch at the place of incorporation or where the domestic corporate assets or interests are located. Where a domestic resident invest legally owned overseas assets or interests into a special purpose vehicle, he/she/it shall apply for registration to the local SAFE branch at the place of incorporation or household registration. Following the initial registration, the domestic resident is also required to register with the local SAFE branch for any major change in respect of the special purpose vehicle, including,

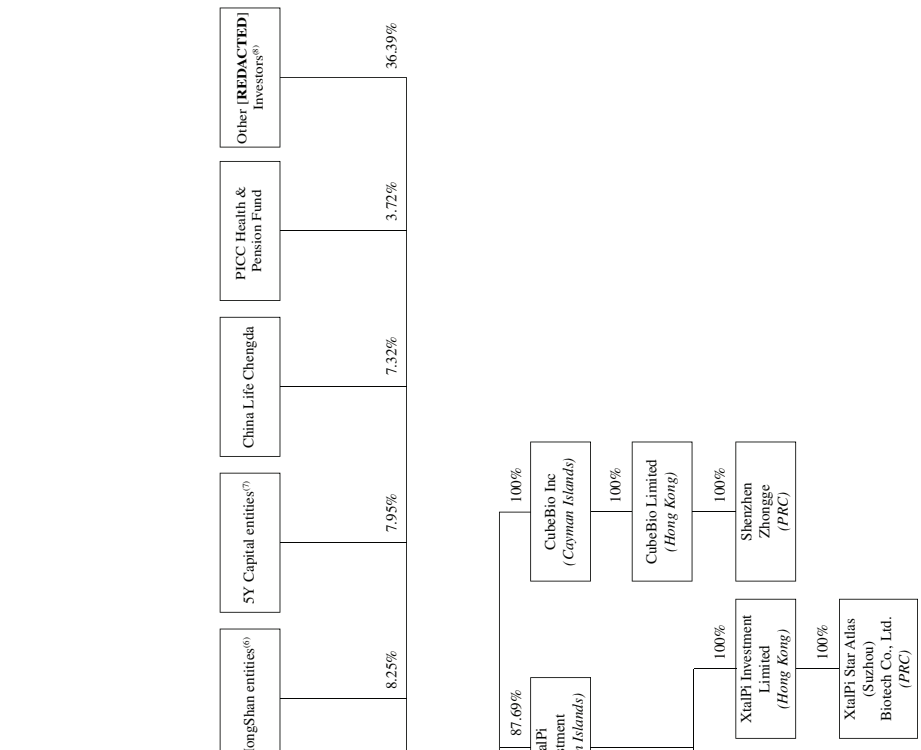
among other things, a change of the domestic individual shareholder(s) of the special purpose vehicle, the name and the terms of operation of the special purpose vehicle, or any increase or reduction of the capital of the special purpose vehicle, share transfer or swap by domestic resident, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or the Circular 13, which became effective on June 1, 2015 and amended on December 30, 2019, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisor, each of the Co-founders who is a domestic resident (namely, Dr. Wen, Dr. Ma and Dr. Lai) has respectively completed the required registration with the local SAFE branch pursuant to the Circular 37 as of the Latest Practicable Date.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the [REDACTED]:



Notes:

(1) WSH Family Holdings is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the WSH Family Trust, a discretionary trust established by Dr. Wen as settlor.

(2) MH International Holdings is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the MH Fund Trust, a discretionary trust established by Dr. Ma as settlor.

(3) LPHappy Holding is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the LPHappy Family Trust, a discretionary trust established by Dr. Lai as settlor.

(4) Pursuant to the powers of attorney dated July 19, 2021 executed by (i) Dr. Ma, Jian Guo Pai and Crete Helix; and (ii) Dr. Lai, Sevening B Holdings and SeveningBAlpha (collectively, the "**Co-founder Grantors**"), QuantumPharm Holdings is indefinitely and irrevocably authorized and appointed to exercise all the voting rights attached to the Shares held by them at any time and from time to time which they are entitled to under the laws of the Cayman Islands and the Memorandum and the Articles on all matters submitted to a vote of Shareholders at a meeting of Shareholders or through the solicitation of a written consent of Shareholders, except for any matter the outcome of the vote on which will disproportionately, materially and adversely affect the Co-founder Grantors, as compared to QuantumPharm Holdings or any other Shareholder.

(5) QuantumPharm Roc, the shareholding platform for the [**REDACTED**] ESOP which holds the Shares underlying the options granted thereunder for the benefit of the grantees, is wholly owned by QuantumPharm Holdings. See "—Share Incentive Schemes" above for details.

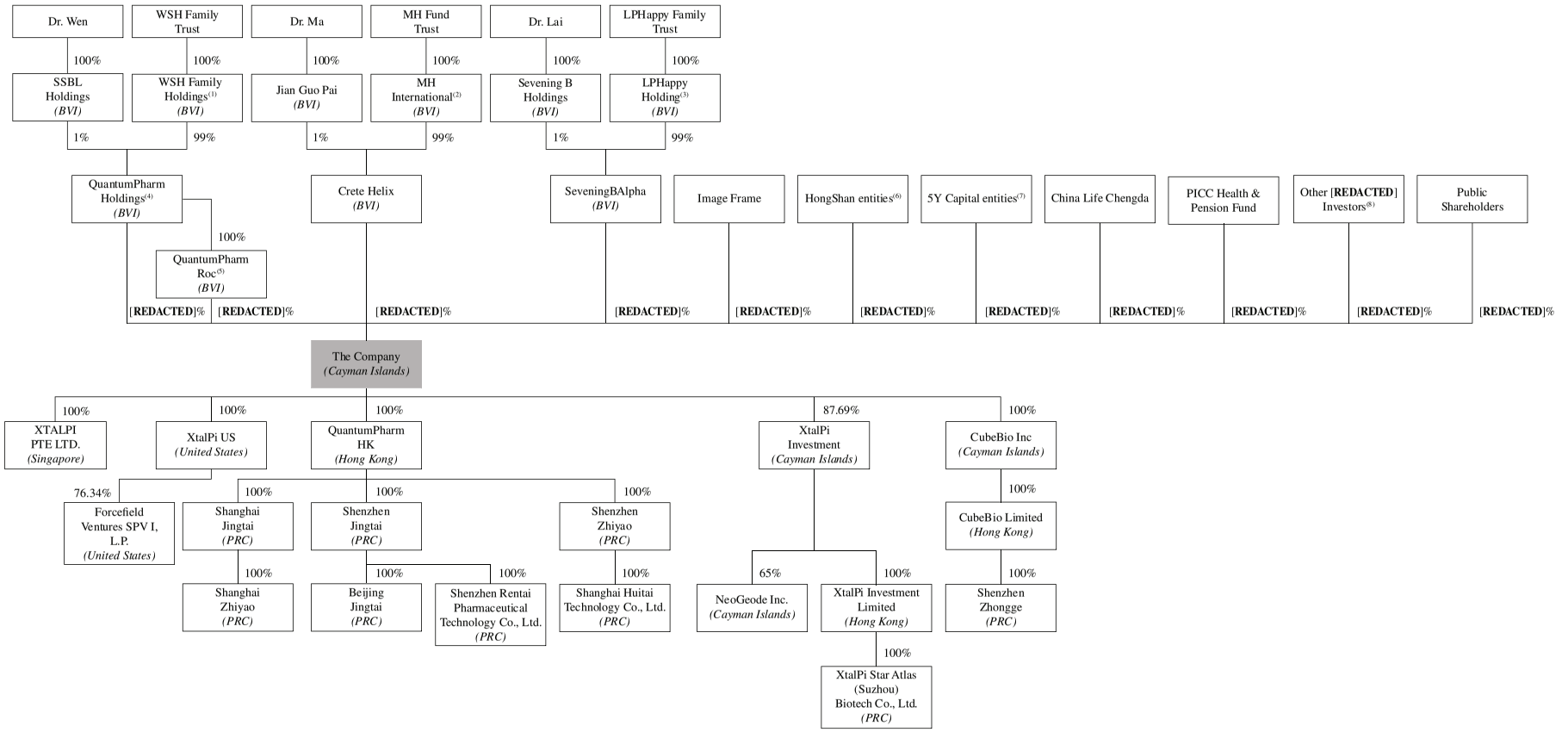
(6) HongShan entities include HSG Venture VI Holdco, Ltd., HSG Venture VIII Holdco, Ltd. and HSG Growth VI Holdco E, Ltd., see "—[**REDACTED**] Investments" and "—Capitalization" above for details of the Pathfinder SIIs and Sophisticated Independent Investors.

(7) 5Y Capital entities include Evolution Fund I, L.P., Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P., see "—[**REDACTED**] Investments" and "—Capitalization" above for details of the Pathfinder SIIs and Sophisticated Independent Investors.

(8) See "—[**REDACTED**] Investments" and "—Capitalization" above for details of other [**REDACTED**] Shareholders.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs):



Notes: Please refer to the notes to "—Our Structure Immediately Prior To The [**REDACTED**]" above.

Our mission is a world of smarter science, better lives.

We aim to accelerate the design and discovery of novel drugs and materials leveraging quantum physics, AI and robotic automation.

OVERVIEW

Who We Are

We are a globally leading, quantum physics-based, AI-powered, and robotics-driven, innovative R&D platform. We adopt a combination of quantum physics-based first-principles calculation, advanced AI, high-performance cloud computing, and scalable and standardized robotic automation to provide drug and material science R&D solutions and services to global conglomerates and innovative companies in the pharmaceutical and material science (including agritech, energy and new chemicals, and cosmetics) industries and beyond.

We have been at the forefront of the industry norms for several years by leveraging our core advanced technologies, and believe that the following capabilities differentiate us from our competitors:

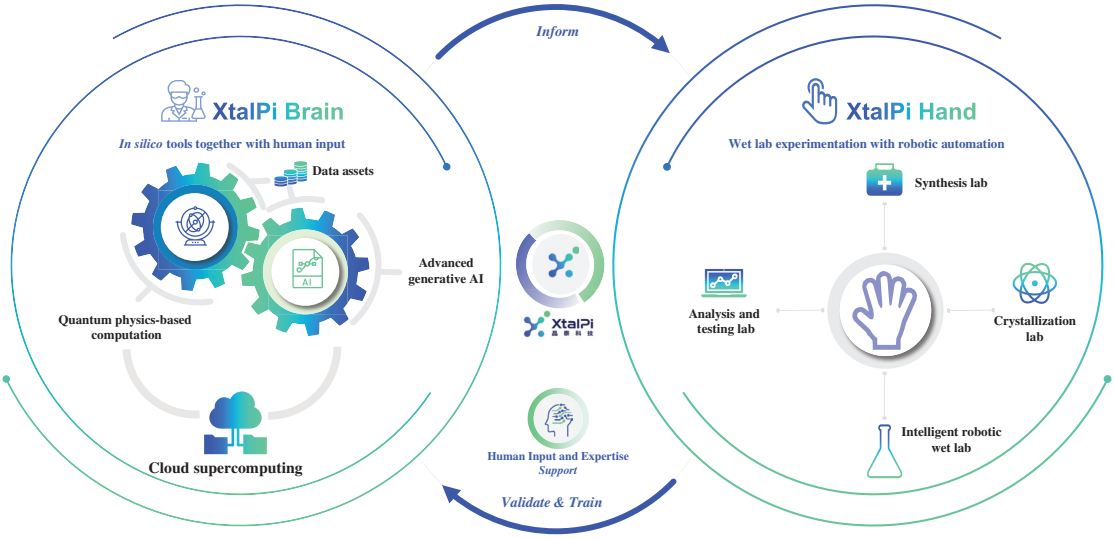
- our advanced AI capabilities anchored by quantum physics calculations;
- our quantum physics-based first-principles calculation supported by high-performance computing;
- our flexible and extensive AI capabilities backed by various multi-modality, customer-driven, scenario-based algorithms and models;
- clusters of intelligent robot scientists with AI brain driving wet lab automation, scalability, standardization and high throughput;
- iterative and mutually informing and reinforcing feedback loop between our dry lab and wet lab;
- accumulated meaningful and extensive data assets generated through synergistic dry lab and wet lab; and
- our domain expertise, creative thinking, and entrepreneurial mindset.

In 2014, cloud-based computing power started growing exponentially, when our Co-founders immediately realized that would make large-scale high precision and fast computation a reality. Established in 2015 by three MIT-trained physicists, underpinned by our quantum physics-based first-principles calculation and advanced AI capabilities, we seek to transform the way drugs and new materials are designed and discovered at a pace and scale well beyond traditional alternatives. In 2016, we participated in a global crystal structure prediction ("**CSP**") blind test held by Pfizer and achieved accurate prediction, which led to our long-term strategic master partnership in technological innovation and drug R&D with Pfizer. Since then, we gradually became a global leader in providing computational solid-state R&D services. Our CSP capability and long-lasting cooperation with Pfizer eventually enabled us to have contributed to the development and production of Paxlovid, the world's first FDA-approved oral COVID-19 drug in 2021 at a critical juncture of the global fight against Coronavirus.

As CSP and drug design and discovery share similar fundamental methodologies and problem-solving patterns where target functions are deployed to search for solutions within a vast array of possible outcomes, we naturally expanded into the drug R&D industry driven by our customers' evolving needs. To validate the compounds generated from our drug R&D activities, we built our wet lab experimental capabilities. Along with our rapid business growth, we had increasing customer demand for compound synthesis, which is one of the most time-consuming and costly parts of the entire drug R&D process according to Frost & Sullivan. To expedite our synthesis process and further scale our business, we further developed robotic automation in our wet lab to enable scalable, flexible, multi-project, faster, and more cost-efficient experiment cycles. As we function as a molecular search engine, we have been able to explore the applicability of novel molecular-level material design and discovery in a wide array of industries.

We have established a proprietary integrated technology platform, which integrates cloud supercomputing-powered *in silico* tools, including quantum physics-based first-principles calculation and AI, for dry lab calculation and evaluation, and wet lab experimentation with robotic automation. Our platform is designed to improve dry lab calculations with experimental data generated by our wet lab and to enhance the efficiency of our wet lab by insights derived from dry lab calculations. We are one of the few drug and material science R&D companies in the world with quantum physics-based first-principles calculation, advanced AI technologies, and automated wet lab capabilities, according to Frost & Sullivan. As such, we believe that we are well positioned at this moment to capture the opportunities arising from the increasing importance of the combination of AI, computing power, data analysis, and scalable and standardized automation for the design and discovery of novel drugs and materials. We believe that quantum physics-based computation, AI, and robotic automation technologies will play indispensable roles as AI-age basic infrastructure components underpinning drug and material science R&D, like water and electricity in the industrial age.

The following diagram illustrates the structure of our closed-loop integrated technology platform combining our dry lab and wet lab capabilities:



We have made significant contributions in the field of drug design and discovery by improving speed, scale, novelty and success rate. We have recently expanded our business into the field of material science (such as the design and discovery of bio-based materials, novel chemical compounds for agritech applications, new chemical surfactants and catalysts, and cosmetics products) and automation (such as automated chemical synthesis) and are focused on continuing to expand this business going forward. With operations in both China and the U.S., we strive to take advantage of the best capabilities and resources available to us in each region to meet the evolving needs of our customers and collaborators and academic partners.

We have well-established and longstanding relationships with many of the world's leading biotechnology and pharmaceutical conglomerates, such as Pfizer, Johnson & Johnson, and Merck KGaA, Darmstadt, Germany, many of which are our repeat customers. Since our founding, we have received substantial investments and support from world-renowned private equity and strategic investors, including HongShan, Mirae Asset, Google, Tencent, and China Life. We believe our blue-chip shareholder base and prominent customer base is a testament to our capabilities and prospects.

As of the Latest Practicable Date, we had more than 700 scientists and technologists with experience in leading global academic institutions and well-recognized industry participants, a majority of whom have a master's degree or above. We also had more than 120 granted patents, approximately 27 ongoing drug discovery programs, and four R&D facilities with more than 10,000 sq.m. of lab space, as of the same date. Our talents, operational infrastructure, and scientific and commercial achievements have contributed to, and in turn demonstrated, our strong R&D capabilities.

During the Track Record Period, we achieved significant growth in revenue generated from our drug discovery solutions and intelligent automation solutions businesses. Our revenue increased significantly from RMB35.6 million in 2020 to RMB62.8 million in 2021, and further to RMB133.4 million in 2022, representing a CAGR of 93.4%. Our revenue also increased significantly by 86.3% from RMB42.9 million in the six months ended June 30, 2022 to RMB80.0 million in the six months ended June 30, 2023. The substantial increase in our revenue and our rapid business growth during the Track Record Period demonstrates our commercialization capability and business sustainability. Currently, we are serving more than 100 global biotechnology and pharmaceutical companies and research institutions; at the same time, centering on our key upstream and downstream industry chains and technologies, we have incubated and invested in a number of innovative companies, including Geode, META, Signet, and Leman. See "—Our Strengths—Irreplaceable value to our customers and collaborators and synergies within our ecosystem" for details regarding our ecosystem.

Our Business and Revenue Model

Our business primarily comprises (i) drug discovery solutions providing modular solutions spanning the full spectrum of the drug discovery and research process, and (ii) intelligent automation solutions consisting primarily of solid-state R&D services and automated chemical synthesis services.

Our drug discovery solutions focus on identifying and developing molecules that exhibit pharmaceutically active functions on particular disease-related targets. Our drug discovery solutions span the whole drug discovery and research process, from target validation, hit identification, lead generation, lead optimization to pre-clinical candidate nomination, covering various modalities, including small molecules, antibodies, peptides, ADC, and PROTAC. We also collaborate with certain drug developers ("**collaborators**") to jointly work on various therapeutic targets ("**collaboration programs**"), from which we expect to receive royalty, milestone or contingent payments if such collaboration programs reach milestones or events specified in the respective contracts, such as successful commercialization in particular regions. See "Business—Our Drug Discovery Solutions."

Our intelligent automation solutions focus on AI- and automation-enabled novel drug and materials discovery and research. In particular, our solid-state R&D services focus on analyzing the physical and chemical properties of solid materials, which are key to drug and material science R&D. Our automated chemical synthesis services in 2021 to accelerate the chemical synthesis process, which is time-consuming and costly. We are also leveraging our robotic automation capability and expertise to scale our intelligent automation solutions business by providing standard or customized automation solutions to customers in the pharmaceutical and material science industries and beyond. See "Business—Our Intelligent Automation Solutions."

As our business has evolved, we have begun to provide R&D solutions to other high value industries, by initiating our XtalPi R&D Solutions program, leveraging our proprietary in-house technologies and expertise derived from our drug discovery and intelligent automation businesses. Our XtalPi R&D Solutions program aims to enable synergies across our technologies to better serve the different and evolving R&D needs of, and cross sell our diversified service offerings to, our customers and collaborators in a wide array of industries, such as material science (including agritech, energy and new chemicals, and cosmetics). For example, we have been able to leverage our quantum physics-based computation and AI capabilities to develop a new type of furan-based bio-based surfactant. See "—Our Future Development" for future developments regarding our XtalPi R&D Solutions.

Our Mutually Informing and Reinforcing *In Silico* Tools and Wet Lab

We pioneered the adoption of quantum physics-based first-principles calculation, AI, and robotic automation in drug and material science R&D and have become one of the most well-reputed drug and material science R&D companies in China and globally with combined capabilities of quantum physics-based first-principles calculation, AI, and robotic automation, according to Frost & Sullivan.

Fundamentally, quantum physics-based computation methods form the core of our technology platform. Quantum physics-based first-principles calculation enables us to model drug properties *ab initio*, which helps us to discover and design promising drug candidates promptly without having to first accumulate empirical data. The data we generate from our quantum physics-based calculation in turn help us to train our AI models to predict critical properties at various levels of complexity, from atomic, molecular, crystal, biological target, to *in-vitro* and *in-vivo*. Such capabilities allow us to identify candidate compounds and crystal forms suitable for drug R&D. We consider that the fundamental approaches and technologies underlying our quantum physics-based computation capability can equally be applied in the field of material science R&D, naturally extending our services to cover material science R&D.

We integrate our AI capabilities into many of our core technologies, including automated chemical synthesis, crystal structure screening, and our multiple-modality drug discovery platforms covering small molecule, peptide, ADC, PROTAC, and antibody, to optimize the efficiency and performance of these technologies. Unlike some of our competitors whose primary technology is either quantum physics-based computation or AI, we combine our quantum physics-based first-principles calculation with our advanced generative AI technologies. The quantum physics-based first-principles calculation method is difficult and time-consuming to develop for R&D purpose; while AI on its own has significant limitations and has therefore on its own had a limited effect on improving the efficiency of drug and material science R&D, because AI models are expected to accurately predict molecular properties similar to the training set, but are incapable of extrapolating molecules that are not similar to the training set. In contrast, by combining quantum physics-based computation with AI, we are able to enjoy both the benefits of rapid processing of data at scale and computing molecular properties that are well beyond existing industry capabilities and data. More significantly, we have developed our proprietary ProteinGPT, an AI-based biomedical

generative tool, designed to predict and screen protein sequences and generate protein drugs that meet specific pre-set criteria by incorporating LLM into our algorithms. We use ProteinGPT as a general strategy in the discovery and research of multiple large molecule drugs and new materials including: (i) generation of binder proteins based on a specific target protein sequence, (ii) generation of antibody libraries according to specific pre-set criteria, and (iii) optimization of certain existing antibodies based on specific improvement requirements.

Our wet lab with robotic automation can validate the predictions generated by our *in silico* tools, while the data produced at scale from our wet lab experimentation function as the feedback to further train our *in silico* tools, creating a mutually reinforcing cycle of learning. The improved *in silico* tools then produce better insights into the design and performance of wet lab experimentation. Therefore, the iteration of *in silico* and wet lab experimentation creates a virtuous cycle where data generation, learning and confirmation enhance each other and continually strengthen our integrated technology platform with real world experimental data on molecules and chemical synthesis.

For more details regarding our technologies, see "—Our Technologies and Closed-loop Integrated Technology Platform."

The Advantages of Our Solutions

Technology is in our DNA and is the bedrock of our operations and business. We leverage quantum physics-based first-principles calculation, AI, and automation to provide drug and material science R&D solutions. We believe our AI and automation technologies fall under the acceptable sectors of "next-generation information technology" and "advanced hardware and software," respectively, of the List of Specialist Technology Industries of the Guidance Letter HKEX-GL115-23.

Our integrated technology platform enables us to search the vast chemical space of different compounds, execute the entire R&D process from dry lab calculation and evaluation to wet lab experimentation.

The table below sets forth a comparison of traditional methods and AI-based methods of drug R&D in terms of speed, scale, novelty, and pre-clinical development success rate for developing novel therapeutics, as well as our experience in those aspects enabled by our integrated technology platform.

	Traditional methods*	AI-based methods*	Our Achievements
Speed	Traditional drug R&D efforts for novel therapeutics are akin to finding a needle in a haystack. The process typically involves experimental screening of existing libraries of molecules and iterative and time-consuming synthesis and testing to reach a required property profile for subsequent clinical development. Traditionally, it typically takes four to six years to develop a novel therapeutic candidate from early discovery to pre-clinical stage involving around 5,000 molecules to be synthesized and tested. The traditional wet lab experiment-based crystal structure studies take approximately one year to assess the landscape of thermodynamically stable crystal forms.	AI-based drug R&D in general would take two to three years for drug discovery process to identify a novel pre-clinical candidate from the early discovery stage. With AI-powered virtual screening, only a few hundred molecules may need to be synthesized and tested in wet lab experimentation to identify viable pre-clinical candidates for subsequent development. The net result is not only fewer design make-test cycles, but also less time and resource requirements within each cycle.	We are able to deliver the CSP results for a common case small molecule in two to three weeks. We believe our technologies are also applicable to more complex molecular systems. We expect our standardized and automated wet lab will accelerate the chemical synthesis and experimentation in drug R&D.
Scale	Constrained by available resources such as budget and time, a traditional drug R&D program can only afford to synthesize and interrogate no more than a few thousand molecules through wet lab experimentation. Such small sampling merely represents a small fraction of the vast chemical space and is potentially fraught with human bias and idiosyncrasies from prior experience. Collectively, the limited and potentially biased chemical space explored through the traditional drug R&D process leads to clustering and convergence of drug design and discovery, and as well as reduces the likelihood of identifying molecules with desired property profile to increase the chance of success of drug R&D.	AI-based methods can screen billions of potential molecules and compounds from the vast chemical space and efficiently rank them by drug properties. Therefore, AI-based methods may increase the likelihood of identifying viable drug candidates.	Our platform can broaden the funnel of potential therapeutic starting points via AI-enabled sampling to create tens of millions of molecules virtually. Such a scale enabled by our platform increases the probability of discovering novel molecules for targets that are traditionally viewed as challenging and to identify molecules with desired property profile, which in turn contributes to a higher chance of progressing through subsequent development.

	Traditional methods*	AI-based methods*	Our Achievements
Novelty	It is estimated that the existing pool of therapeutics only acts on approximately a quarter of the approximately 4,000 disease-related targets known today. The remaining disease-related targets are challenging under traditional drug R&D methods, because traditional drug R&D tends to be based on a narrow spectrum of known targets, therefore limiting the overall novelty of the drug R&D.	AI can overcome the limitations of human searches to explore a much larger chemical space and greatly facilitate innovation. By automatically analyzing and detecting complex patterns from existing chemical data, AI algorithms can search through the chemical space to identify new compounds with novel modes of action or with new chemical scaffold for targets with existing therapeutics and compounds for new targets with desired pharmacological effects.	Leveraging our integrated technology platform, we have developed drug candidates with our customers and collaborations for an array of traditionally challenging or underexplored targets. As of the Latest Practicable Date, we had approximately 27 ongoing drug discovery programs targeting a variety of therapeutic areas, a number of which are designed to address novel targets or identify new mechanisms of action and/or new chemical scaffolds.
Success rate(1)	Because traditional drug discovery is conducted by screening a limited number of molecules that are selected based on human experience and idiosyncrasy, the selected molecules often have poor activities and physicochemical properties, which prevent them from being qualified as pre-clinical candidates. The overall probability (success rate) of progressing drug candidate molecules identified by traditional methods from hits to pre-clinical candidates is 51%.	Because AI-based drug discovery can more exhaustively explore the chemical space and is less influenced by human experience and idiosyncrasy, molecules discovered by AI-based methods tend to have better drug profiles and higher probabilities of being qualified as pre-clinical candidates. The overall probability (success rate) of progressing drug candidate molecules identified by AI-based methods from hits to pre-clinical candidates is estimated to be over 70%.	Our platform has successfully generated drug candidates, which we believe are promising, in all of our drug discovery programs.

* *Source: Frost & Sullivan*

(1) This refers to the overall probability of progressing drug candidate molecules identified from hits to pre-clinical candidates.

Our Future Development

We plan to scale our intelligent automation solutions, with a view to leveraging our AI and automation capabilities and expertise to empower our automated robotic labs as experimental infrastructure to provide stable and reliable data and results in a more efficient, accurate, and scalable way. For additional details regarding our future plans on intelligent automation solutions, see "—Our Future Development—Intelligent Automation."

In addition, leveraging our potent scientific research capabilities, integrated technology platform, and domain expertise, we have introduced our XtalPi R&D Solutions program to tap into other high value sectors which rely on advanced technologies, such as material science (including agritech, new chemicals and energy, and cosmetics), to diversify our service offerings and grow our business. We have launched our proprietary UpChemist.AI platform, which we will use to expand our business in material science R&D, leveraging our strong quantum physics-based computation, advanced AI, and intelligent automation capabilities. For additional details regarding our future plans on new materials discovery, see "—Our Future Development—Material Science."

OUR STRENGTHS

A leading, global quantum physics-based, AI-powered drug and material science R&D platform with remarkable achievements

We are a pioneer in applying quantum physics-based computation, AI, and automation technologies with drug R&D expertise in the design and discovery of drugs and new materials, including biomaterials, novel chemical compounds for agritech applications, new chemical surfactants and catalysts, and cosmetics and healthcare products, according to Frost & Sullivan. Leveraging our advanced technologies, innovative solutions and diverse applications across the pharmaceutical value chain, we are dedicated to the R&D of novel drug candidates, with the goal of developing potential first-in-class or best-in-class drugs.

Noteworthy achievements that we have attained since our founding in 2015 are listed below:

- We are a market leader in adopting AI-powered CSP in drug and material science R&D, according to Frost & Sullivan. In 2016, we participated in a global CSP blind test held by Pfizer and achieved accurate prediction, leading to our ten-year strategic partnership with Pfizer.

- We were awarded as the 2023 Super AI Leader Award (2023年度卓越人工智能引領者獎) by World Artificial Intelligence Conference (世界人工智能大會) for our intelligent and automated drug discovery platform technology.

- As of the Latest Practicable Date, we had achieved a 100% success rate in all of the CSP programs we conducted for small molecules, with success rate defined as the capability of correctly predicting the crystal structures of thermodynamically stable experimental forms through computational method for typical small molecule drugs. We are one of the few companies globally that can achieve such computational accuracy, while the average industry success rate for CSP ranges from 86% to 93% according to Frost & Sullivan.

- As of the Latest Practicable Date, our integrated technology platform had utilized over 700 million core hours of cloud computing and we had contributed to over 500 programs including drug discovery and solid-state R&D programs. As of the Latest Practicable Date, we had served more than 100 global biotechnology and pharmaceutical companies and research institutions, including 16 of the top 20 global biotechnology and pharmaceutical companies ranked by revenue in 2022, according to Frost & Sullivan.

- Within merely four months, we and our collaborator successfully developed a new type of bio-based furan surfactant that is able to outperform the generally used petroleum-based surfactants. The new bio-based surfactant has generated better results in the evaluation of detergency in certain different scenarios, such as better foaming and hard water resistance, compared with the traditional petroleum-based surfactants. In addition, the new bio-based surfactant has demonstrated better inhibition in metal processing.

- In addition to our proprietary advanced technologies, we are equipped with globally cutting-edge experimental facilities to enhance our wet lab capabilities, which we believe differentiates us from our competitors. For example, we set up a cryo-EM facility at our Shenzhen headquarters in June 2022, significantly improving the accuracy and efficiency of our experiments.

- We formed strategic cooperations and collaborations with a number of the world's renowned biotechnology and pharmaceutical conglomerates, national research institutes, and governmental authorities, including Pfizer, CK Life Sciences, and the Experimental Drug Development Centre ("**EDDC**"), Singapore's national platform, for drug design and discovery. See "—Significant Cooperations and Collaborations" for more details.

- As of June 30, 2023, we had raised approximately US$732 million through private equity financing from many leading, global financial and strategic investors, ranking us the first among all global AI-powered drug R&D companies by aggregate funding raised, according to Frost & Sullivan.

Quantum physics-based, AI-powered, and robotics-driven integrated technology platform

Technology is in our DNA and is the bedrock of our operations and business. We have established a proprietary integrated technology platform, which integrates cloud supercomputing-powered *in silico* tools, including quantum physics-based first-principles calculation and AI, for dry lab calculation and evaluation, and wet lab experimentation with robotic automation. We are one of the few leading quantum physics-based, AI-powered drug and material science R&D companies in the world that have established a platform with an iterative feedback loop between quantum physics-based, AI-powered dry lab and scalable, standardized and automated robotic wet lab, according to Frost & Sullivan.

Our Quantum Physics-based Computation

We believe that our quantum physics-based first-principles calculation empowered by our well-trained AI distinguishes us from traditional R&D service providers, enhances our competitiveness among market participants, and enables us to provide more effective, efficient, and accurate services. We are among the few scientific research companies that have first-principles calculation capabilities to predict the properties and behavior of potential drug candidates, including their binding affinity to target proteins, solubility, and stability, among others, at the molecular level *ab initio*, according to Frost & Sullivan. Unlike traditional R&D service providers and other market participants without first-principles calculation capabilities, which generally require sufficient experimental data to train their AI models, our quantum physics-based first-principles calculation can generate scalable data assets and drug properties *ab initio*, enabling us to overcome the problem of lack of data frequently seen in the early stages of applying AI. Thus, our quantum physics-based first-principles calculation capabilities enable us to identify promising candidates faster and more accurately by generating training data *ab initio* for scalable machine learning models of binding, ADMET, and solid state properties.

Furthermore, given its focus on molecular formations, we believe material science as an industry is a natural candidate for quantum physics-based computation. Quantum physics is well-known for predicting and simulating the structure, properties, and behavior (or reactivity) of atoms and molecules more effectively and accurately than conventional computing. As a result, we believe our capability in quantum physics-based computation naturally empowers us to tap into high value sectors in material science that involve the fundamental understanding of properties and behaviors of the very building blocks of materials, including biomaterials, novel chemical compounds for agritech applications, new chemical surfactants and catalysts, and cosmetics and healthcare products.

Our quantum physics-based computation has a wide array of inherent capabilities:

- ***Faster Lead Discovery***: the ability to rapidly identify potent molecules suitable to initiate hit-to-lead and lead optimization efforts via solutions for virtual screening of extremely large libraries of molecules, as well as molecular design with various

algorithms, including fragment growth and linkage, R-group substitution, scaffold hopping, conformation constraint, and molecular hybrid, to identify novel, highly potent molecules unavailable in library collections;

- ***Accurate Property Prediction***: the ability to assess critical properties of molecules using our quantum physics-based computation with accuracy comparable to that of experimental lab assays, to facilitate optimization of molecular properties, including potency, selectivity, and bioavailability;

- ***Large-scale Molecule Exploration***: the ability to computationally conceptualize and explore novel, high-quality molecules for consideration by discovery program teams utilizing computational enumeration and generative machine learning techniques that are trained and constructed to yield molecules that are synthetically feasible; and

- ***Large-scale Molecule Evaluation***: the ability to scale our calculations of key molecular properties to ultra-large idea sets of over a billion molecules to enable more rapid and successful identification of high-quality candidate molecules via integration of machine learning methods with our quantum physics-based techniques, as well as large-scale utilization of internal and cloud computing resources.

For more details of our quantum physics-based computation techniques, including XFF, Xpose, XFEP, CSP, conformer and carrier screening, and morphology prediction, see "—Our Technologies and Closed-loop Integrated Technology Platform—Our Quantum Physics-based Computation Capabilities."

Our Advanced Generative AI Capability

Our AI technology is one of our core competencies that enables us to revolutionize the scientific fields of drug and material science R&D. Our integrated technology platform utilizes AI to process information and generate predictions at scale. Built upon cloud computing resources, we have constructed a set of over 200 AI models to conduct comprehensive evaluation of the critical properties of compounds. In addition, we have built and are continually upgrading our technical capabilities in therapeutic modalities with respect to large molecule drugs, including peptides, RNA, and antibodies. We embed AI modules within our quantum physics-based computation algorithms to improve their calculation efficiency while maintaining accuracy. For particular targets and compounds, we are able to build customized AI models as necessary to improve the performance of our *in silico* predictions. We have developed an in-house AI modeling platform, which equips us with data feature extraction and data mining capabilities. Our valuable data assets generated from quantum physics-based computation through our drug discovery collaborations with biotechnology and pharmaceutical companies will further guide and train our AI model algorithms to improve the speed, accuracy, efficiency and success rate of our R&D cycles.

We have also implemented a generative algorithmic drug design and discovery strategy called "ProteinGPT." Our proprietary AI-based ProteinGPT tool is designed to predict and screen protein sequences and generate protein drugs that meet specific pre-set criteria by incorporating LLM into our algorithms. We have applied our ProteinGPT strategy in multiple large molecule drug and new materials design and development including: (i) generation of binder proteins given a specific target protein sequence, (ii) generation of antibody libraries according to specific pre-set criteria, and (iii) optimization of certain given antibodies given specific improvement requirements.

Our AI-powered Intelligent Robotic Wet Lab

We believe our automation technology and capability gives us a competitive advantage over other AI-powered drug discovery companies. We have recently completed the construction of our intelligent robotic wet lab with the aim of replacing manual experiments, featuring our cross-discipline automation team, clusters of robot scientists, standardization and scalability, AI, intelligent control, digital twin, and Lab-as-a-Service. See "—Our Technologies and Closed-loop Integrated Technology Platform—Our Intelligent Robotic Wet Lab Infrastructure" for details regarding our automation technology and capabilities. We believe our AI-powered intelligent robotic wet lab can tremendously improve our operational efficiency and reduce our operating expenses. We believe the combination of *in silico* tools and robotic wet lab experimentation brings benefits over traditional methods, in terms of speed, scale, novelty, and success rate of drug and material science R&D. The two pillars of cloud supercomputing-powered *in silico* tools and robotic wet lab experimentation mutually inform and reinforce each other, thus creating synergies among our technologies and achieve a full-stack closed-loop technology chain. For more details regarding our advanced technologies and their internal synergies, see "—Our Technologies and Closed-loop Integrated Technology Platform."

Our Cloud Supercomputing Infrastructure

Our quantum physics-based computation and AI capabilities are optimized through our self-developed cloud architecture, allowing us to benefit from the security, scalability, flexibility, and efficiency of cloud computing. Our cloud architecture is designed for multi-cloud capacity and is supported by leading, global public cloud service providers. Our integrated technology platform is able to run on major cloud service providers simultaneously and leverage their combined computing capabilities. Combining the effects of GPUs and cloud computing with our integrated quantum physics and machine learning technologies enables us to shorten timelines, decrease costs, and increase the probability of success of our drug or new materials discovery efforts. We are able to adjust different cloud computing clusters across geographies, scaling our computing power to hundreds of thousands of cores in minutes to accelerate the computing process and quickly deliver results to our customers or collaborators. Our powerful cloud supercomputing infrastructure enables us to deploy over a million cores in a few hours and run dozens of projects in parallel, thus augmenting our computing power to be more efficient and faster.

We have also developed a proprietary, smart cloud resources allocation system empowered by our AI and machine learning technologies, designed to automatically and dynamically allocate different computing tasks to low-cost cloud resources during off-peak hours, notably improving our resource utilization, reducing our cloud computing costs, and enhancing our cloud infrastructure's reliability and flexibility. During the Track Record Period, our overall cloud resources utilization rate remained above 90% by adjusting dynamic cluster upper limit and expanding multi-specification node pool elastic volume.

With the increasing adoption of state-of-the-art technologies across various stages and segments of our business, we believe we can help transform the methodology of scientific research, unleash the power of quantum physics-based computation, AI, and automation to derive valuable insights, and advance scientific research into a more technologically-involved and -enabled era.

A suite of elite customers and collaborators as well as reputable investors

Since our founding, we have served and collaborated with a large number of global biotechnology and pharmaceutical conglomerates and have received investments and support from world-renowned private equity and strategic investors. We believe our blue-chip shareholder base and prominent customer base is a testament to our capabilities and prospects.

We have well-established, long-term, mutually beneficial relationships with our customers and collaborators. We have been serving and collaborating with certain global biotechnology and pharmaceutical conglomerates, including Pfizer, Johnson & Johnson, CTTQ Pharma, Daewoong Pharma, and Merck KGaA, Darmstadt, Germany, since our inception. Our customers and collaborators include 16 of the top 20 global biotechnology and pharmaceutical companies in terms of revenue in 2022, according to Frost & Sullivan. Due to our advanced R&D capabilities and distinct value proposition to our customers and collaborators, many of them are our repeat customers and collaborators and engage us for either bundled transactions or long-term collaborations. See "—Significant Cooperations and Collaborations—Cooperation with Pfizer" as an example. Our customer retention rate was approximately 53.8%, 67.5%, 51.4% and 51.4%, respectively, in 2020, 2021, 2022 and the six months ended June 30, 2023. Our advanced technologies have attracted both private equity and strategic investors, many of which are globally leading sophisticated investors with proven track records, such as HongShan, Mirae Asset, Google, Tencent, and China Life.

Our elite customers and collaborators as well as reputable investors not only provide ample resources, capital or otherwise, to our operations and growth, but also strengthen our brand name, reliability, and ability to acquire future opportunities through their global, strong network and word-of-mouth referrals.

Irreplaceable value to our customers and collaborators and synergies within our ecosystem

We believe that we are a valuable business partner to our customers and collaborators and other companies, as we provide technology-enabled, diversified services in a more speedy, scalable, novel, and accurate way, as compared to traditional methods. We believe that our advantages increase the possibility of successful drug and material science R&D, which we believe can help improve the efficiency and profitability of the operations of our customers and collaborators. As we participate in a large number of leading global biotechnology and pharmaceutical companies' R&D programs, we are able to share our experience and expertise as well as our proprietary advanced technology infrastructure, which are not available from traditional companies, with our customers and collaborators to empower their internal technological and product upgrades. By establishing long-term relationships with our customers and collaborators, we have gained a deep understanding of their business models and pain points to better serve their evolving R&D needs. Most of our customers and collaborators are biotechnology and pharmaceutical companies at different stages of development, which have strong demand for our AI-powered molecular design and discovery capabilities to increase their success rate and accelerate their R&D process. We believe we are well positioned to provide our AI-powered, quantum physics-based computation, robotic wet lab capabilities, meaningful data assets as well as our domain expertise and skilled and experienced talent to help biotechnology and pharmaceutical companies streamline and expedite their drug R&D process to obtain favorable results.

For instance, we helped Pfizer expedite the development of Paxlovid, the world's first FDA-approved oral COVID-19 drug, combining our prediction algorithm utilizing quantum physics-based computation and robotic wet lab experimental validation. Our computational prediction provided powerful evidence that the crystal structure designed by Pfizer was the most stable crystal structure under room temperature, thus making it suitable for scalable production. In this way, Pfizer CMC scientists were able to rapidly make research decisions and begin the development process without delay. Pfizer and our team worked closely and spent only six weeks to complete mutual validation and precise matching of drug CSP against the experimental results, making possible the subsequent development and production. We believe we have made valuable contributions to our customers' and collaborators' success, and have earned their trust to take on their prominent programs. See "—Significant Cooperations and Collaborations" which demonstrates our value-add to our customers and collaborators.

In addition, from time to time, we invest in certain of our collaborators that are complementary to our business or that we believe have tremendous market potential. By investing in our collaborators and other companies along our industry chain, we expect to establish an ecosystem within which we and our investees can achieve synergies in a wide array of aspects, including resources, technologies, expertise, and sales channels. For example, we can provide services, experience and capital to our investees, while they can in turn help us expand into other sectors complementary to our business and enhance our existing technology.

Our visionary senior management team and talented key employees with scientific expertise

We have assembled a global team with multi-disciplinary expertise in algorithm design, physics, biology, chemistry, pharmaceutical R&D, automation and robotics, and business development that collectively bring their insights and experience to our business operations. Led by our Co-founders Dr. Wen, Dr. Ma, and Dr. Lai, three MIT-trained physicists, our senior management team of pharmaceutical scientists, software engineers, and financial and business development veterans brings vision and extensive experience from academia and industry to us. Such experience and leadership enable us to not only advance our technologies and growth but also understand and tackle our customers' and collaborators' challenges in order to deliver enhanced performance.

Dr. Wen, our Co-founder, Chairman of the Board and executive Director, leads our global strategies and contributes to our cooperation with world-leading research institutes and biotechnology and pharmaceutical companies. Dr. Wen is a quantum physicist with over 14 years of research experience in the field of computational physics and quantum chemistry, and has published 36 papers with more than 2,100 citations. Dr. Wen also served as an adjunct professor at Zhejiang University. Dr. Wen has received multiple awards and recognitions for his accomplishments, including the recognition as one of "Fortune's 40 Business Elites Under 40 in China" and one of the Top Ten Outstanding Young Entrepreneurs in Shenzhen (深圳市十大傑出青年企業家).

Dr. Ma, our Co-founder, Chief Executive Officer and executive Director, has extensive experience in quantum information and numerical simulation. Dr. Ma has published 30 papers in leading scientific journals with more than 1,700 citations. Dr. Ma is honored as "Innovators Under 35" by *MIT Technology Review* and is recognized as a Shenzhen regional leading talent (深圳市地方級領軍人才) and Shenzhen overseas high-caliber personnel (深圳市海外高層次人才).

Dr. Lai, our Co-founder, Chief Innovation Officer and executive Director, has extensive research experience in AI and quantum physics applications in pharmacology. Dr. Lai has published multiple papers in leading journals, including *Physical Review Letters*, and is recognized as a Shenzhen overseas high-caliber personnel (深圳市海外高層次人才).

For additional information on our management team and key employees, see "Directors and Senior Management."

In addition, our key employees hail from leading, global academic and research institutes, biotechnology and pharmaceutical companies, and financial institutions. As of the Latest Practicable Date, approximately 134 employees within our global team hold a Ph.D. degree in various fields, including AI, physics, chemistry, biology, medicinal chemistry, organic chemistry, physical chemistry, biochemistry and computational biology, and approximately 21 employees had been recognized as "leading talent," "national expert," or "high-caliber personnel" under prominent national and regional talent programs, such as the National Major Talent Programs (國家重大人才工程), the Pearl River Recruitment Program of Talents of Guangdong province (廣東省珠江人才計劃), and the above-mentioned talent programs. As of the same date, more than 50% of our employees have master degree or above.

OUR MARKET OPPORTUNITIES

	Features*	Market Size*
Drug R&D	Many biotechnology and pharmaceutical companies elect to collaborate with AI-powered service providers, especially those with both AI and wet lab capabilities that can act as a one-stop solution provider to accelerate their drug discovery process, reduce R&D costs, and optimize the molecules.	The size of the global drug R&D outsourcing service market for drug discovery is expected to increase at a CAGR of 14.9% from US$12.3 billion in 2023 to US$32.5 billion in 2030, and the size of the drug R&D outsourcing service market for drug discovery in China is expected to increase at a CAGR of 19.6% from US$3.4 billion in 2023 to US$11.9 billion in 2030.
Solid-state R&D	The global solid-state R&D service market mainly comprises pharmaceuticals and material science. Global pharmaceutical companies are increasingly choosing to use AI-based solid-state R&D services for a more systematic screening of potential crystal/salt forms to make more informed decisions.	The size of the global solid-state R&D service market is expected to increase at a CAGR of 27.7% from US$3.8 billion in 2023 to US$20.9 billion in 2030.
Automated R&D Lab	Automation is the prevailing trend for industrial upgrade and reform, and is expected to bring significant benefits, such as higher quality and efficiency in R&D. Automated R&D lab can be involved in three aspects of the R&D process, including (i) synthesis, (ii) crystallization and (iii) process control by providing screening, condition control, quality assurance, *in situ* reaction analysis and real-time monitoring and data collection services.	The size of the global automated R&D lab market is expected to increase at a CAGR of 39.6% from US$5.9 billion in 2023 to US$60.7 billion in 2030.

	Features*	Market Size*
Material Science R&D	The development of new materials drives innovation in both research and technology in crucial areas, such as sustainable energy and microelectronics. With the technological advancements and the growing adoption of big data, computational material science and engineering has emerged as a prominent subfield in material science R&D. It is expected to revolutionize the discovery of new materials, reduce the time and costs of R&D cycles, and accelerate the rapid evolution of new materials into products.	Global material science R&D expenditure is expected to increase at a CAGR of 12.8% from US$76.3 billion in 2023 to US$177.9 billion in 2030, and material science R&D expenditure in China is expected to increase at a CAGR of 18.5% from US$17.8 billion in 2023 to US$58.5 billion in 2030.

* *Source: Frost & Sullivan*

OUR GROWTH STRATEGIES

With our vision of becoming the global leader in quantum physics-based, AI-powered drug and material science R&D, we intend to execute the following growth strategies:

Enhance our service capabilities and expand our service offerings in the biotechnology and pharmaceutical industries and beyond

We strive to scale our business to achieve sustainable growth and profitability, by both enhancing our existing service capabilities and expanding our service offerings in the biotechnology and pharmaceutical industries and beyond.

Small molecule drug discovery

We plan to scale our small molecule drug discovery business by providing flexible modular drug discovery solutions spanning the entire drug discovery process. By being flexible in providing modular drug discovery solutions, we aim to capture the vast opportunities arising from each and every stage of drug discovery, in addition to solely providing end-to-end solutions that only a few established biotechnology and pharmaceutical companies can afford.

Antibody drug discovery

We have been strategically venturing into antibody drug discovery, which is one of the main sectors of the global drug R&D market. We aim to seize the tremendous market opportunities by taking advantage of AI's superiority over traditional wet lab in antibody drug discovery. In addition to the fee-for-service model in our antibody drug discovery business, we expect to receive royalty, milestone or contingent payments in the future to profit more from our customers' and collaborators' commercialization of their pipelines.

Automation

We will continue to expand our intelligent automation solutions business, by building up our scalable, standardized, and intelligent robotic wet lab to achieve greater economies of scale. To achieve this, we will continue to deploy more, and upgrade our existing, robotic workstations and robots to carry out standardized functions of wet labs, including compound synthesis, solid-state screening, and pre-clinical studies, among others, to the largest extent possible. In addition, we plan to provide standard and customized automation solutions to potential customers in the biotechnology and pharmaceutical industries and beyond, who are keen on higher operational efficiency and accuracy and lower operating costs brought by automation technology. See "—Our Future Development—Intelligent Automation."

Expanding into new modalities and industries

We will continue to leverage our technological capability, domain expertise and experience, and data assets accumulated from current businesses to explore opportunities in other therapeutic modalities, such as PROTAC, ADC, peptide, and RNA, and in molecular design for material science (including agriculture, energy, cosmetics, and healthcare sectors). For instance, we have recently launched our proprietary UpChemist.AI platform, which combines structural design, property screening, process optimization, robotic wet lab experiments, and our domain expertise, to engage in the design, development, and evaluation of new materials in a speedy, novel, accurate, and cost-efficient manner. In addition, we have been providing solid-state R&D services for a leading agricultural chemical and fertilizer manufacturer in the U.S.

Advance the science underpinning our integrated technology platform

We are committed to keeping abreast of the newest and most advanced technologies to improve our accuracy, efficiency, scale of business, success rate, and profitability. We plan to continually and proactively upgrade and optimize our technologies to better serve our customers and collaborators and maintain our market leadership.

Further our technological differentiation

We believe we have differentiated ourselves in the market technologically with a unique combination of quantum physics-based computation, AI, and automation technologies. We intend to maintain our leading position through R&D to amplify and add capabilities in areas such as computation, automation solutions, and digitalization. For example, we will continue to develop and enhance our LLMs to enable our ProteinGPT to quickly generate *de novo* structures which could potentially have therapeutic or other desired properties. We expect that our updated ProteinGPT will have the potential to help predict molecular interactions, side effects, and efficacy, accelerating the drug and new materials discovery process and reducing costs. As our LLMs evolve, and through their continued use, we expect that our ProteinGPT can continually improve the capacity for analysis and prediction through fine tuning and incorporating empirical data and domain expertise derived from our drug and new materials discovery programs, providing ever-more valuable insights and solutions. Our ultimate goal is to construct a closed-loop, intelligent and automated integrated R&D platform that can be applied in various modalities, business scenarios, and industries.

Leverage the synergy of data and computation

We will continue to accumulate data assets from our drug discovery solutions as well as collaboration programs, with a view to leveraging unique data sets and AI to increase the efficiency, speed, and capacity of our discovery programs. We intend to use our accumulated data to create an accelerating flywheel of learning: data generation from our current business provides the basis for AI modules that lead to expanded capabilities and faster data generation which further supports and enhances our technology and business.

Expand application of our technologies into new modalities, business scenarios, and industries

We will continue to enhance and upgrade the capabilities of our integrated technology platform, with a view to adapting our technology to more modalities, business scenarios, and industries, thereby satisfying the different and evolving needs of our customers and collaborators and growing our business. For example, we have invested additional R&D efforts in our intelligent automation technology to render it adaptable to other business scenarios and industries, in addition to automated chemical synthesis. As of the Latest Practicable Date, we were in the process of negotiating an intelligent automation solutions agreement with a leading global petroleum company, pursuant to which we will offer customized automation solutions for its catalysts and new materials R&D, with the goal of significantly accelerating their R&D process, enhancing their R&D quality, and improving their overall operational efficiency.

Broaden customer base, and deepen relationships with customers and collaborators and enable cross-selling

We aim to broaden and grow our customer base. We believe that by continuing to serve our elite customers and collaborators, especially the biotechnology and pharmaceutical conglomerates with global impact, we will be able to promote the awareness of our brand and industry reputation by word-of-mouth referrals, which helps us to procure new customers and collaborators effectively through peer success stories. We will also formulate bespoke marketing strategies and enhance our business development efforts to attract new customers and collaborators. See "—Business Development and Marketing." In addition, we intend to collaborate with small-to-medium-sized biotechnology and pharmaceutical companies, considering their potential in producing the future first-in-class or best-in-class therapeutics. Lastly, we aim to continue to diversify our customer base by providing our XtalPi R&D Solutions to companies beyond the pharmaceutical industry. Subsequent to the Track Record Period, our customer base has extended to a wide array of sectors, including biomaterial, new chemical surfactant and catalyst, energy, automation, agritech, and cosmetics.

We will also strive to maintain and deepen the relationships with our existing customers and collaborators. We believe there are significant synergies within our businesses. As our customers and collaborators usually have evolving and differentiated needs, we plan to enable cross-selling across our different business segments and lines. For example, our automated chemical synthesis customers may also need to employ our solid-state R&D services to evaluate the chemical properties of their new materials. By successfully implementing our cross-selling strategies within our different business segments, we believe we will be able to maximize the efficiency of our marketing efforts and improve sales and profitability.

Create more value within our ecosystem

We will endeavor to forge new collaborations with our target customers, including large cap pharmaceutical companies, biotechnology companies of all sizes, and non-profit and government organizations dedicated to drug and material science R&D. Incubating and investing into certain of our collaborators, in particular those that we consider to have potential first-in-class or best-in-class pipelines or cutting-edge technologies, will continue to be one of our growth strategies. Given many of our collaborators' pipelines aim to address largely unmet medical needs, we believe we will profit from our equity positions in such collaborators or our royalty rights in the collaboration programs. Furthermore, we will constantly advance our technology based on the data assets, experience, and feedback we receive from our collaboration programs, which in turn will improve our competitiveness. We will continue to enhance our mutually beneficial ecosystem by sharing our integrated technology platform, domain expertise, and operational capability with our collaborators, and capitalize on their success.

Expand our global footprint

We aim to expand globally and grow robustly.

To successfully execute our global expansion strategy, we have established an innovative demo lab in Boston, Massachusetts to showcase our R&D capability and expect to timely deliver our solutions and services locally in the U.S. market in the future. We will also build up a business development and marketing team in key markets, such as the U.S. and Europe, to acquire new customers and collaborators. We will also leverage our well-established long-term relationships with certain global leading biotechnology and pharmaceutical conglomerates to reach out to prospective customers, which may be short of adequate technologies and expertise, either through word-of-mouth referrals or introductions.

As an innovative technology company headquartered in the Lok Ma Chau Loop Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone (河套深港科技創新合作區) promulgated by the State Council and jointly developed by Hong Kong and Shenzhen, we aim to continue to leverage our geographic advantages to benefit from the opportunities brought by the efforts of Shenzhen and Hong Kong in promoting the biotechnology and pharmaceutical industries. In addition, as Hong Kong is striving to promote technological innovation, we plan to expand our presence in Hong Kong by establishing an AI-powered dry lab and intelligent robotic wet lab as well as strategic alliances with local research institutions with a view to capturing a larger market share and obtaining academic and economic support to grow our business. In particular, we are amongst the first batch of participants in the Hong Kong government's Research, Academic and Industry Sectors One-plus Scheme ("**RAISe+**") and expect to increase our investment and efforts in R&D in Hong Kong over the next three years, including by broadening our collaboration with the Advanced Biomedical Instrumentation Centre, which is a major collaborative effort between the University of Hong Kong and Harvard School of Engineering and Applied Science to translate advanced biomedical instrumentation into real-world healthcare solutions that benefit people in Hong Kong and around the world.

Pursue selective acquisitions, joint ventures, and strategic alliance opportunities

To further grow our business operations, we may seek potential acquisitions, joint ventures, and strategic alliances along the value chains of pharmaceutical, automation, and material science industries with a view to broadening our integrated service offerings and complementing or upgrading our technologies. In particular, we will primarily focus on potential acquisition opportunities of suitable targets that can generate synergies with us or that have innovative technologies that are amenable and complementary to our integrated technology platform, from which we expect to broaden our R&D capabilities and expertise.

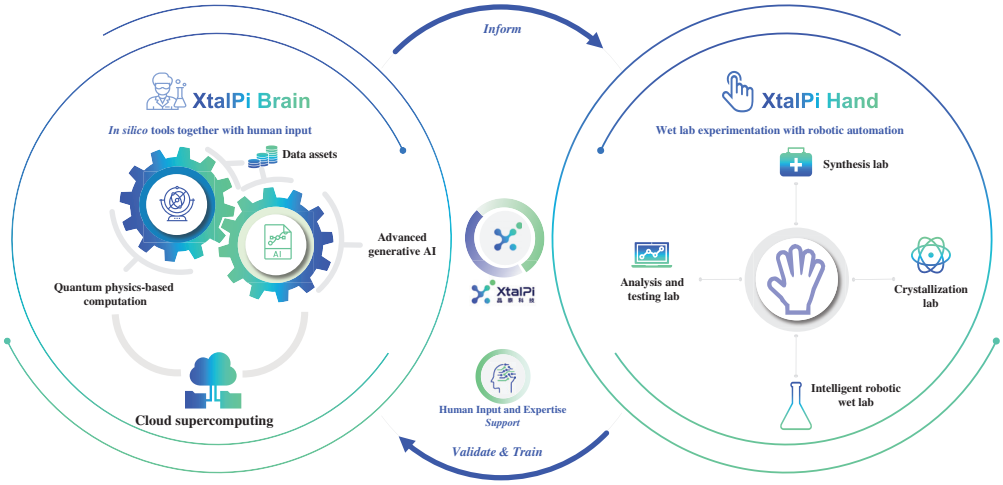
OUR TECHNOLOGIES AND CLOSED-LOOP INTEGRATED TECHNOLOGY PLATFORM

Overview

Our technology platform is designed to efficiently search chemical and material space for the rapid identification and analysis of lead molecules and materials with desired functional properties for applications in various areas, including drug and material science, as well as to provide insights and assistance to our customers and collaborators in their drug and new materials discovery processes.

Our technology platform integrates (i) cloud supercomputing-powered *in silico* tools, including quantum physics-based computation and AI, for dry lab calculation and evaluation, and (ii) wet lab experimentation with robotic automation, backed up by our domain expertise, to develop R&D solutions with the potential to accelerate the process, expand the scale, address challenging targets, and improve success rate over traditional alternatives. We believe the combination of *in silico* tools and robotic wet lab experimentation brings benefits over the traditional methods, where the two pillars are informed and reinforced by each other creating a full-stack, closed-loop technology platform. In addition to constantly improving our *in silico* tools by fine-tuning our algorithms and training our AI with accumulated data, we have recently enhanced our wet lab capabilities with the aim of replacing manual experiments with robotic automation, to the largest extent applicable, to improve the speed, scale and efficiency of our wet lab experimentation. Furthermore, we have successfully upgraded our proprietary AI-based ProteinGPT tool, designed to predict protein sequences and generate protein drugs that meet specific pre-set criteria, by incorporating LLM into our algorithms.

The following diagram illustrates the structure of our closed-loop integrated technology platform combining our dry lab and wet lab capabilities:



Our integrated technology platform allows us to conduct discovery of novel drugs and new materials at a pace and scale beyond those with the traditional approaches. As of the Latest Practicable Date, our integrated technology platform had utilized over 700 million core hours of cloud computing and we had contributed to over 500 programs including drug discovery and solid-state R&D programs.

The components of our integrated technology platform integrate within our system and enable each other as follows:

- Within our *in silico* tools, we embed AI models into our quantum physics-based computation algorithms to expedite the calculation process by reducing the number of calculations otherwise required without the AI models, and we deploy quantum physics-based computation methods to extract features of molecules to facilitate construction of AI models for better predictions. We also use the results at the molecular, crystal, or protein-ligand complex level generated from quantum physics-based computation, such as intra-molecular energy and inter-molecular energy, as training sets to enhance our AI models.

  Our quantum physics-based computation algorithms and AI models are powered by cloud supercomputing architecture that allows us to benefit from high cloud computing power and adjust different cloud computing clusters to scale up our computing capacity to hundreds of thousands of cores in order to accelerate the calculation process and timely deliver results to our customers and collaborators.

- In integrating our *in silico* tools and wet lab experimentation, the predictions generated by *in silico* tools are assessed in our own wet lab, which creates a mutually reinforcing cycle of learning. The data produced at scale from our wet lab experimentation, such as biological activity, target selectivity, metabolic stability, hERG liability, and crystallization propensity, function as the feedback to further train our *in silico* tools.

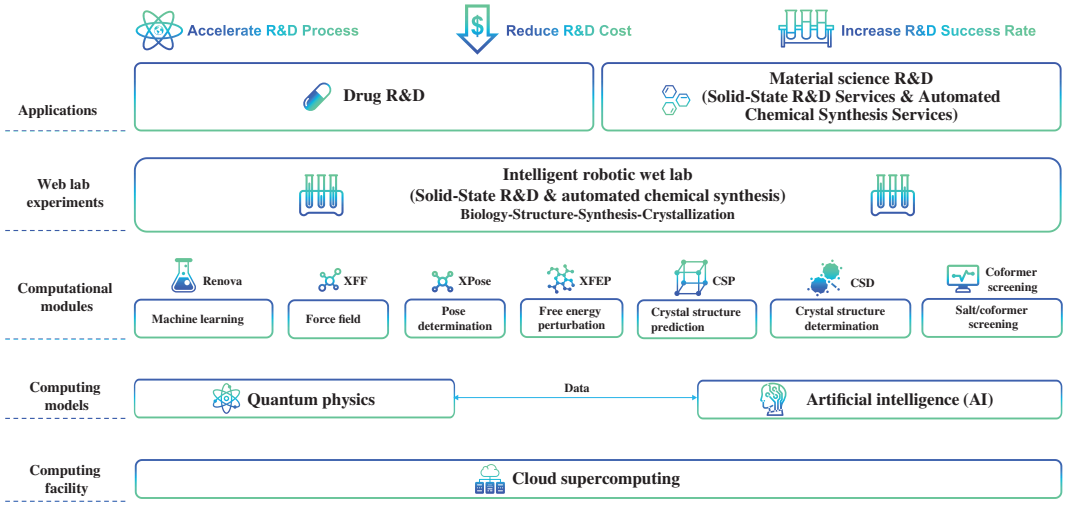
  Predictions that are confirmed through experiments reinforce our understanding and algorithms. Predictions that are identified as incorrect through experiments generate valuable data to refine the algorithms to improve future predictions. The improved *in silico* tools then produce better insights into the design and performance of wet lab experimentation.

  Therefore, the iteration of *in silico* and wet lab experimentation creates a virtuous cycle where data generation, learning and confirmation enhance each other and continually strengthen our integrated technology platform with real world experimental data on molecules and chemical synthesis.

  In addition, as we further expand our wet lab and enhance automation with the aim of replacing manual operations with robotics, we expect to generate abundant wet lab data at a faster pace compared to that of manual operations, which would further enable us to enhance our *in silico* tools.

We manage the data generated from our operations by following a data lake design, which enables us to visualize the data and quickly aggregate them for further analyses and AI modeling.

The following diagram illustrates the workflows of our integrated technology platform:



A critical pillar of our integrated technology platform is our *in silico* capability, which is enabled by quantum physics-based computation and AI, both of which are powered by the highly scalable cloud computing infrastructure. We have entered into a ten-year strategic research cooperation with Pfizer, with regard to improving *in silico* tools for accelerating drug R&D. We believe that this strategic collaboration evidences the industry recognition of our technological capabilities. For additional information, see "—Significant Cooperations and Collaborations—Cooperations with Pfizer."

As of the Latest Practicable Date, we had built the largest dry lab and wet lab R&D team in China, according to Frost & Sullivan, consisting of over 700 experienced large and small molecule scientists and engineers, many of whom have doctoral or master's degrees.

Our Quantum Physics-based Computation Capabilities

The properties and behavior of molecules, including those that might be useful for drugs and new materials design and discovery, are intrinsically determined by quantum physics. Therefore, quantum physics-based approaches can predict and simulate the structure, properties, and behavior (or reactivity) of these molecules more accurately, and provide the mechanistic insights at the electronic and atomic level, thereby harnessing human problems to generate new hypotheses and ideas for further novel drug and material science R&D.

Fundamental, quantum physics-based computation methods and other methods that we have built based on first-principles, as well as their applications, form the core of our technology platform. Powered by our self-developed first-principles-based methods and applications, we are able to efficiently and accurately perform energy and structure calculations, high-throughput screening, comprehensive conformational analyses, conformational space sampling, thermodynamic property prediction, and structural or parameter optimization. Such capabilities allow us to identify candidate compounds and crystal forms suitable for further drug and material science R&D.

Quantum physics-based computation can improve the R&D cycle in the following ways:

- Describing the interaction in the molecular system more accurately and providing mechanistic insights into molecular events, which enhances rational design of new drugs and materials by generating and validating new hypotheses;

- Predicting the critical properties of the molecular system to assist decision making, for example, physicochemical and pharmacokinetic properties of drug candidates, such as binding affinity, solubility, permeability, toxicity, and metabolic stability, which are critical for successful drug and material science R&D;

- Generating *in silico* but accurate data for AI model training to overcome the data scarcity problem that often occurs in the early stages of the application of AI, enabling these AI models to predict critical properties at various levels of complexity from atoms, molecules, crystals, and biological targets to *in vitro* and *in vivo*;

- Accelerating the drug discovery process and reducing overall R&D costs by helping to prioritize and optimize drug candidates together with trained AI models before entering expensive and time-consuming experimental stages, thereby reducing overall R&D time and costs; and

- Triggering a paradigm shift in drug and material science R&D, moving beyond digitally enabled R&D toward simulation-based or *in silico* drug discovery.

Force Field

Molecular mechanics force fields are an essential component for many structure-based drug and new materials design predictions. Force fields provide a description of intramolecular and intermolecular interactions by parameterizing a functional form to characterize the potential energy of molecules. We have developed a proprietary next-generation general molecular force field, XFF, for global optimization of design parameters. Set out below are notable features of XFF:

- ***Sufficient chemical space coverage.*** XFF has a comprehensive chemical space coverage stemming from a variety of different training sets. The number of training compounds utilized in the development of XFF exceeds the public academic force fields by approximately two orders of magnitude. This expansive coverage enables the effective exploration of chemical space and improves the drug and new materials design process.

- ***Accurate description and prediction of properties.*** XFF is trained with quantum chemistry and experimental data, and thus provides a reliable presentation of molecular conformations, single molecule properties, intermolecular interactions, and molecular behavior in both solution environments and drug targets. Our customized force fields exhibit great accuracy, with errors falling mainly within the range of 3-6 kJ/mol.

- ***Flexible deployment and customizable fitting parameters.*** XFF offers flexible deployment options, both on-cloud and locally, to cater to users' specific needs. The cloud deployment provides users with access to computing resources that enable a fast verification and re-parameterization process. On the other hand, the local deployment can facilitate the development of customized molecular force fields based on users' particular internal data. XFF also has features such as cloud computing capabilities, database access to tens of millions of molecules and millions of quantum mechanics calculations, and capabilities of generation of new data, refitting of force field by machine learning, optimizing the chemical space, and parameter scoring. The parameter scoring functionality assists users in ensuring the applicability of force field parameters to their specific molecules and helps determine whether the force field requires refitting.

Case Study—Development and validation of a high quality drug-like small molecule force field, XFF

Problem. Biomolecular simulations have become an essential tool in contemporary drug discovery, and the molecular mechanics force field constitutes its cornerstone. Traditionally, the development of a general force field with high quality and broad coverage requires tedious manual work to perform systematic selection of training set, substantial expertise and dedicated computing resources, and normally takes many years to develop or update. However, existing force fields originate from only a limited number of academic or research institutions. They either suffer from limited chemical space coverage and lower than desired quality because of over generalization, or are costly to access. Therefore, we and Pfizer aimed to develop a high-quality drug-like small molecule force field with broad chemical space coverage for molecular modeling and simulation in a variety of drug discovery applications to address these issues.

Solution. We developed a systematic force field parametrization platform and a set of advanced force field parameters for drug-like small molecules with extensive chemical space coverage. Millions of high-quality quantum mechanics ("**QM**") calculations were performed on our cloud computing platform for force field parameter training. The quality of these parameters has been comprehensively benchmarked with intra- and inter-molecular interactions, showing superior performance for intra-molecular properties and comparable performance to leading commercial force fields for inter-molecular binding affinity prediction. The success of our XFF is attributed to key factors including: (i) well-balanced selection of training set molecules using a scaffold network graph analysis method; (ii) well-designed parameter fitting workflow for rapid iterative refinement; (iii) high-throughput cloud

computing capabilities for training force filed parameters on millions of high-quality QM data; and (iv) high-precision and high-scale molecular simulation platform, particularly the XFEP simulation platform for binding affinity prediction.

Result. We developed a proprietary advanced small molecule force field, XFF, with readily available parameters that are available to the industry. Extensive validations on QM/MM conformer comparison and FEP calculations demonstrated the accuracy and wide coverage of the chemical space of our XFF. Compared to the two most popular open-source force fields, our XFF was found to have achieved a higher level of performance at reproducing QM energies and geometries. In relative binding affinity predictions for 31 publicly assessed protein-ligand data sets and 1079 pairs of ligands, our XFF has achieved an overall accuracy of 1.19 kcal/mol for relative binding free energy and 0.95 kcal/mol for change in free energy on a subset of 463 ligands without bespoke fitting to the data sets. The results are on par with the latest version of the leading commercial force field. With the advantages of freely available parameters and wide coverage of chemical space, our XFF can serve as an alternative to the existing academic and commercial force fields for molecular simulations in drug discovery programs. Furthermore, our cloud-based high-throughput bespoke fitting workflow can also bring higher accuracy to molecule-specific FEP simulations.

We used FEP with open-source/academic force fields as well as our XFF to calculate and rank the binding affinities of the candidate compounds to find lead compounds for a first-in-class target. The compounds proposed by these force fields were then synthesized and their affinities were measured experimentally. Such results showed that using our XFF for prediction can save approximately 80% of chemical synthesis work in finding compounds with high binding affinities, compared to the open-source/academic force fields.

Binding Affinity and Pose Prediction

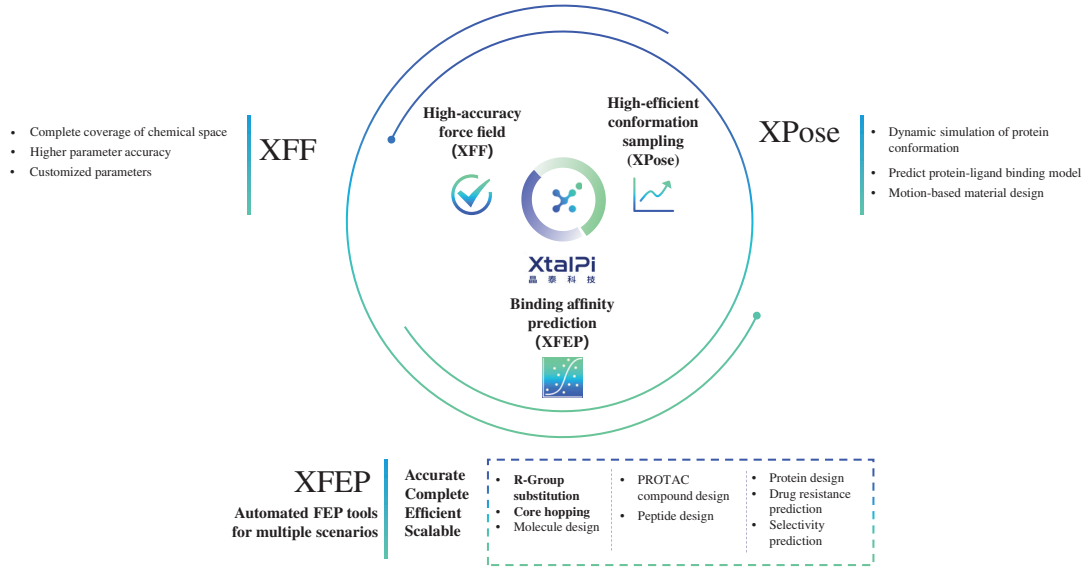
Free energy perturbation ("**FEP**") is the approach to predict the binding strength between the candidate molecules and their biological target. FEP allows calculation of the ligand-binding free energies by constructing a series of non-physical intermediate states connecting the bound and unbound states. In addition, FEP allows for the calculation of relative binding free energies between different ligands.

To overcome the limitations of FEP applications, including high cost, long waiting time, lack of scalability, and limited application scenarios, we have implemented the FEP method on our cloud computing platform to develop our proprietary XFEP, a binding affinity prediction platform, to evaluate the binding affinity between candidate molecules and their biological target at scale, from which false positives can be filtered out before conducting wet lab experiments. Our XFEP is based on high accuracy and high-throughput affinity prediction combined with AI model, incorporating enhanced sampling algorithms, statistical analysis methods, and our proprietary XFF. As confirmed by both retrospective and prospective testing results, the predicted values can be strongly correlated with experimental data, and the average prediction error of XFEP in R-group replacement and scaffold-hopping calculations is about 1.0 kcal/mol. Supported by our XFEP, we believe we are well-positioned to explore new

opportunities for FEP applications in all stages of drug R&D, based not only on structure exploitation within the given chemical series but also evaluation and comparison of completely unrelated molecules during structure exploration in a larger chemical space. Our XFEP provides the basis for accurate, full-scenario, efficient, scalable and affordable FEP applications in drug and material science R&D. For example, it can accelerate the whole process from hit identification to pre-clinical candidate compound nomination.

We have also self-developed an in-house binding pose prediction platform, Xpose, which is able to combine the advantages of different sampling and evaluation algorithms to predict the binding pose of small molecule target-ligand more accurately. Xpose can be used to build accurate SAR and structure-based affinity evaluation, using FEP to design and evaluate molecules. It bridges the gap between the predicted target structure and the real application in different drug discovery scenarios. Our Xpose has significantly higher success rates and a higher prediction accuracy of approximately 56% for high-accuracy predictions (≤1.0 angstrom) compared to the state-of-the-art commercial package of approximately 30%.

Our XFF, XFEP and Xpose can be customized to be applied in different application scenarios and provide efficient and accurate exploration and exploitation of critical chemical space. The following diagram is an illustration of the way in which the three techniques interact with each other:



Case study—Small Molecule Discovery: Binding Affinity Prediction

Problem. We partnered with Janssen Pharmaceutica NV ("**Janssen**") on a research collaboration program, pursuant to which we are to provide small molecules with proven binding affinities for a specific target nominated by Janssen. This target has an allosteric binding site that is highly flexible as it is located at the interface of domains. Therefore, predicting binding affinity is a major challenge. In addition, the patent landscape for this particular target is highly saturated, which increases the likelihood of patent infringement.

Solution. We used our proprietary small molecule drug R&D platform, ID4Inno™ consisting of two sub platforms ID4Gibbs™ and ID4Idea™, which seamlessly combines our proprietary cloud-based computation and robotic wet lab capabilities, to accelerate the DMTA cycle. In particular, we employed our high-precision quantum physics-based computation platform, ID4Gibbs™, to estimate the binding affinity between our candidate compounds and the nominated target. ID4Gibbs™ is a versatile computing platform designed for predicting relative and absolute free energy using optimized simulation protocols. We then utilized our AI drug discovery platform, ID4Idea™, to generate approximately one million compounds, and conducted a series of processes, including filtering, docking, and high-throughput FEP calculations, to narrow down the list of potential candidates. Ultimately, we identified a selection of high-priority compounds for synthesis.

Result. Our ID4Gibbs™ demonstrated a stronger correlation with the experimental data with a correlation coefficiency of 0.64 compared to 0.37 for other commercial software used by our customers. Furthermore, 37% of the synthesized compounds exhibit strong potency which demonstrated a remarkably high success rate considering the presence of nine novel scaffolds. As a result, we managed to deliver the design and synthesis recommendation of small molecule leads featuring nine novel scaffolds and robust potency for Janssen's nominated target within two months, while traditional approaches typically take a significantly longer time to achieve similar results or design a much lower diversity of lead compounds.

Crystal Structure Prediction ("CSP")

Conducting solid-state studies of drugs and materials to obtain their stable crystal forms is a critical step for drug and material science R&D and to extend their life cycle through patent protection. We offer a combination of quantum physics-based computation and AI-powered CSP services that help transform the CSP process. Our CSP service is able to identify the most stable crystal forms and provide thermodynamic stability ranking of different structures across a range of temperatures (0K-400K) efficiently.

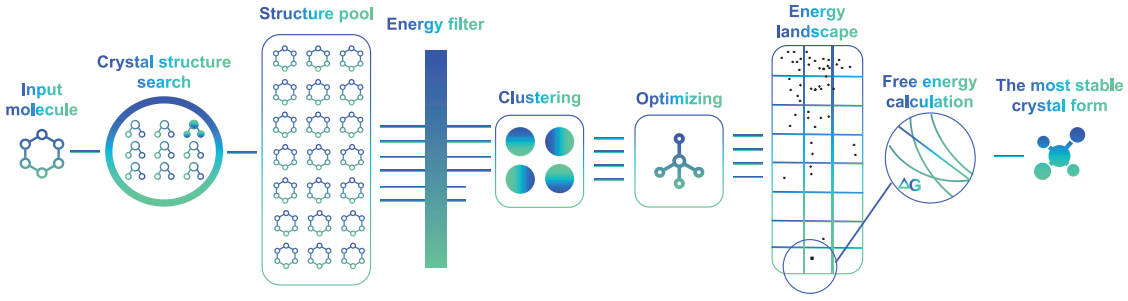
We have a self-developed AI-powered CSP platform, XtalCSP, which is equipped with a global searching algorithm and covers all theoretical stable forms. Our XtalCSP is experiment-independent, and can cross-validate the experiments and de-risk the polymorphic system. By leveraging our XtalCSP, we can conduct thermodynamic stability evaluations to identify crystal forms that are relatively stable among various crystal forms at different temperatures. Our XtalCSP can also recommend solvents to enable higher propensity for the crystallization

of the target polymorph, and validate more than 70 experimental forms per year. We had de-risked approximately 300 polymorphic systems through our XtalCSP as of the Latest Practicable Date. We are able to provide converged energy landscapes in just four to eight weeks, and deliver the final report to our customers within additional two weeks.

In addition, by leveraging our integrated technology platform, we are able to deploy cloud computing resources, screen crystal structures, and determine their stabilities with accuracy and efficiency at a faster speed compared to that of traditional methods. Instead of the two months typically required by traditional experimental methods, we are able to deliver the CSP results for a common-case small molecule within two to three weeks. We believe our technologies are also applicable to more complex molecular systems, such as highly flexible molecules with more than 15 rotatable bonds, complex molecules with isomerization of multiple flexible rings, as well as multi-component crystals such as salts, co-crystals, hydrates, and solvates.

The CSP results are able to enhance our experimental screening efforts and can potentially reduce unnecessary experimental trials, which may lead to selection of the optimal medicinal solid form. The selection of the optimal medicinal solid form may increase the quality and success rate of later-stage drug development.

The following diagrams illustrates the overall workflow of our CSP:



Case Study—Crystal Structure Prediction: Development of Paxlovid

Problem. In light of the continuous COVID-19 pandemic, there was a global, urgent demand for an effective and conveniently-administrable oral drug for the prevention and treatment of COVID-19. Typically it would take several years for pharmaceutical companies to screen potential drug candidates, which would have delayed the introduction of effective COVID-19 drugs. Fully aware of our strong solid-state R&D capabilities, Pfizer decided to engage us to expedite the development of potential COVID-19 drugs.

Solution. Our computational prediction and wet lab experimental validation provided compelling evidence that the crystal structure designed by Pfizer was the most stable crystal structure under room temperature, thus making it suitable for scale-up and production. Therefore, Pfizer CMC scientists were able to rapidly make research decisions and begin the process without delay.

Result. Within a short time period of only six weeks, we and Pfizer completed the mutual validation process, ensuring precise alignment between the predicted crystal structure and experimental results, which made possible the subsequent development and production of Paxlovid. Paxlovid became the world's first FDA-approved oral COVID-19 drug with our help.

Our Advanced Generative AI Capabilities

Overview

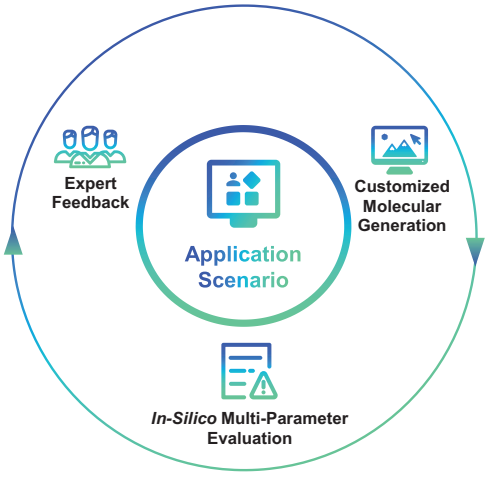
Our AI technology is one of our core competencies that enables us to revolutionize drug and material science R&D. Our integrated technology platform utilizes AI to process information and generate predictions at scale. Built upon cloud computing resources, we have constructed a set of over 200 AI models to conduct comprehensive evaluation of the critical properties of compounds. We also embed AI modules within the quantum physics-based computation algorithms to improve their calculation efficiency while maintaining accuracy. For particular targets and compounds, we are able to build customized AI models as necessary to improve the performance of our *in silico* predictions.

We have eight self-developed basic AI generative models, including the pocket-based generation model for first-in-class drug discovery, the scaffold hopping model for best-in-class or fast-follower drug discovery or SAR studies, and the goal-directed generation model for property optimization, among others, which can be customized with specific parameters to be applied in different scenarios to cater to customers' diversified and evolving needs. Combined with physical models, our AI system can simultaneously improve the accuracy and efficiency in scenario evaluations of high-throughput data analysis, while the accumulated models and data can in turn optimize the design and discovery of molecular structures. Our AI system allows us to utilize a collection of these AI models for R&D, such as activity and predictions of ADMET properties, new drug and materials scaffold design, new binding pocket discovery, and crystallization propensity, among others, and provides access libraries containing tens of billions of molecules to facilitate development of new models.

In particular, we utilize generative AI for small molecule design, protein design, and other computational molecular design. The algorithm-generated molecules are able to not only reproduce the ones designed by domain experts, but also inspire domain experts with new ideas for novel molecules generated. Together with our predictive models, goal-directed generation can balance space exploration and exploitation to identify the global optimal candidates. One of our major generative AI models is our ProteinGPT, like ChatGPT, which is capable of autonomous decision making in the R&D process. We are now exploring its potential in drug discovery, chemical synthesis, and robotic operations.

Small Molecule Design

We have developed a proprietary scenario-driven molecular design and evaluation platform which can be applied in different stages of drug and new materials discovery. This small molecule design platform is capable of generating up to tens of millions of molecules in a day or two, enabling us to explore a wider chemical space for the novelty, diversity and innovation of molecules. We aim to leverage this platform to address the challenges of molecular design by providing a customizable and efficient solution for various application scenarios, such as first-in-class and best-in-class scenarios. Our small molecule design platform integrates three functionality modules, including customized molecular generation, *in silico* multiple parameter evaluation, and expert feedback, which are closely related to each other. The following diagram is an illustration of the way in which the three modules of our platform interact with each other:



Our small molecule design platform can be customized for a given molecular design scenario by flexible combinations of: (i) two types of generation models, developed based on rule-library or generative algorithms; (ii) various AI learning paradigms, such as pre-training, transfer learning, reinforcement learning, and active learning; (iii) different input information and compound representations, such as 1D SMILES, 2D graph, 3D shape, binding site, and pharmacophore; or (iv) multiple *in silico* prediction models for *in vitro* property screening. Supported by more than 200 AI models, it can be used for goal-directed generation, and screening and evaluation of small molecules. Therefore, we can utilize our small molecule design platform to efficiently obtain small molecules with pre-defined objective functions.

Protein Design

GPT, which stands for generative pre-trained transformer, is a family of pre-trained AI language models generally trained on a large amount of text data to generate human-like text. GPT is developed based on an AI paradigm called large language model, or LLM, which is among the most successful applications of the transformer models. LLM is a deep learning algorithm that can recognize, summarize, translate, predict and generate text and other content based on knowledge gained from massive datasets.

Just as the 26 letters in the English alphabet form the basic building blocks of the English language, if we imagine the complicated protein sequence structure as the "sentences" and "paragraphs" of a form of "language," the 20 basic types of amino acids which form every protein sequences in the world are the basic building blocks of this "language." Therefore, the same LLM can aid in the analysis of protein sequence data and the design of new protein sequences.

Similarly, if we envision DNA sequences as a form of biological "language" with various genes as the basic building blocks of this language, LLM can be used to analyze, predict, understand, and ultimately design and engineer DNAs. The application of LLMs, or broadly AI technologies, in pharmaceutical and material science fields is very promising and seems limitless, and can potentially vastly accelerate advancements in various domains, including personalized medicines, novel drug and new materials discoveries, and more precise and effective clinical trials.

We have applied LLM to our independently developed large molecule *de novo* drug and new materials design platform, XuperNovo®, where we implement a generative algorithmic drug and new materials design strategy called "ProteinGPT." Our proprietary AI-based ProteinGPT tool is designed to generate drugs and new materials that meet specific criteria. We have applied our ProteinGPT strategy in multiple large molecule drug and new materials design and discovery including: (i) generation of binder proteins given a specific target protein sequence, (ii) generation of antibody libraries according to specific pre-set criteria, and (iii) optimization of certain given antibodies given specific improvement requirements. We have successfully upgraded our proprietary AI-based ProteinGPT tool to incorporate LLM into our algorithms.

Features of Our Large Language Models **("LLMs")**

LLM uses deep learning techniques and massively large data sets to understand, summarize, generate, and predict new content. AI and automation are key infrastructures and pathways for upgrading and innovating drug and material science R&D. By continuously optimizing algorithmic models and consolidating data generated from different modalities, LLMs are able to increase efficiency and success rate in different key stages of drug and material science R&D. Furthermore, the generative and reasoning capabilities of LLMs can optimize drug and material science R&D workflow by combining expertise and automated wet lab, thereby forming a flywheel effect in drug and material science R&D. Empowered by LLMs, the in-depth integration of AI and automation can improve the success rate of drug and material science R&D, reduce R&D costs, and shorten the R&D cycle time, thereby bringing more value to customers and patients. Our competitive strength in drug and material science R&D is built upon combining LLMs' advantages of providing vast amount of existing knowledge and data and assisting in decision-making by validating molecules as well as automation's advantages of low cost and standardized scalability.

LLMs-empowered automated drug and material science R&D can map the six traditional key processes of the DMTA cycle, including research and analysis, molecular design, molecular evaluation, molecule selection, experimental design and execution, and data analysis, into a closed loop of perception, generation, prediction, decision-making, experiment planning, and execution.

Perception

LLMs can generate drug and material science R&D strategies for different scenarios based on the input of experimental, literature and patent data. We have developed various LLM systems for different scenarios, such as our literature LLM system and medicinal chemistry LLM system. Our literature LLM system can help researchers efficiently extract key information from massive biomedical literature, and our medicinal chemistry LLM system can construct structured knowledge maps by correlating text, diagrams, tables and experimental results from a large amount of literature, giving researchers insights to formulate drug-forming reconfiguration strategies and improve the success rate of drug pipelines. In addition, our literature LLM system can also provide smart optimization suggestions for drug and new materials screening and synthesis processes, reducing the cost and risk of trial-and-error and shortening the R&D cycle time.

In addition, we also utilize our AI and automation capabilities in target discovery and validation. Target discovery is the first step in drug and new materials R&D and one of the key challenges. We discover and validate target exploitability through multi-dimensional orthogonal validation. We can also build 3D virtual models to predict and evaluate binding sites and obtain potential lead compounds through virtual screening, leveraging our AI algorithms, quantum physics-based simulation, and wet lab capabilities. This enables our LLMs to analyze a combination of large amounts of medical literature and experimental data to provide researchers with critical information that may have been overlooked. As a result, our LLMs can enhance the understanding and expression of the bioscience and material science fields, help scientists to explore potential therapeutic or other targets, and improve the efficiency and success rate of drug and new materials discovery. During this process, we strategically accumulate data and construct our own database to constantly improve our AI algorithms and optimize the standardization process.

Generation

Our LLMs can learn the probability distribution from training sets, extract representative features, generate a low-dimensional continuous vector representation, and ultimately generate a new molecule or biological entity by sampling from the learned data distribution. In addition, our LLMs can be combined with evolutionary algorithms or reinforcement learning to optimize a specific target or reward shaping for generated molecules, by providing the AI model with a starting molecule and an optimization goal. This allows the AI model to modify and optimize the starting molecule so as to directionally generate molecules with better properties.

Prediction and decision-making

To enable molecular assessment and recommendation, we adopt a combination of complementary physical and AI models to build the comprehensive molecular property assessment and recommendation process and form a closed-loop process of expert strategy, prediction model, data validation, and expert feedback. Using our AI models, we can predict the ADMET properties of small molecules, as well as the expression, solubility, and aggregation properties of antibodies more accurately and efficiently.

Experimental planning and execution

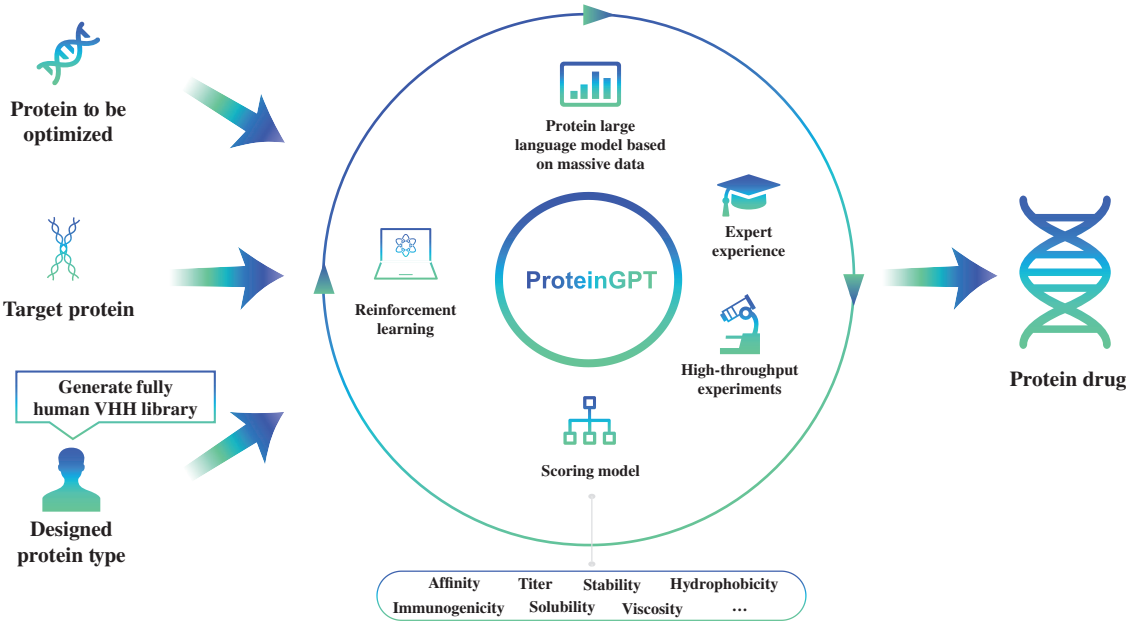
In terms of experimental planning and execution, our LLMs can analyze literature, patents, and in-house data to generate the information of relevant procedures, conditions, and operations required for chemical synthesis, and translate this information into a descriptive language that can be executed by automated robots. In this scenario, LLMs act as a brain, connecting the virtual world where operation commands are generated based on massive data and the real world where the commands are executed by automated robots, such as performing automated synthesis and crystallization. Our automation technique applied in the execution phase can help dramatically speed up the time-consuming experimental process and, furthermore, the entire drug discovery process. See "—Our Technologies and Closed-loop Integrated Technology Platform—Intelligent Robotic Wet Lab Infrastructure" for more details regarding our automation capability.

The Application of Our LLMs

We have adopted two different practice paradigms in applying our LLMs, including the development of various AI systems designed specifically for different scenarios, and the development of a central AI system for different tools.

Compared to traditional machine learning methods, the application of LLMs realizes the potential of larger amounts of unlabeled data through the ideas of self-supervised learning and reinforcement learning, enabling the emergence of multi-domain intelligence. This provides new ideas and opportunities for solving problems in the bioscience and material science fields. By organically combining AI and automation technologies, we can benefit from the decision-making assistance provided by AI, as well as the cost reductions and scale efficiencies brought about by automation.

The following graph illustrates the working mechanism of our AI-based ProteinGPT tool:



*Case Study—Generation of humanized variable heavy domain of heavy chain ("**VHH**") antibodies with our AI-driven phage display platform*

Problem. The VHH antibody, which has a single variable heavy domain located on a heavy chain, is a natural light chain-deficient antibody found in camel serum, has the advantages of small molecular weight, short preparation cycle, and high tumor penetration, and is an ideal tool for cancer treatment. However, in order to make VHH antibodies effective in human bodies and to minimize immunogenicity, these VHH antibodies need to be humanized. However, humanized VHH antibodies do not exist in nature, and it is difficult to generate large scale of humanized VHH antibodies that meet various druggability requirements.

Solution. Our AI-powered phage display platform, XpeedPlay, leveraging our phage display technology and a natural language processing model that learns "grammar" from billions of natural sequences, is capable of generating hit antibodies at ultra-high speed utilizing our LLMs. Through simultaneous optimization of multiple drug properties, XpeedPlay helped us obtain 100 billion most promising *de novo* VHH antibody sequences. Subsequently, we randomly selected 26 sequences for testing and found 25 sequences successfully expressed *in vitro* recombination, with an expression success rate of 96.1%, much higher than the industry average, according to Frost & Sullivan.

Result. The experimental results showed that (i) the average expression of the AI-generated sequences was 59.6 mg/L, which greatly exceeded the average expression of 37.1 mg/L of the positive control group; (ii) approximately 80% of the AI-generated sequences had a hydrophobicity satisfying the druggability requirement since they had the same hydrophobic interaction chromatography ("**HIC**") retention time as the positive control group, much higher than the industry average success rate without using our XpeedPlay, according to Frost & Sullivan; and (iii) the humanness, a metric inversely correlated with immunogenicity, of all of our AI-generated sequences was found to be above average value of the positive control group based on a widely-used prediction algorithm.

Our ProteinGPT has been trained with approximately 280 million pieces of unlabeled protein sequence data as well as a few billion published antibody sequence data and our internally accumulated antibody NGS data. In this well-developed closed-loop process, we can quickly generate, screen and verify a large amount of high-quality proprietary data that can be used to train our AI models. As the first company in China that is committed to AI-powered drug and material science R&D, according to Frost & Sullivan, over the eight years since our inception, our various AI algorithms have performed and delivered results better than public test data sets and we have successfully implemented a set of best practices in-house for the successful transition from AI models to business practice and product development. As a result, we have promptly identified optimal scenarios for our nascent AI-based ProteinGPT tool, which further enhanced our leading position in the field of AI drug and material science R&D.

Structure Prediction

Historically, predicting a molecular structure was a critical challenge, which could be limiting for drug R&D. However, powered by our predictive models, we are able to quickly and accurately predict molecular structures. In particular, we have developed a proprietary antigen-antibody complex structure prediction algorithm, XtalFold, with unprecedented probability and accuracy.

Our XtalFold starts by running a multi-sequence alignment ("**MSA**") that considers the evolutionary relationships between proteins and, thus, changes in individual amino acids. The alignment and pairings are iteratively passed through a machine learning algorithm. This algorithm identifies the best pair interactions and alignments and passes the information to a third portion of the pipeline that generates a structure. The last two parts are repeated several times, generating the final predicted structure. Our XtalFold has a much higher success rate of correctly modeled structures, improved modeling accuracy, and superior interface modeling quality, compared to other generative AI structure prediction models. Given our successful record in antigen-antibody complex prediction, one of the most technically challenging scenarios, we believe our XtalFold has significant potential in predicting protein-protein and protein-peptide complex structures, as well as other related scenarios. We expect that our XtalFold will play a vital role in various antibody-related applications, including antibody engineering, epitope identification, functional elucidation, and *de novo* design.

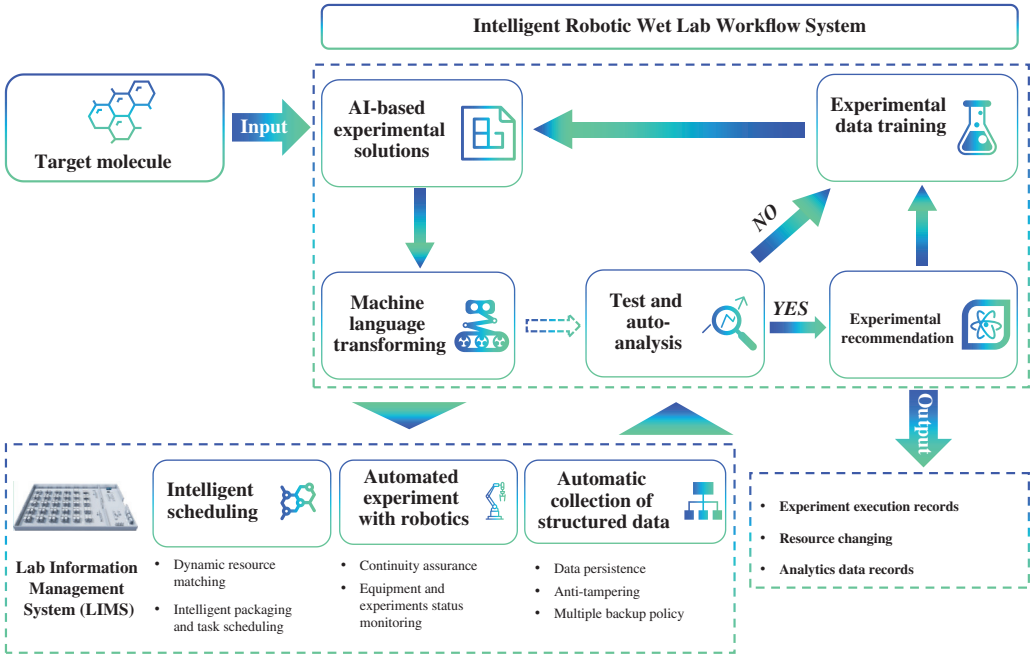
Our multi- and inter-disciplinary, AI-powered drug R&D technologies and platforms have a wide array of applications in different modalities, including small molecules, antibodies, ADC, PROTAC, and peptides and proteins. This enables us to cover diversified sectors in the biotechnology and pharmaceutical industries and lowers the technological barrier for us to enter into untapped sectors.

Intelligent Robotic Wet Lab Infrastructure

Overview

Our intelligent robotic wet lab is one of our competitive strengths that distinguishes us from our competitors. As a critical part of our integrated technology platform, wet lab experimentation not only supplements our *in silico* tools in the operative workflow by assessing the prediction results, but also generates real-world experimental data on molecules and chemical synthesis at scale to train and improve our *in silico* tools. Our goal is to encode and automate to transform every stage of wet lab experiments, by applying AI-powered intelligent robotics to replace labor-intensive traditional methods. Compared to a traditional wet lab, our intelligent robotic wet lab possesses multiple advantages, such as higher throughput, accelerated wet lab processes, minimized human error, reduced operating cost, increased process stability, and higher quality data, which are critical for the iterative training of AI models, drug and materials screening, and process optimization. We also strive to standardize our wet lab operations to enable scalable robotic automation.

The following figure outlines the workflow of our intelligent robotic wet lab:



Our Experimental Centers and Cross-discipline Team

As of the Latest Practicable Date, we had three wet lab experimental centers with more than 200 robotic workstations and robots. Our experimental center in Shenzhen, China consists of a chemical compound synthesis lab, a biology lab, an analysis and testing lab and a crystallization lab. In addition, we have another AI-powered, automated robotic experimental center in Shanghai.

We have a cross-disciplinary automation team with academic background in automation, engineering, chemistry, and computer science, who can help assess and supplement the prediction results derived from our algorithms and AI models by synthesizing the selected molecules and conducting targeted experiments, including toxicity studies. Our automation team plays a critical role in designing experiments and setting specific parameters to suit the particular needs of different research programs. Leveraging our accumulated domain expertise and successful track record in automated synthesis and crystallization, we aim to further scale our automation operations by providing scalable and standardized wet lab services. We also plan to customize our intelligent robotic wet lab to apply in various other scenarios, such as chemical engineering, material science R&D, and inspection and testing. The following pictures depict our intelligent robotic wet lab facility in Shenzhen and Shanghai.

Shenzhen wet lab

Shanghai wet lab

Our Differentiated Innovation Model

We believe our intelligent robotic wet lab is differentiated due to the combination of our scenario-driven approach, quick reaction to market, and cutting-edge technologies. Firstly, our wet lab is equipped with self-designed standard software, hardware, and technologies. Secondly, our wet lab has various building blocks and modular applications, enabling us to provide customized automation solutions to be applied in various scenarios in the biotechnology and pharmaceutical industry and beyond to cater to the diversified and evolving needs of our customers and collaborators. Thirdly, we possess strong business acumen, and react quickly to market trends. We are expanding the applicability of our intelligent robotic wet lab to other industries, such as material science and energy, in response to the increasing needs of high-throughput, accelerated process, and high experimental quality in these industries. We

also capitalize on cutting-edge technologies to further grow our business and enhance our reputation. We have invested and will continue to invest significantly to adopt powerful advanced technologies, such as digitalization and digital twins, in our intelligent robotic wet lab to enhance its performance.

Core Technologies in Our Wet Lab

Our intelligent robotic wet lab is able to perform high-throughput, flexible R&D, leveraging our cutting-edge technologies, including standardization and scalability, AI, intelligent control, digital twin, and Lab-as-a-Service ("**LaaS**").

Standardization and Scalability

We are endeavoring to standardize and automate every step of the drug and material science R&D process. Standardized experimental processes can optimize and accelerate wet lab operations and enhance the consistency of experimental results, while automation can enable our wet lab to operate perpetually without downtime and with minimum human intervention, enabling higher throughput, data quality, and efficiency. Thus, we have standardized and automated the time-consuming "make" phase to shorten the iteration time of the DMTA cycle.

We also utilize standardization, automation and swarm robotics to scale our wet lab operations. We have more than 4,500 sq.m. of lab space in Shenzhen and Shanghai dedicated for our robotic workstations and plan to expand the capacity of our intelligent robotic wet lab. Our wet lab experiment centers in Shenzhen and Shanghai presently have more than 200 robotic workstations and robots and we expect to further scale our robotic workstations. Based on our internal calculation, our intelligent robotic wet lab is capable of executing up to 1,500 experiments per day.

AI

The integration of our AI and automation capabilities is the general paradigm of our intelligent robotic wet lab. We apply various algorithms and AI models to streamline and optimize the DMTA cycle to make wet lab experiments faster and more predictable. We use machine learning algorithms to understand drug designers' intent and decision-making process and extract, organize and formalize this domain knowledge and expertise to achieve autonomous design. We have also developed machine learning and AI methods to replace manual data analysis and quality assurance. Similarly, our vast image data sets have allowed us to develop AI-based machine vision tools for real-time processing, enabling screening at much greater speed, volume and resolution. This interactive visualization interface allows us to quickly explore and interpret complex data sets. In addition, our robotic workstations record experimental data and work as data generators, which can in turn be used to fine-tune our

parameter algorithms and train our AI models, and continuously enhance our capability to predict and authenticate novel drug candidates and new materials in a closed loop. Thus, our computational power and AI now make it possible to see relationships within big data sets that could otherwise not be seen.

Intelligent Control

According to Frost & Sullivan, we are one of the few companies that deploy an intelligent control system in the wet lab. Our intelligent control system integrates various instruments and functions, including lab information management system ("**LIMS**"), resource scheduling system, and control system, through which we can manage various equipment and experimental tasks in the wet lab to achieve efficient experimental operations and data collection, and maximize the resource utilization rate of our wet lab. Our LIMS can automatically standardize the collection, storage, version control, and analyses of raw and processed experimental data, and instantly returns essential information that would otherwise take days of work. Our resource scheduling system can autonomously allocate tasks to different workstations and automated guided vehicle ("**AGV**") trolleys, according to the number and priority level of tasks. It can also intelligently monitor and trace the entire experimental process and analyze the experimental data for result processing. Our control system is designed with accurate parameters to minimize the errors and inconsistency of our device and equipment in executing experiments. In addition, our intelligent robotic wet lab can be accessed remotely. It can receive experiment instructions or testing orders and instructions from the cloud and execute such instructions locally, while synchronizing the experimental results in real time to our researchers or customers, facilitating timely follow-up studies.

Digital Twin

We integrate digital twin in our intelligent robotic wet lab technology for rapid plan, design and optimization of our wet lab experiments. By simulating the entire experimental process, we are able to identify potential flaws in the design and determine the optimal experimental process, allowing for real-time adjustment or redesign. Our digital twin capability also enables us to customize our intelligent robotic wet lab solutions to engage in experiments in different scenarios and for customers in different industries, without having to set up a physical wet lab for each engagement before operations. Thus, digital twins can augment our wet lab design capability, avoid upfront physical simulations, reduce our operational costs, and improve our experimental quality.

Lab-as-a-Service **("LaaS")**

Our intelligent robotic wet lab is designed to serve as a customer-focused Lab-as-a-Service offering, and we believe we can leverage the impact of such online platform to achieve exponential growth of our intelligent automation solutions.

In particular, our wet lab can be accessed remotely, i.e. receive experiment instructions or testing orders and instructions online and execute such instructions locally on our "virtual" wet lab, with real experiments performed on real equipment, generating real-world data. Our customers or collaborators can submit the design route and basic reaction conditions of their target molecules remotely to our wet lab. Upon receiving the online orders and instructions, our engineers and technicians prepare the required materials in-house and our intelligent control system assigns tasks in a coordinated manner after the required experiment materials are ready.

Our intelligent robotic wet lab can be flexibly customized to be applied in diverse scenarios and industries, including pharmaceutical and material science (such as agritech, energy, cosmetics, and healthcare). We have been utilizing our intelligent robotic wet lab to provide lab automation solutions, including high-throughput chemical synthesis and high-throughput solid-state R&D, and expect to focus on providing standard or customized automation solutions in the future. Relying on our robotic workstation, our chemical synthesis services adopt a "human-machine" model where the synthesis are conducted by robots, and supervised and validated by our technicians. For high-throughput parallel reactions, our intelligent robotic wet lab has an excellent track record in scenarios such as compound library synthesis, catalyst screening and methodological studies, and optimization of reaction conditions. See "—Our Intelligent Automation Solutions—Automated Chemical Synthesis Services—Case Study—Synthesis of Compound Library" for a demonstration of our high-throughput parallel reaction capabilities with the "human-machine" model. For multi-step automated chemical synthesis, our intelligent robotic wet lab is capable of screening and optimization of hit and lead compounds, multiple scaffold structure exploration, and SAR experiments, as well as exploring multiple substitution reactions at the same time.

OUR INTEGRATED PLATFORM-ENABLED BUSINESS

We started as a technology innovator specializing in *in silico* solid-state R&D studies with a primary focus on CSP, which provides valuable insights for various aspects of drug R&D that span from the pre-clinical stage to commercialization, such as CMC, formulation development, and patent protection. CSP is derived from the accurate calculation of weak, intermolecular forces, which is a known challenge in the industry, according to Frost & Sullivan. Leveraging our quantum physics-based computation and AI capabilities, we have been expanding our business to cover drug design and discovery, which focuses on the initial stages of drug R&D, with a goal to establish integrated pharmaceutical R&D capabilities. The expansion into drug discovery is natural, because both CSP and drug discovery share similar problem-solving patterns where target functions are deployed to search for solutions within a vast array of possible outcomes. In addition, the method of calculating intermolecular forces, which is the focal point of CSP, is transferable to the process of calculating intermolecular interactions, which is the foundation of predicting the drug-target interactions. As drug discovery involves a multi-target optimization process, we believe our AI expertise is particularly useful to expedite the process and source a set of appropriate molecules for subsequent computational screenings and experimental assessments.

Along with our rapid growth, the traditional manual "make" process in the DMTA cycle is time-consuming and error-prone and hinders our ability to further grow and scale our business. To enhance our operating efficiency, improve overall experimental quality, minimize manual error, and further scale our business, we apply standardized and automated automation to the "make" process. As our automation technologies and capabilities evolve, we are exploring to provide standard or customized automation solutions to companies in the biotechnology and pharmaceutical industries and beyond. Our technologies and expertise accumulated from our drug discovery business also enable us to extend our R&D services into other related industries, such as automation and material science (including agritech, energy and new chemicals, and cosmetics).

We believe we are able to realize the benefits of having both local roots and a global footprint. Our access to talent and infrastructure in China as well as our proximity to global biotechnology and pharmaceutical conglomerates allows us to establish relationships with emerging Chinese and global companies. We believe our addressable market within the pharmaceutical industry is large and rapidly expanding, and we are well-positioned to capture such market opportunities.

Our Current Business

To date, we have leveraged our technological capabilities to focus on two primary businesses:

- *Drug discovery solutions.* Our drug discovery solutions span the full spectrum of the drug discovery and research process, providing modular solutions to or collaborating with a diverse range of biotechnology and pharmaceutical companies and academic institutions for novel drug discovery endeavors.

- *Intelligent automation solutions.* Our intelligent automation solutions primarily consist of solid-state R&D services and automated chemical synthesis services.

    - Our solid-state R&D services encompass computational services, wet lab experimental services, and integrated solutions which is a combination of both computational services and web lab experimental services. The computational services include CSP and morphology prediction, as well as screenings on coformers and carriers for crystallization. Our wet lab experimental services encompass many aspects of solid-state R&D, such as crystallization process development and crystal structure determination, among others.

    - Our automated chemical synthesis services apply automation technology to enable faster and more accurate production of chemical compounds.

We also offer standard or customized automation solutions to companies in the biotechnology and pharmaceutical industries and beyond.

The table below sets forth our revenue by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2020		2021		2022		2023	
	(RMB'000, except for %)							
Drug discovery solutions	12,666	35.5	39,346	62.7	87,666	65.7	36,096	45.1
Intelligent automation solutions	22,970	64.5	23,453	37.3	45,687	34.3	43,871	54.9
Total	**35,636**	**100.0%**	**62,799**	**100.0%**	**133,353**	**100.0%**	**79,967**	**100.0%**

The increases of revenue in both drug discovery solutions and intelligent automation solutions reflected our efforts to grow our business and commercialize our services. The significant increase in revenue from our drug discovery solutions reflected our strategic transition into and focus on drug R&D.

The table below sets forth the number of programs which generated revenue during the Track Record Period for our different business segment:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Drug discovery solutions	10	18	47	37
Intelligent automation solutions	100	168	246	211
Total	**110**	**186**	**293**	**248**

We had 43, 75, 120 and 107 customers in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. We believe that our cutting-edge technologies, strong R&D capabilities, and cost-efficient solutions and services enable us to retain many repeat customers, including Pfizer, Johnson & Johnson, CTTQ Pharma, Daewoong Pharma, and Merck KGaA, Darmstadt, Germany. Our customer retention rate was approximately 53.8%, 67.5%, 51.4% and 51.4%, respectively, in 2020, 2021 and 2022 and the six months ended June 30, 2023.

We believe that there is a virtuous cycle within our business. The feedback from our drug discovery and solid-state R&D activities helps refine the functionality of our integrated technology platform, which improves the quality of our operations leading to increased volume and enhanced execution of business, which in turn produces more feedback to advance our integrated technology platform. The quantum physics-based computation methods and AI models improved due to either drug discovery or solid-state R&D will enhance the quality of our XtalPi R&D Solutions given the similar underpinning methodologies. In addition, the success of our drug discovery endeavors, either with our collaborators or by ourselves, serves as an affirmation of our platform and approach, which we believe would further attract existing and prospective customers. Likewise, our success in solid-state R&D serves as an affirmation of our integrated technology platform, and may therefore enable us to cross sell our drug and new materials discovery business to existing customers.

Key Pillars of Our Future Business

As we further grow our business, we intend to evolve our business model into one with "one integrated platform and two key pillars," where the two future key pillars, intelligent automation solutions and XtalPi R&D Solutions, are expected to function as two driving wheels to enhance our commercial prospects and the functionality of our integrated technology platform.

We view the future pillars as a natural evolution of our existing business. In particular, our automation solutions will be an extension of our automation technology and capability to provide standard or customized automation solutions in other high value sectors. Our XtalPi R&D Solutions will combine our capabilities in drug discovery and solid-state R&D to provide R&D solutions beyond the pharmaceutical industries, such as material science (including agritech, energy and new chemicals, and cosmetics). Instead of operating the business separately, each future pillar will leverage the full range of our capabilities in both quantum physics-based, AI-powered drug discovery, automation, and solid-state R&D to achieve internal synergies and attain cross-selling opportunities. Overall, we expect to achieve the transition from our early stage when we focused on providing solid-state R&D services to our current stage with expanded offering in both solid-state R&D and drug and new materials discovery, and eventually to the future stage that features value drivers in the provision of intelligent automation solutions and R&D solutions, with both stemming from and deploying the full scope of our integrated capabilities in quantum physics-based, automation-driven, AI-powered R&D that we have established and will further enhance. We believe this "one integrated platform and two key pillars" model will unleash our potential to grow our business and create value.

See "—Our Future Development" for additional details regarding our future business development.

OUR DRUG DISCOVERY SOLUTIONS

Overview

Our drug discovery solutions primarily revolves around hit identification, lead generation, lead identification and lead optimization to yield high-quality pre-clinical candidate molecules. Leveraging our integrated technology platform, we help transform the traditional methods for drug design and discovery and contribute to the pharmaceutical innovations in China and around the world.

Our innovative, integrated technology platform-based approach features an efficient, streamlined workflow with iterative steps including AI-powered molecule generation and comprehensive evaluation on drug-like properties such as selectivity, solubility, ADMET and synthesizability, prediction of molecular interactions using high-precision quantum physics-based computation and robotic wet lab synthesis and assessments. We believe our approach enables discovery of high-quality molecules for potentially challenging targets at a faster pace and a larger scale, and with a higher likelihood of success compared to traditional methods.

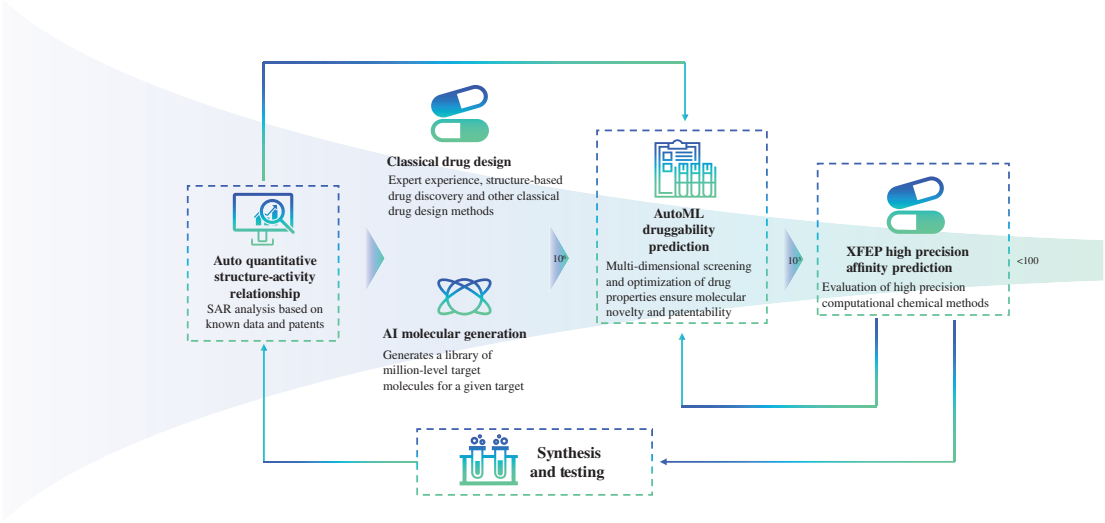
Comprising approximately 190 experts in protein science, biochemistry, biophysics, medicinal and quantum physics-based computation, and pre-clinical development as of the Latest Practicable Date, our drug R&D team applies our integrated technology platform-based approach and our practical expertise across a portfolio of drug discovery and collaboration programs spanning across a wide range of disease targets and indications.

We had entered into approximately 118 agreements for our drug discovery solutions, including approximately 16 collaboration programs, some of which had entered into the IND-enabling phase, as of the Latest Practicable Date. These solutions and collaboration programs generate drug discovery revenue, and generally have the potential to produce additional royalty, milestone or contingent payments. We also expect to profit from our equity positions in certain of our collaborators. Going forward, we intend to provide new solutions and forge new collaborations that offer scientific synergies and favorable economic terms.

In 2020, 2021 and 2022, and the six months ended June 30, 2023, we had approximately 10, 18, 47 and 37 drug discovery solutions and collaboration programs which generated revenue, respectively, and approximately 6, 17, 33 and 24 customers and collaborators, respectively.

Small Molecule Discovery

The diagram below illustrates the overall workflow underlying small molecule drug design and discovery.



- ***Broad-scope sampling of chemical structures.*** We start from using our AI models to explore the vast chemical space that is available to sample tens of millions of drug-like molecules as the starting pool that our AI models predict to be suitable for the subsequent screening for the particular target at issue.

  As a broader and deeper search of the chemical space is conducted for each target as compared to traditional methods, we believe that our approach is more likely to yield quality candidate molecules for traditionally challenging targets.

- ***Prediction of potency, selectivity and drug-like properties.*** Next, we deploy a combination of our AI models and quantum physics to perform a multi-property optimization process where our AI models predict certain drug-like properties, such as solubility and ADMET features, and our quantum physics-based platform predicts potency and selectivity, some of which could only be assessed at a later stage with traditional methods.

  The optimal profile of a drug candidate represents an acceptable balance of properties such as potency, selectivity, solubility, bioavailability, half-life, permeability, drug-drug interaction potential, synthesizability, and toxicity, among others. We view drug development as a multi-parameter optimization process because multiple properties are often inversely correlated, meaning that optimizing one property often de-optimizes others. The inherent difficulties and uncertainties of achieving a balanced profile, the inability to assess certain critical drug-like properties and liabilities until in the later stage of development with traditional methods, and the limited sampling of chemical space often lead to suboptimal candidate molecules advancing to subsequent development stages and eventually

resulting in costly late-stage failures. Therefore, we believe it is critical to identify potential failures early in the process of drug R&D when the costs incurred are still relatively low, in order to increase the efficiency, reduce the overall cost and improve the success rate of the drug R&D programs.

Our predictions are able to yield a limited number of candidate molecules with a promising property profile. Our algorithms and prediction process are so designed that the resulting pool of molecules is small enough to be feasible for evaluation by the subsequent wet lab experimentation, while being large enough to reduce false negative results due to the limitation of the computational accuracy.

- ***Robotic wet lab validation.*** Finally, we perform wet lab experimentation to synthesize the pool of candidate molecules and conduct a variety of tests to assess their properties. We carry out a vast majority of the standard synthesis and tests by robotic automation, which can reduce costs, increase capacity and improve accuracy. The wet lab validations also generate data on molecules which are used to train our *in silico* tools for better future insights.

We have a proprietary "three-in-one" AI-powered small molecule drug R&D platform, ID4Inno™, designed for exploring a broader chemical space with higher efficiency and lower cost. Through our ID4Inno™, our intelligent computing designs the process for and analyzes the outcome of automated experimentation, which provides data feedback to experts, and experts set specificality and metrics for smart computing, to achieve a closed-loop AI drug R&D process. Our ID4Inno™ consists of two sub platforms, ID4Idea and ID4Gibbs, with different but complementary functionalities. Our ID4Idea can be customized based on our customers' and collaborators' diverse and specific requirements. It is used for the generation, selection, and evaluation of small molecules with over 200 AI models, covering molecular generation, molecular property evaluation, and various other scenarios. Our ID4Gibbs is a high-precision quantum physics-based computation platform based upon physical modeling and first-principles calculation, enabling high-precision prediction of drug-target interactions.

Set forth below are two examples of our small molecule discovery programs, which evidence the strong capabilities of our integrated technology platform and drug discovery expertise.

Case study–Small Molecule Discovery: "AI + High-Precision" Computing Accelerates Pre-clinical candidates Nomination

Problem. We intend to identify and obtain potential novel compounds in a synthetic lethality program with a highly competitive targeted indication, which has one of the largest precision oncology patient populations. Furthermore, the co-crystal structure of such target protein with the reference compound is unknown, and the water molecule information is also not available from Cyro-EM structure.

Solution. In just two months, we built a reliable protein-ligand complex model and relatively high correlation FEP model for binding affinity prediction. Using our proprietary AI-powered small molecule drug R&D platform, ID4Idea™, we generated a large number of novel scaffolds, and selected limited potential candidate molecules from the generated molecules with the help of our proprietary high-precision quantum physics-based computation platform, ID4Gibbs™.

Result. Among the generated molecules, 48 molecules showed stronger cellular potency than the reference compound and 75 molecules showed better selectivity. In addition, most of the molecules we generated had better PK properties, demonstrating a remarkably high success rate. The best candidate compound was able to induce sustained tumor regression in a non-small cell lung cancer murine xenograft model, much better than the reference compound. Ultimately, we obtained potential pre-preclinical compounds after synthesizing around 120 molecules, and managed to identify the lead compound after synthesizing around 20 compounds.

Case Study—Best-in-class IRAK4 PROTAC

Problem. IRAK4 is a key protein involved in inflammation, mediated by the activation of toll-like receptors ("**TLRs**") and IL-1 receptors ("**IL-1Rs**"). Aberrant activation of IRAK4 is the underlying cause of multiple immune-inflammatory conditions. IRAK4 plays a critical scaffold function in Myddosome assembly and activation of nuclear factor kappa-B ("**NF-kB**") and mitogen-activated protein kinase ("**MAPK**") pathways, and its kinase activity is essential for myeloid differentiation primary response 88 ("**MyD88**")-dependent production of inflammatory cytokines. Small molecule IRAK4 kinase inhibitors have been evaluated for safety and efficacy in several clinical trials, which has not yielded positive results due to limited efficacy. IRAK4-PROTAC abolishes IRAK4's dual role in kinase and scaffold function and showed superior activity over small molecules, whereas KT474 was the first-in-class IRAK4-PROTAC which has finished the phase I clinical trial and showed the excited results. However, hERG issue and cytochrome P450 ("**CYP**") inhibition issue of KT474 was a potential risk for subsequent development, while the computation of ternary complexes mediated by PROTAC molecules has long been a challenge in the field of molecular computing.

Solution. To address this challenge, we have developed a PROTAC full-process computational platform and conducted comprehensive pre-clinical PROTAC biological assays. This platform consists of three components, including our proprietary AI models, PROTAC

linker library, and efficient linker virtual screening technology. Our AI models accurately predicted structures of E3-PROTAC-Target ternary complex, where our self-developed protein-protein docking algorithm searched for stable protein-protein conformations, and our self-created scoring function quickly and accurately selected the optimal E3-PROTAC-Target conformation. Our PROTAC linker library has collected more than 6,200 linkers, which is four times the open source database of PROTAC-DB, as of the Latest Practicable Date. It can provide more druggable linkers for PROTAC molecule design, while generating thousands of novel linkers leveraging our strong machine learning capabilities at the same time. We then assembled the linkers, warheads and E3 ligands into PROTAC molecules using our efficient linker virtual screening technology, and conducted QSAR and X-score predictions on these PROTAC molecules. Lastly, we further synthesized and recommended PROTAC molecules with excellent degradation activities.

Result. We successfully developed IRAK4 small molecules with completely novel structure, which can act as the warhead for PROTAC, compared to the reported IRAK4 small molecules. We have filed patents for three series of warhead molecules and two series of PROTAC molecules. Our PROTAC showed excellent DMPK properties, which improved the CYP inhibition and hERG toxicity issue of KT474. The efficacy of our PROTAC has outperformed KT474 *in vitro* and *in vivo*, which indicates that our IRAK4 PROTAC is a potential best-in-class molecule.

Antibody Discovery

Driven by our customers' and collaborators' demand for antibody drug discovery and the great market potential of antibody drug discovery, we began to establish our antibody drug discovery capabilities since March 2021, leveraging our capabilities and expertise in small molecule drug discovery. We have developed a proprietary AI-powered next-generation antibody discovery platform, XupremAb, integrating various critical functions, including AI-powered hybridoma, AI-powered repertoire NGS discovery, AI-powered phage display, *de novo* design, super humanization, AI-powered affinity modulation, developability assessment and optimization, bispecific design, and ADC design. We have made certain progress in our antibody discovery business, by entering into collaboration programs on antibody screening and antibody engineering, which have generated revenue of RMB8.0 million during the Track Record Period.

To accelerate and reduce the cost and uncertainty of developing novel, life-saving drugs, which are limiting factors of traditional antibody drug discovery methods, we adopt the following approaches:

- ***Cast a wider net.*** Our AI-powered repertoire discovery platform can unlock antibody sequence space to search for better and rarer candidates. With traditional methods involving hybridoma, only 0.01% to 0.1% of all B-cells can be explored, missing rare binders; while our sequence-based AI models and NGS technologies can help search a much larger repertoire space, capturing nearly the entirety of the immune response, significantly improving hit diversity, and achieving a hit rate of over 50%.

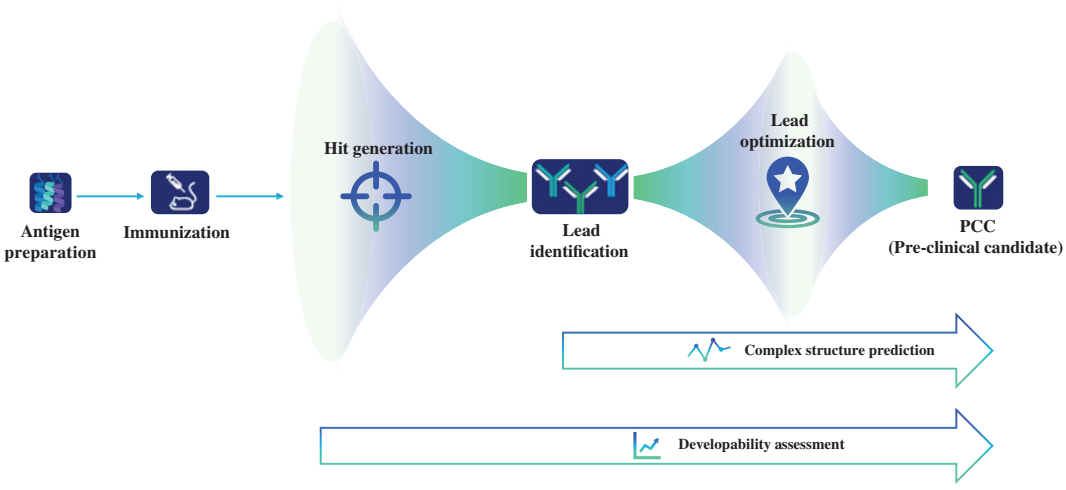
- ***Design, not guess.*** We approach antibody engineering as design work rather than guesswork. We design antibodies with direction by minimizing the random mutagenesis and trial-and-error method that drives traditional engineering. Our suite of predictive AI models analyze antibodies using sequences solely, reducing the number of sequences to be made and tested. As a result, our AI-powered precision engineering can quickly and accurately enable fine-tuning of candidates to targeted profiles.

- ***Excel in all dimensions.*** We search for the optimal candidates, which are expected to excel across all properties, including function, developability, and immunogenicity. Our extensive predictive sequence-based AI models can predict developability with enhanced accuracy and speed and achieve multi-objective optimization, including on aggregation, thermostability, viscosity, and yield rate.

- ***Design superior antigens.*** We aim to design antigens beyond nature. As an example, GPCRs are difficult to express in their native forms, making GPCR antigen preparation a challenge. Mutations are usually required to thermostabilize GPCRs for expression. Human judgment and trial-and-error method are needed to identify mutations, which is tedious and time-consuming. Therefore, we utilize our AI technologies on large-scale mutations to thermostabilize the GPCR antigen. We use our generative AI models, primarily our ProteinGPT with proprietary LLM, to generate mutants, and narrow down the scope of mutants leveraging our predictive AI models of stability and ECL conformation. Our MD modeling subsequently conducts fine-grained assessment of stability to select optimal mutants, which have been validated by benchmark antibodies and cleared stability tests. Our unique approach can achieve rapid identification of mutations, maintain conformation of ECL, and enhance the level of stability and expression of GPCR antigens.

- ***Integrate and synergize.*** We combine various platforms with diversified functions end-to-end and integrate wet lab and dry lab capabilities to achieve optimal results. Specifically, we house our computational and experimental capabilities under the same roof to achieve closed-loop synergies, integrate our internal data generation and immediate wet lab feedback to contribute to the superiority of our AI models, and routinely optimize and train ad hoc models for numerous specific programs to generate and accumulate new data.

The following diagram illustrates the overall workflow of our antibody discovery platform:



Leveraging our integrated technology platform and similar underlying methodologies that we use for small-molecule drug discovery, we are exploring AI-powered solutions for the generation and prediction of other drug modalities, such as peptide, ADC, and PROTAC. Coupled with theoretical computation, empirical experimental data and our expert judgment, our AI-powered function prediction model enables us to screen and recommend candidate sequences to satisfy the specific needs and criteria of the research programs.

With our AI-powered capabilities and practical experience, we are able to assist our customers and collaborators to tackle problems efficiently in drug design and discovery and to conduct discovery of novel therapeutics at a pace and scale beyond those with the traditional wet lab-based approaches.

Case Study—Antibody Discovery for a challenging GPCR Target

Problem. G protein-coupled receptors ("**GPCRs**") are considered as the largest class of therapeutic targets for various indications, such as asthma, hypertension, and depression. However, the GPCRs' complex architecture, which consists of seven transmembrane helices, intracellular loops, and N- and C-terminal domains, poses substantial challenges for antigen preparation and antibody discovery. To date, only three antibodies targeting GPCRs have been approved by the FDA.

Solution. To navigate this complexity, we sought to address the dual challenges of GPCR antigen preparation and antibody discovery through our AI-driven GPCR antigen design and AI-powered antibody discovery platform, XploreSeq™.

AI-driven GPCR antigen design: We employed our ProteinGPT to generate new antigens featuring large-scale mutations in the non-epitope transmembrane domains of the wildtype GPCR. Subsequently, we modeled the structures of these novel GPCRs and assessed their structural stability using MD simulations.

AI-powered antibody discovery: Through our XploreSeq™, we utilized single-cell and bulk NGS on immunized animal samples to delve into antibody sequence space with millions of unique sequences, the scope of which is hundreds of times larger than that traditional platforms can explore. In addition, we applied a suite of bioinformatics analysis and ensemble AI models to this expansive sequence space to meticulously and efficiently evaluate, rank and select antibody candidates with optimal drug-like characteristics for expression and subsequent validation.

Result. Our ProteinGPT enabled us to obtain antigens containing more than 100 point mutations which exhibited excellent homogeneity, high yield rates, good stability, and strong immune response with one-sixth to one-third of the time compared to traditional methods. Furthermore, we have significantly expedited the antibody discovery process using our XploreSeq™, shortening the timeline from immunizing animals to hit identification phase.

Strategic Collaborations

In addition to drug discovery solutions, we also collaborate with certain drug developers ("**collaborators**") to jointly work on various therapeutic targets ("**collaboration programs**") with huge unmet medical needs, from which we expect to receive royalty, milestone or contingent payments if such collaboration programs reach milestones or events specified in the respective contracts, such as successful commercialization in particular regions. We are responsible for the design, synthesis and assessment of candidate molecules against the pre-determined targets. Our collaborators conduct supplementary assays for the synthesized compounds and share the results with us. If the need arises, we will further optimize on the molecules and our collaborators will run further tests until a set of satisfactory compounds are generated.

We aspire to be a meaningful partner for innovative biotechnology and pharmaceutical and related companies, facilitating the quick translation of new biological discoveries into their promising new clinical candidates. We have entered into a number of collaborations with biotechnology and pharmaceutical companies and academic institutions under which our collaborators pursue research in a number of therapeutic areas, such as oncology, neurology, respirology, and inflammatory diseases. In some cases, we retain at least partial ownership in the pipeline programs, typically in the double-digit percentage range, of the programs pursued under these collaborations. We are not responsible for advancing their pre-clinical development beyond generation of pre-clinical candidates.

Among the key factors we use in selecting collaborators are potential conflicts of interest, existence of sufficient structural information on the targets, well-understood nature and high therapeutic potential of the target, amenability of the target to the strengths of our integrated technology platform, and the collaborator's complementary capabilities, all of which we believe contribute to an increased probability of success.

Through access to our integrated technology platform and our practical experience in drug discovery, we can provide our collaborators with the following key benefits:

- ***Immediate utilization of our integrated technology platform.*** Ability to immediately and efficiently access the full benefits of our premier *in silico* tools, robotic wet lab facilities and our deep practical experience and expertise.

- ***Access to vast data assets.*** Ability to utilize the vast meaningful data assets accumulated from our calculations and experiments, reducing the time and costs for the design and discovery of drug candidates and evaluation of drug-like properties.

- ***Access to substantial computing power.*** Ability to access over hundreds of thousands of cores of computing power through the multi-cloud infrastructure for drug design and discovery, thereby avoiding the time and cost needed to build this infrastructure on their own and improve the capital and research efficiency.

- ***Target uniqueness.*** Under our collaboration agreements, we typically agree to design drugs for a particular target or targets using our integrated technology platform and know-how only for the specific collaborator, therefore enhancing the protection of intellectual property and reducing the likelihood of future conflicts of interest.

Equity Stakes. From time to time, we may either offer our solutions in exchange for equity interests in our collaborators or make equity investments in selected collaborators which develop complementary technologies to ours and who we consider are compatible with our strategic position.

The following table presents our equity stakes in our selected drug discovery collaborators as of the Latest Practicable Date:

Company	Shareholding %	Business Focus
Geode.	35.00	Oncology
META	15.34	Autoimmune disease and immunometabolism
Signet	9.11	Oncology
Hangzhou METiS Pharmaceutical Technology Co., Ltd. (杭州劑泰醫藥科技有限責任公司) ("**Metis**")	4.25	AI-driven drug delivery and drug development
PhoreMost Ltd.	6.67	Oncology and targeted protein degradation platform
CytoCan Inc	14.19	Multi-specific fusion protein drug development
ClickMab Biotech (Suzhou) Co. Ltd. (科邁生物科技(蘇州)有限公司)	30.0	*De novo* generation of antibodies
Leman	15.82	AI-driven tumor immunotherapy drug development and cell therapy
Xinshengtai (Hangzhou) Materials Technology Co. Ltd. (新生泰(杭州)材料科技有限公司)	30.0	AI-powered new materials discovery platform
Hangzhou Zentec Biotech Co., Ltd. (杭州箴泰生物科技有限公司)	30.23	AI- and automation-driven drug transdermal formulation R&D

As of the Latest Practicable Date, all of our collaboration programs were still in the discovery and pre-clinical stages. Generally, the payments we are eligible to receive from a collaboration program increase as the program advances, while we may incur substantial upfront expenses at the early stage of the program. We will continue evaluating new collaboration programs that fit our selection criteria and where the collaborator's particular expertise has the potential to create synergies with ours.

However, because these collaborations are not entirely within our control, we cannot predict the timing or likelihood of receiving any royalty, milestone payments, contingent payments or other payments under these collaborations or estimate the full amount of such payments, and we may never receive any such payments. For a further discussion of the risks we face with respect to receipt of any of these payments, please refer to "Risk Factors—Risks Related to Our Financial Prospects and Need for Additional Capital—We may never realize returns on our investment of resources and cash in our collaborators and other investee companies. Fluctuation of the operational results of our invested companies and the fair value of our investments may adversely affect our financial position."

Set below are selective examples of our collaborators-investees and an overview of our complementary and mutually beneficial relationships.

Collaborator-Investee	Background	Relationship	Drug Pipeline	Market Potential of Our Collaborators' Pipeline
Geode	Geode is a Boston-based innovative drug R&D company, committed to the R&D of immunosuppressive drugs for various cancers, with a proprietary tumor suppression target discovery platform and a unique biological screening evaluation model. To date, there is no approved therapy specifically designed to treat PTEN-deficient cancer, which is a major tumor suppressor and the key negative regulator of P13K activity. Early clinical trials with pan-PI3K inhibitors showed limited efficacy and significant toxicity in most patients with PTEN-deficient tumors.	We entered into a strategic collaboration with Geode to jointly develop a PI3Kβ-selective inhibitor, pursuant to which, Geode uses our unique AI models and AI-assisted rational design to develop a robust pipeline of well-differentiated and novel therapeutic agents, including targeted drugs and immune modulatory agents to target PI3Kβ and beyond, aiming to transform the treatment landscape for patients afflicted with PTEN-deficient disease.	We have designed a highly selective, novel small molecule inhibitor of PI3Kβ for the treatment of PTEN-deficient cancers, including triple-negative breast cancer, either as a monotherapy or in combination with immune check point blockade. We have progressed XTC-002 from conception to a potent pre-clinical molecule with superior efficacy, favorable pharmacokinetics and pharmacodynamics (PK/PD) properties and high isoform selectivity.	According to Frost & Sullivan, the size of the global breast cancer medication market was approximately US$35.6 billion in 2022 and is expected to increase to approximately US$64.9 billion in 2030.

Collaborator-Investee	Background	Relationship	Drug Pipeline	Market Potential of Our Collaborators' Pipeline
META	META is China's first, immunometabolism-based drug development company, which harnesses metabolic pathways to develop novel drugs to treat various chronic diseases caused by immune and metabolic dysregulation.	We invested in and formed a close partnership with META to jointly develop first-in-class drugs with novel targets that can potentially help patients who suffer from autoimmune diseases and cancer physically and psychologically. META was supported by our AI-powered computation and automation to improve the design and discovery capabilities of autoimmune disease medicines and accelerate the development of META's immunometabolism-based small molecule pipelines.	Benefiting from our funding and technological support, META has identified a series of new druggable targets with first-in-class potential and developed a pipeline with three first-in-class small molecule inhibitors, one of which is a candidate for a broad spectrum of autoimmune diseases, META-001. META has progressed META-001 from hits to a potent pre-clinical candidate molecule with favorable results in *in vitro* cellular assay.	According to Frost & Sullivan, the size of the global autoimmune disease medication market was approximately US$132.3 billion in 2022 and is expected to increase to approximately US$176.7 billion in 2030.

Collaborator-Investee	Background	Relationship	Drug Pipeline	Market Potential of Our Collaborators' Pipeline
Signet	Signet is a pre-clinical stage biopharmaceutical company focusing on the development of first-in-class targeted cancer drugs using self-developed organoid disease models.	We invested in, and formed a strategic collaboration with, Signet in 2020, with a view to combining our AI, quantum physics-based computation, and automation capabilities with Signet's unique novel organoid disease models to generate first-in-class pipeline candidates. Our quantum physics-based computation combined with our AI models and domain knowledge can generate novel scaffolds beyond the conventional boundaries of known chemical space and predict molecular behaviors as well as important physicochemical and pharmaceutical properties with enhanced accuracy. We will then synthesize top-ranking molecules in our wet lab for biological and functional evaluation, with the results used to further fine-tune our AI models.	As of the Latest Practicable Date, Signet had developed two innovative drug candidates, the world's first diffuse gastric cancer targeted drug candidate, FAK, in the IND-enabling stage, and a pan-cancer targeted drug candidate, Hippo, in the lead-PCC stage.	According to Frost & Sullivan, the size of the global gastric cancer medication market was approximately US$16.3 billion in 2022 and is expected to increase to approximately US$34.3 billion in 2030.

Collaborator-Investee	Background	Relationship	Drug Pipeline	Market Potential of Our Collaborators' Pipeline
Leman	Leman is a biotech company focusing on the development, production, and commercialization of novel tumor immunotherapy drugs, while actively expanding its strategic presence in developing novel immunotherapy platforms. It has received recognition for its breakthrough core technology of metabolic reprogramming in exhausted T-cells that can dramatically improve the efficacy of multiple immunotherapies from a wide range of well-known strategic investors and private equity funds around the globe.	We invested in, and established a strategic collaboration with, Leman in 2022, with a view to facilitating next-generation cancer immunotherapy escalation by jointly developing an AI-enabled superkine R&D platform, leveraging our expertise in AI, quantum physics-based computation and automation capabilities, to improve the design and discovery capabilities of metabolic reprogramming regulators and accelerate the development of novel tumor immunotherapy.	As of the Latest Practicable Date, Leman had developed a metabolic enhanced cell therapy product, Meta10-19, in the IIT clinical research stage, and an innovative biomacromolecule drug, IL-10-Fc, in the CMC and non-clinical research stages. We believe that IL-10-Fc has the potential to be widely used in combination with different existing immunotherapies for patients with multiple solid cancers, including colon cancer and melanoma; while Meta10-19 has the potential to be a next-generation therapy for patients with diffuse large B cell lymphoma and B-cell acute lymphoblastic leukemia cancers.	According to Frost & Sullivan, the size of the global cancer immunotherapy market was approximately US$50.2 billion in 2022 and is expected to increase to approximately US$219.7 billion in 2030.

Case Study—Drug Discovery Collaboration for Pre-clinical Candidates

Problem. Triple negative breast cancer ("**TNBC**") is considered to be more aggressive and have a poorer prognosis than other types of breast cancer. Our collaborator identified a novel target associated with TNBC and proposed to develop pre-clinical candidate molecules with promising druglike properties. The target identified by our collaborator has four highly homologous isoforms, therefore it is challenging to derive selective candidate molecules that address only the target at issue without affecting other isoforms.

Solution. We constructed models for the four isoforms as the selectivity filter and utilized our AI-powered molecule generation methods and binding affinity prediction platform, XFEP, to sample and evaluate millions of molecules. In particular, our XFEP allowed us to predict the binding affinities of different molecules to the isoforms and eliminate those that are predicted to not distinguish the target from other isoforms. For each iteration of combined *in silico* and wet lab studies, we deployed various structure- or AI-based methods to prioritize a small set of promising molecules. Our medicinal chemists then evaluated the results and further narrowed down to approximately ten molecules for synthesis and wet lab experimentation.

Result. Within approximately 15 months, we recommended four highly selective pre-clinical candidates in two different scaffolds. Currently, our collaborator is in the process of evaluating those candidate molecules in IND-enabling studies.

OUR INTELLIGENT AUTOMATION SOLUTIONS

Our intelligent automation solutions leverage our AI and robotic automation to empower our wet lab to provide stable and reliable data and results in a more efficient, accurate, and scalable way. Our intelligent automation capability is a natural extension of our automation, digitization and AI capabilities. Automation can reduce human errors and experiment costs, thus enhancing experimental efficiency and quality; digitization can connect all the data and make the data processing and analysis more visible and accessible; and AI can transform our perception of data from a simple statistical analysis mode and experience-driven R&D mode to an AI model-driven innovative R&D mode, helping us more efficiently discover points of variation and the corresponding new rules and patterns in the R&D process.

Our intelligent automation solutions comprise primarily solid-state R&D services and automated chemical synthesis services catered to our drug discovery customers and collaborators, and plan to strategically focus on providing standard or customized automation solutions to prospective customers in the pharmaceutical and material science industries.

The table below sets forth our revenue from our intelligent automation solutions by business line for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
			(RMB'000)	
Solid-state R&D services	22,678	23,296	27,756	23,629
Automated chemical synthesis	–	55	17,931	20,077
Others[(1)]	292	102	–	165
Total	22,970	23,453	45,687	43,871

Note:

(1) Income from other services pursuant to customers' requests, including lease income in 2020 and 2021, and income primarily from the provision of automation solutions in the six months ended June 30, 2023.

The table below sets forth the number of intelligent automation solutions programs which generated revenue during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Solid-state R&D services	99	166	198	133
Automated chemical synthesis services	–	1	48	76
Others[(1)]	1	1	–	2
Total	**100**	**168**	**246**	**211**

Note:

(1) Income from other services pursuant to customers' requests, including lease income in 2020 and 2021, and income primarily from the provision of automation solutions in the six months ended June 30, 2023.

The increases in revenue and the number of programs in our solid-state R&D services and automated chemical synthesis services during the Track Record Period reflected our strategic focus on our intelligent automation solutions, which we expect to further grow in anticipation of our provision of standard or customized automation solutions.

Solid-state R&D Services

Overview

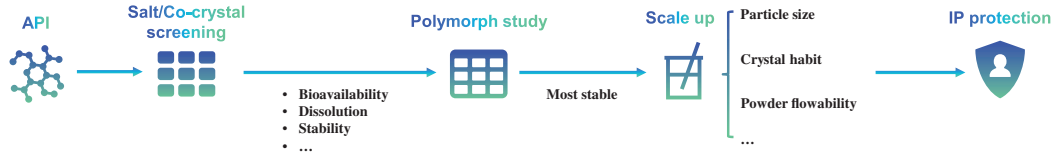
Solid-state R&D plays a critical role throughout the drug development cycle. Typically, solid-state studies are required in at least three stages of drug development: pre-clinical stage, post-Phase I clinical studies, and post-Phase II clinical studies, with the purpose of identifying suitable and thermodynamically stable crystal forms for *in vitro* studies, scale-up studies, and patent protection. The quality of solid-state studies directly affects various aspects of drug R&D. According to Frost & Sullivan, we are a global leader in providing computational solid-state R&D services, as assessed by our AI capabilities and the number of completed computational programs in 2022. We are one of the few companies globally that are able to simultaneously provide computational CSP services and experimental polymorph screening and selection services, according to the same source.

The flagship program of our solid-state R&D is the study of crystal forms. Many compounds crystallize into more than one distinct crystal form, a phenomenon known as polymorphism, which is particularly important for pharmaceutical molecules as the bioavailability and efficacy of drugs can be significantly affected by a particular crystal form. Thorough solid-state studies are crucial for obtaining patent protections for the critical crystal forms of a particular drug molecule.

Traditional solid-state R&D mainly relies on the practical experience of researchers and requires a large amount of experimental screening that does not guarantee full elucidation of all crystal forms, which in turn, leads to a potential risk to drug bioavailability and effectiveness, according to Frost & Sullivan. In contrast, we are dedicated to enhancing solid-state R&D workflow by combining theoretical computation and wet lab experimentation, which is designed to encompass major steps of solid-state R&D from full screening and characterization of crystal forms to crystallization process development. Our solid-state R&D services can efficiently and effectively address challenges that traditional solid-state R&D methods face, such as API low solubility, poor *in vitro* stability, hygroscopicity, unclear API conformation, and polymorphic risk.

We have achieved favorable results that demonstrate the value of our solid-state R&D services. As an illustration of the quality of our services, we had achieved a 100% success rate in all of the CSP programs we conducted for small molecules as of the Latest Practicable Date.

The following diagram demonstrates our approach to and advantages in solid-state R&D compared to traditional methods:



Goal	Crystallinity, solubility, stability	Most stable form 3D crystal structure	Efficient and stable scale-up	Comprehensive IP protection
Traditional way	10-20 common counterions/co-formers	200+ screening experiments	Only focusing on the problems in the crystallization process	Doing more experiments blindly
XtalPi	**Virtual screening** of **70** co-formers + experiments	Screening experiments + **MicroED+ CSP**	**Morphology prediction** + process optimization	Experiments + **CSP**
Our advantage	**Larger** screening scale **Higher** success rate	**De-risk** Determination of crystal structure with **fast and high success rate**	**Solving problems** from properties of crystal	**Improving completeness** of study obtaining more IP rights

Our solid-state R&D services encompass computational services, wet lab experimental services, and integrated solutions which is a combination of computational services and web lab experimental services.

Our Computational Services

Leveraging our years of experience and expertise in enhancing our *in silico* tools for solid-state studies, we believe we are differentiated from our peers in the solid-state R&D industry by our core competence in conducting computational studies to predict the crystal structure and morphology of solid-state drugs. Such computational studies help better inform the subsequent wet lab experimentation and reduce the risk of failures in drug development and patent protection.

Crystal Structure Prediction

Traditionally, crystal polymorph studies rely almost exclusively on experimental screening. However, under the constraints of time and with a limited supply of raw materials, it is often challenging to determine the best crystal form for drug development or ensure completeness in the landscape of crystal forms. We offer a combination of quantum physics-based computation and AI-powered CSP service that help transform the CSP process. Our CSP service is able to identify stable crystal forms and provide thermodynamic stability ranking of different structures across a range of temperatures (0K-400K) efficiently. See "—Our Technologies and Closed-loop Integrated Technology Platform—Our Quantum Physics-based Computation Capabilities—Crystal Structure Prediction ("**CSP**")" for details of our CSP technologies.

Virtual Coformer, Salt, Solvate and Carrier Screening

We are capable of conducting computational screenings to recommend suitable co-crystal coformers, counterions, solvents, and carriers to potentially accelerate solid-state R&D, reduce costs, avoid empirical omissions and increase the likelihood of successful identification of coformers, counterions, solvents or carriers. With our advanced virtual screening techniques, we can conduct rational design enabling us to deliver a list of promising coformers or counterions to our customers in just one week and ultimately recommend approximately 20 promising coformers or counterions for the follow-up experimental studies within a short timeframe of two to three weeks.

Morphology Prediction

Crystal morphology, which can be highly dependent on crystallization conditions, is one of the key properties affecting the flowability, compressibility and dissolution of pharmaceutical solids. Our morphology prediction is based on multiple computation models to systematically explore the variability and controllability of the crystal morphology. It facilitates rational design of the relevant crystallization parameters to obtain a desired morphology for industrial processes in order to resolve issues such as difficulty in filtration or wide distribution of particle size.

Our Wet Lab Experimental Services

In addition to our computational services, we conduct wet lab experimentation for solid-state R&D to support our internal research efforts and suit our customers' particular needs. Our wet lab capability encompasses various stages of solid-state R&D from early solid form screening to process development for scaled-up production. Combining our improved algorithms and experimental expertise, we can design and customize as well as effectively perform the solid-state screening process through our proprietary automated crystallization workstations. We have also established technical capabilities with microcrystal electron diffraction ("**MicroED**") to facilitate structure determination and circumvent limitations of traditional methods, such as single X-ray diffraction that requires large size, single-phase crystal in regular shape and uniform orientations.

Polymorph Screening and Selection

We incorporate our CSP technology to locate low-energy structures as clear targets for the screening experiments to ensure the completeness of polymorph screening and mitigate the risk of missing stable forms. We also compare the experimental results with the computationally generated energy ranking to evaluate the relative stability between crystal forms.

Salt Screening and Selection

When a free form API has undesired solubility or stability properties, a common optimization strategy is to screen for possible salt forms and select the optimal form for subsequent R&D. Our systematic salt screening and selection service combines virtual counterion screening with solvent system recommendation for the testing of more than 10 of

each of acidic and alkaline counterions in salt forming reactions with the free form API. The resulting samples are characterized by a series of methods to confirm the formation of salt form, determine certain parameters such as the ratio of counterions, and assess the thermodynamic properties. For the salt forms with desired properties, we can then carry out scaled-up production and systematic characterization studies, such as hygroscopicity, stability and solubility, to select the optimal salt form for the subsequent R&D.

Crystal Structure Determination

Once a crystal form of a particular drug candidate is available, it is critical to determine its crystal structure. We can obtain structural information primarily by two experimental methods: MicroED and the traditional single-crystal X-ray diffraction. MicroED uses electron beams with stronger interactions with atoms in the crystal than X-rays, resulting in stronger diffraction patterns. Compared to the traditional single-crystal X-ray diffraction method, MicroED lowers the requirements for the crystal samples in terms of shape, size and purity, and can solve the crystal structure in a shorter time which may improve the efficiency of crystal structure determination. Our MicroED platform also features an automated process that integrates sample loading, particle targeting, photograph, and on-the-fly monitor of data-collection progress capabilities. A structure determination program can be completed within just two to three weeks, compared to the two months typically required by traditional methods. According to Frost & Sullivan, we are one of the few companies globally that have developed technical capabilities on MicroED.

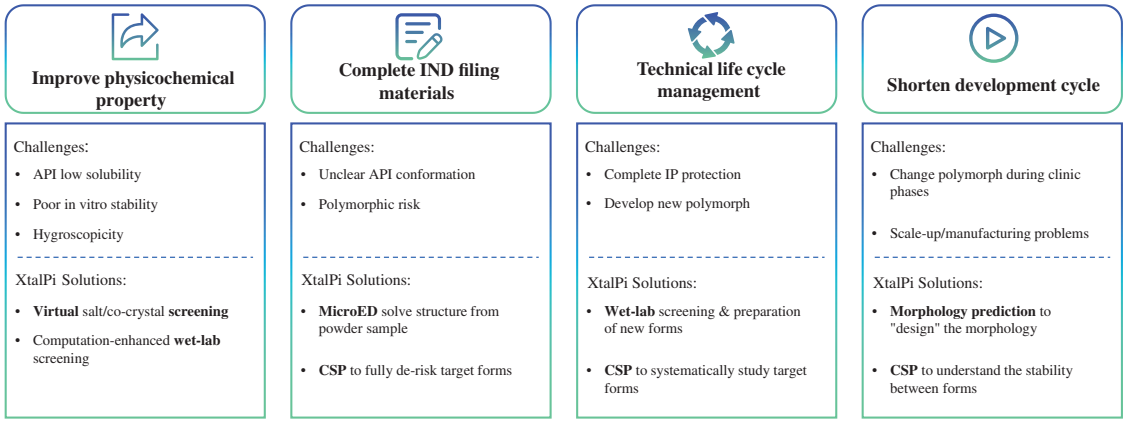
Crystallization Process Development

Crystal form research on an API forms the nexus between its chemical synthesis and subsequent formulation development. A fundamental part of crystal form research is to ensure reproducible and scalable production of the desired crystal form selected from solid-state studies. Our crystallization process development services help customers establish a scientific and rational crystallization process to generate the selected crystal form, as well as improve the overall quality of the API by optimizing yield, purity, solvent residue, particle size and particle size distribution, and bulk density, among others. For example, we optimize process conditions to avoid needle-shaped crystals that are fragile, because such crystals may break easily in the agitation and filtration process and produce a large number of secondary nucleation sites that negatively affect the final crystal size and form. We also systematically investigate approaches to optimize the crystal size and size distribution to reduce risks associated with uneven size distribution that could lead to dissolution issues and quality fluctuations of the crystal form.

Our Integrated Solutions

Beyond individual computational or experimental services, we offer integrated solutions that combine our expertise in both computation and experimentation to cater to our customers' needs and address multiple aspects of their solid-state R&D endeavors. As of the Latest Practicable Date, we offered a series of solutions that encompass solid-state property screening for lead molecules, solubility improvement studies, crystallization process development and crystal structure determination for challenging molecules, polymorph risk assessment for medicinal crystal form, and polymorph patent breakthrough studies for generic drugs.

The below chart illustrates our "Experiment + Computation" integrated service platform, providing advanced, high-quality, and high-efficiency solid-state R&D services.



The following case studies demonstrate how our solid-state R&D services are applied to empower our customers and collaborators.

Case Study—MicroED and Experimental Screening: Structure Determination

Problem. A Chinese innovative drug development customer aimed to acquire a specific salt crystal form of a drug candidate. We were engaged to carry out extensive solid-state R&D, including salt screening, polymorph screening of the chosen salt, and determination of the crystal structure of the selected polymorph. Moreover, since the sample is a salt, we were also responsible for identifying the protonation site of the salt.

Solution. Starting from the freebase sample, we conducted a salt screening with various counterions to identify the optimal salt candidate, following by an extensive polymorph screening of the chosen salt. The polymorph screening yielded several crystallized powder samples, but no single crystal was obtained. As a result, solving the crystal structure using the traditional single-crystal X-ray diffraction method was not feasible. To solve this problem, we deployed our MicroED to determine the crystal structure directly from the powder sample.

Result. We conducted a salt screening with 15 different counterions, involving a total of approximately 45 experimental trials, within two months. The characterization of the obtained salts suggested that the dihydrochloride salt is the optimal candidate. Subsequently, we performed a 200-trial polymorph screening on the dihydrochloride salt within another two months. The polymorph screening yielded only three poorly crystallized powder samples from the dihydrochloride salt, indicating that it is difficult to crystallize. It is nearly impossible to determine the crystal structure with the limited amount of poorly crystallized powder samples with traditional methods. However, we successfully determined the crystal structure of one of these powder samples using our MicroED method within one week. The structure revealed that the sample is a monohydrated dihydrochloride salt and identified the actual protonation site in the API cation.

Automated Chemical Synthesis Services

Chemical synthesis is the process where chemical reactions are performed to convert a reactant or starting material into compounds, which is time-consuming and costly. We began leveraging our automation technology and capabilities to provide automated chemical synthesis services in December 2021, as an upgrade to our traditional non-automated chemical synthesis services. We have developed an in-house automation system, XtalDynamics, which is able to accelerate the chemical synthesis process, improve data quality, and generate a large scale of data 24 hours per day, while ensuring occupational safety with minimum human intervention. In addition, our automated robotic workstations can enable higher throughput of reaction conditions screening and optimization, accelerate the synthesis of intermediates, and significantly improve the efficiency of synthesis of compound libraries.

Case Study — Synthesis of Compound Library

Problem. Our customer sought to complete the synthesis of 400 molecules for building a compound library within four weeks.

Solution. We adopted the "human-machine" model: assigning an automated synthesis robotic workstation to this program, supervised and validated by one researcher and one lab operator.

Result. Our researcher set up approximately 600 synthesis reactions online, and the assigned robotic workstation speedily completed all the parallel reactions in just five days, as compared to at least three weeks in a traditional lab. Our purification team and compound management team managed to complete the entire program in nine days with a compound library of approximately 392 target compounds delivered to our customer. As demonstrated, our automated synthesis solution significantly increased efficiency and reduced the waiting period and costs for our customer, as compared to a traditional lab.

We will strive to scale our intelligent automation solutions business by applying our automation technology and capability in other high value sectors and business scenarios, such as the provision of automation solutions to companies engaging in pharmaceutical and material science. See "—Our Future Development—Intelligent Automation."

OUR FUTURE DEVELOPMENT

To unleash the potential of our integrated technology platform, R&D capacity, and accumulated expertise and experience, we have launched our XtalPi R&D Solutions program in late 2022 to expand our business in other sectors, such as material science and automation.

We have and will continue to engage in molecular design for industrial purposes. Our XtalPi R&D Solutions business is expected to leverage similar well-established technologies as those for our drug discovery customers, making the R&D of new materials a natural extension of our existing business. We believe the combination of our drug discovery expertise, solid-state R&D capability, AI-powered quantum physics-based computation, and high-throughput standardized and automated wet lab facilities will enable us to offer R&D solutions beyond the pharmaceutical industry.

Material science

Our quantum physics-based AI-powered integrated platform can also be applied to new problems of interest and new fields of study. Since the underlying physics that drives a biologic to bind to its target is no different than the physics that drives a small drug molecule to bind to a protein, we have been able to successfully apply these technologies to the discovery of biologics. Similarly, the physics underlying the properties of materials is no different than the physics underlying the properties of drug molecules. Therefore, we believe we are able to apply our integrated technology platform to material science applications, including in the fields of biomaterials, novel chemical compound for agritech applications, new chemical surfactant and catalyst, and cosmetics and healthcare products.

Advanced technologies, such as quantum physics-based computation, automation and AI, have transformed the R&D of new materials. Similar to traditional drug discovery efforts, traditional approaches to discovering new materials also require significant time and efforts, which may take as long as 10 to 20 years to bring new materials to the market. We are committed to leveraging our technology to transform the way new materials are discovered, including the integration of our proprietary quantum physics-based AI-powered integrated platform to our XtalPi R&D Solutions.

Biomaterial

We believe that the material science industry is only beginning to recognize the potential of computational methods. According to Frost & Sullivan, global material science R&D expenditure is expected to increase at a CAGR of 13.1% from US$66.4 billion in 2022 to US$177.9 billion in 2030, while material science R&D expenditure in China is expected to increase at a CAGR of 18.7% from US$14.8 billion in 2022 to US$58.5 billion in 2030. As predicted by Organization for Economic Co-operation and Development ("**OECD**"), approximately 20% of petroleum-based products will be replaced by bio-based products over the next decade in the U.S. Shifting towards bio-based products in place of petroleum-based products not only aids in effectively reducing carbon emissions, but also aligns with global and

China's zero carbon strategies. Recognizing the unprecedented opportunity presented by the emerging transformation of traditional pollutant materials and to contribute to a better environment, we are leveraging our quantum physics-based computation, AI, and standardized and automated wet labs to address the challenges of time-consuming processes, high costs, low efficiency, and environmental contamination associated with the traditional R&D of new materials.

We formed a joint venture with Zhongke Guosheng (Hangzhou) Technology Co., Ltd. ("**GS BIOMATS**") in May 2022 to capitalize on the transition from petroleum-based materials to bio-based materials. Through the joint venture, we have established a proprietary UpChemist.AI platform, which integrates our quantum physics-based computation, AI, and automation capabilities with GS BIOMATS' expertise in product industrialization. Our UpChemist.AI platform is designed to combine structural design, property screening, process optimization, robotic automation, and our domain expertise to accelerate and scale the R&D and commercialization of bio-based materials.

We have made some progress in the R&D of bio-based surfactants. In a collaboration program between our joint venture and the Institute of Chemical Engineering of the Guangdong Academy of Sciences, the UpChemist.AI platform substantially shortened the R&D cycle of the new surfactants. Within merely four months, we successfully developed a new type of furan-based bio-based surfactant that is able to outperform the generally used petroleum-based surfactants. The new bio-based surfactant has generated better results when evaluated for detergency in certain different scenarios, such as better foaming and hard water resistance, compared with the traditional petroleum-based surfactants. In addition, the new bio-based surfactant demonstrates superior corrosion inhibition properties in metal processing.

Agritech

We foresee huge market potential for smart technologies to be applied in many aspects in the agricultural industry. According to Frost & Sullivan, the size of the global AI solution in agriculture industry is expected to increase at a CAGR of 34.0% from US$5.4 billion in 2022 to US$56.0 billion in 2030. To seize such opportunities, we have assembled a sophisticated, experienced team, consisting of industry leaders and academics, with a view to innovating the agricultural industry. We are exploring the opportunity to form a collaboration with a global market leader in the agriculture industry.

Cosmetics Products

We also plan to leverage our R&D capabilities to tap into the cosmetics and healthcare industries, which have significant market potential. We believe that our technologies and expertise accumulated in our provision of drug discovery solutions will enable us to innovate in the cosmetics and healthcare industries and outperform other market participants. According to Frost & Sullivan, the size of the global AI solution in the beauty and cosmetics industry is expected to increase at a CAGR of 34.0% from US$2.7 billion in 2022 to US$28.1 billion in 2030. We aim to help cosmetics and healthcare companies identify high quality products and accelerate their product development process.

We entered into a strategic cooperation with Edelweiss Connect ("**EwC**"), a Swiss product design and risk assessment solution provider, in July 2023, to jointly develop AI-powered skincare product safety assessment solutions by integrating machine learning, *in vitro* assays and high-content cellular imaging analysis technology. The aim of this strategic collaboration is to provide an integrated *in silico* and *in vitro* assessment method in lieu of animal testing, which is expected to be more accurate and reliable for the risk assessment of skincare products and at reduced costs and time. We anticipate that future applications of such safety assessment methods will be applied in other safety endpoints for healthcare products, environmental chemicals, and pharmaceuticals, ultimately delivering significant social and economic benefits to different industries and the society.

New Materials and Chemicals

We are committed to contributing our technologies and experience in drug R&D to the development of new materials and chemicals. By embracing the global trend of reducing carbon emissions, we aim to booster our R&D solutions business by discovering and developing more environment friendly materials. We are in the process of developing automated synthesis of petrochemicals and new materials for electric vehicle ("**EV**") batteries.

Intelligent Automation

We launched our intelligent automation solutions with a goal of spearheading the design and production of next-generation lab automation platforms, with emphases on efficiency, flexibility, scalability, seamless integration with third-party hardware and software, and digital-twin applications. Our aim is to create a robust, intelligent R&D infrastructure, curate tools tailored for optimal data flow, and lead the charge in next-generation automated lab solutions.

Our intelligent automation solutions will strategically focus on providing standard or customized automation solutions to empower our customers to scale their business, enhance their product or service quality, and reduce their operational costs.

Our self-designed ChemPlus is an example of our efforts in offering standard automation solutions. ChemPlus is a smart desktop solid sampler, designed to be more accurate, efficient and user-friendly than manual methods. It is powered by AI algorithms, enabling smart parameter adjustment and supporting data tracking throughout the process. Our ChemPlus provides flexible, high-throughput processing of a wide range of solid samples, such as large, fluffy, highly viscous and static solid powder samples. ChemPlus is equipped with a touch screen for easy and efficient operation which allows users to set up multiple experimental tasks

at the same time. It can automatically execute and complete tasks without human intervention. ChemPlus has six receiver trays for precise loading of samples to different sizes or types of vials and multi-well plates, with sample weights ranging from 1 milligram to 20 grams.

SIGNIFICANT COOPERATIONS AND COLLABORATIONS

Cooperation with Pfizer

In April 2018, we entered into a ten-year strategic Master Collaborative Research and License Agreement (the "**Pfizer Master Agreement**") with Pfizer, pursuant to which Pfizer and we have engaged in strategic research collaborations to develop hybrid physics- and AI-powered technologies to accelerate drug R&D.

Building upon our existing relationship with Pfizer for CSP, this research collaboration aims to help us and Pfizer further advance our capability in computation-based rational drug design and solid-form selection. For example, our quantum physics-based computation have enabled Pfizer scientists to perform CSP calculations in a matter of days, while traditional methods may take up to four months. We believe that this collaboration is already changing the way Pfizer performs its screening work and has the potential to disrupt the industry as a whole.

To date, we have collaborated with Pfizer to carry out multiple research plans, including the development of optimized force field parameters. Force field parameters provide a description of intramolecular and intermolecular interactions and are an essential component for the structure-based drug design predictions and CSP studies. We believe that our strategic cooperation with Pfizer evidences industry recognition of our capabilities in quantum physics-based computation and AI-powered solid-state R&D and presents a valuable opportunity to upgrade our technologies. See "Our Technologies and Closed-loop Integrated Technology Platform—Our Quantum Physics-based Computation Capabilities—Crystal Structure Prediction ("**CSP**")—Case Study—Crystal Structure Prediction: Development of Paxlovid" for an example of our cooperation with Pfizer.

Cooperations with CK Life Sciences

CK Life Sciences, a member of the CK Hutchison Group, is listed on the Stock Exchange of Hong Kong (stock code: 0775). CK Life Sciences engages in the business of R&D, manufacturing, commercialization, marketing, sale of and investment in products and assets which fall into three core categories, including nutraceuticals, pharmaceuticals & diagnostics, and agriculture-related products. Its healthcare R&D focuses on the R&D of tumor vaccines and pain management products, and early tumor detection.

We entered into a three-year collaborative research agreement (the "**CK Life Sciences Agreement**") with CK Life Sciences in November 2022, to jointly develop a novel AI-powered tumor vaccine R&D platform to improve the discovery and design capabilities of tumor vaccines and accelerate the development of more vaccine types. Our goal of this collaboration is to realize precision treatment for patients worldwide.

According to Frost & Sullivan, the size of the global cancer immunotherapy market was approximately US$50.2 billion in 2022 and is expected to increase to approximately US$219.7 billion in 2030, with a CAGR of 20.3% from 2022 to 2030. The existing design and pre-clinical development process for tumor vaccines is complex and lengthy, hindering the efficiency and success rate of tumor vaccine R&D. To address these unmet medical needs, we collaborated with CK Life Sciences, leveraging our advanced technologies and industry expertise in quantum physics-based computation, AI, and robotic automation, to build an AI-powered tumor vaccine R&D platform that applies advanced AI algorithms and high-precision molecular modeling to predict and design a variety of tumor vaccines that can activate specific immune responses to kill tumors. Tumor vaccines will be screened and verified through intelligent robotic wet lab experiments. By integrating algorithmic feedback to optimize activity and efficacy, we expect the platform to generate pre-clinical tumor vaccine candidate compounds with robust immune activity.

Expanding upon our existing partnership, we entered into a three-year agreement with CK Life Sciences in October 2023 to explore and develop clinically usable, high-precision mRNA-based molecular diagnostic models for prognostic risk prediction which may enhance the ability of physicians to assess the risk of cancer recurrence and implement better-tailored postoperative treatment plans to improve the survival rate and quality of life of patients. Leveraging our AI capabilities and machine learning models, we expect that this program will lead to the development of advanced intelligent solutions for the processing and modeling of holistic multidimensional biomedical data, biomarker discovery, and postoperative recurrence risk prediction. Furthermore, we intend to utilize the crucial biomarkers to be identified in this program to further enhance our computational modeling capabilities in clinical diagnosis, disease management, and the screening of novel therapeutics, and to lay the foundation for our future programs involving larger and more complex datasets.

Collaboration with a global leading pharmaceutical company headquartered in Indianapolis, Indiana

We entered into an AI small molecule drug discovery collaboration worth up to US$250 million with a global leading pharmaceutical company headquartered in Indianapolis, Indiana, in April 2023. Our collaboration aims to develop the drug candidates which target a disease that currently has huge unmet medical needs. We will leverage our AI capabilities and automated robotics platform for the *de novo* design and delivery of a novel compound, which will be advanced by this collaborator through clinical and commercial development. In particular, our small molecule drug discovery platform will help to create and explore a target-specific mega chemical space, as well as identify a promising lead series. We will conduct tests on each synthesized molecules group using our internal biochemical, pharmacodynamic, cellular and pharmacokinetic assay capabilities. The program-specific R&D data will be fed into generative AI models through iterative cycles of design, making, testing and analysis. By using multiple autonomous robotic workstations, we are able to perform precise and energy-efficient parallel chemical synthesis and assays 24 hours per day. With our closed-loop of AI and quantum physics algorithms working in sync with the data factory of large-scale robotics experiments, we believe we are uniquely equipped to tackle challenging novel targets for this collaborator.

COMMERCIALIZATION AND BUSINESS SUSTAINABILITY

Commercialization

We believe our commercialization efforts have and will continue to contribute to our rapid growth and market leadership. The following is a brief summary of our commercialization plans in the U.S. and Europe:

Scale our existing solutions and services

We will continue to scale our drug discovery solutions and solid-state R&D services.

- We plan to scale our flexible modular drug discovery solutions spanning the entire drug discovery process to increase the accessibility of our solutions, broaden our customer base and grow our business. See "—Our Growth Strategies—Enhance our service capabilities and expand our service offerings in the biotechnology and pharmaceutical industries and beyond."

- We will also continue to strengthen our technologies and improve our service capabilities to further grow our drug discovery and solid-state R&D business.

Expand into new modalities, business scenarios, and industries

We plan to leverage our technologies, domain expertise, and experiences derived from our existing business to expand our business into new modalities, business scenarios, and industries.

- We will explore more therapeutical modalities, such as PROTAC, ADC, peptide, and RNA.

- We will apply our technologies in more business scenarios. For example, we will apply our automation technology to petroleum engineering, in addition to existing offerings of chemical synthesis services.

- We will expand our service offerings into more industries. For example, our quantum physics-based computation capability enables us to expand into other high value sectors naturally, such as material science (including agritech, energy, cosmetics, and healthcare).

See "—Our Growth Strategies—Enhance our service capabilities and expand our service offerings in the biotechnology and pharmaceutical industries and beyond" for details.

Advance intelligent automation business

We will strategically focus on expanding our intelligent automation businesses, as we believe automation is effective in accelerating R&D process, improving operational efficiency, and enhancing product or service quality. We plan to leverage our automation technology and capability to provide standard or customized automation solutions to prospective customers that desire streamlined operation process, and provide customized automation solutions to cater to customers' different and evolving needs.

See "—Our Growth Strategies—Advance the science underpinning our integrated technology platform."

Expand globally Our revenue generated from China has accounted for the largest portion of our total revenue. In addition, according to Frost & Sullivan, the U.S. and Europe still dominate the pharmaceutical industry and have the largest market shares. Therefore, to further our growth and commercialize our solutions or services more effectively, we plan to invest more efforts and resources to expand our business globally, particularly in the U.S. and Europe, while maintaining our established business in China. For our detailed commercialization plan on global expansion, see "—Our Growth Strategies—Expand our global footprint."

To date, we have served more than 100 global biotechnology and pharmaceutical companies and research institutions, including 16 of the top 20 global biotechnology and pharmaceutical companies in terms of revenue in 2022, according to Frost & Sullivan. In addition, we have been and will continue to explore collaborative opportunities with global biotechnology and pharmaceutical conglomerates to sustain our growth. For example, we had well-established long-term relationship with Pfizer and Johnson & Johnson, which showcases our superiority and demonstrates our prospects. See "—Significant Cooperations and Collaborations" for more details.

Business Sustainability

During the Track Record Period, we achieved significant growth in revenue generated from our drug discovery solutions and intelligent automation solutions. Several of the drug discovery programs developed for our customers and our drug discovery collaboration programs have achieved remarkable progress, by entering into the IND-enabling stage. Our revenue increased from RMB35.6 million in 2020 to RMB62.8 million in 2021, and further to RMB133.4 million in 2022, representing a CAGR of 93.4%. Our revenue also increased significantly by 86.3% from RMB42.9 million in the six months ended June 30, 2022 to RMB80.0 million in the six months ended June 30, 2023. The substantial increase in our revenue and our rapid business growth during the Track Record Period demonstrate our commercialization capability and business sustainability.

We had a net loss of RMB734.4 million, RMB2,137.3 million, RMB1,438.6 million and RMB620.3 million in 2020, 2021 and 2022, and the six months ended June 30, 2023, respectively. Our net losses were primarily due to the significant amounts of fair value changes in CRPS and other financial liabilities, and to a lesser extent, due to our R&D expenses, general and administrative expenses, contract fulfillment costs, and selling and marketing expenses incurred during the Track Record Period. The absolute dollar amounts of our fair value changes in CRPS and other financial liabilities, R&D expenses, general and administrative expenses, contract fulfillment costs, and selling and marketing expenses increased throughout the Track Record Period as our business grew rapidly and the valuation of our business increased continuously. We have started and will continue to implement prudent measures to manage our costs and operating expenses. Eliminating the impact of items including (i) share-based compensation expenses and (ii) fair value changes in CRPS and other financial liabilities, we generated an adjusted net loss of RMB121.9 million, RMB271.0

million, RMB437.4 million and RMB357.5 million in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. Adjusted net loss is a non-IFRS measure. See "Financial Information—Non-IFRS Measure."

We believe we have adequate cash reserves and available funds to support our business operations and future expansion. During the Track Record Period, we had funded our cash requirements primarily with capital contributions from our Shareholders and cash inflows from our business operations. We had (i) RMB3,211.1 million of cash and cash equivalents, current portion of term deposits, restricted cash, and current portion of financial assets at fair value through profit or loss; and (ii) RMB34.0 million of short-term bank borrowings, as of June 30, 2023. We had RMB290.0 million of unutilized bank facilities as of September 30, 2023. We believe our total cash balance and available funds are sufficient to cover our cash outflows used in operating activities and provide adequate liquidity for our business expansion for the next 12 months from the date of this document. As such, we believe that we possess sufficient working capital, including sufficient cash and liquidity assets to support our business operations and future expansion, after taking into account the financial resources available to us.

We also have robust ongoing programs in our businesses of drug discovery solutions, solid-state R&D services, and automated chemical synthesis services. For example, we are collaborating with a global leading pharmaceutical company headquartered in Indianapolis, Indiana, on a drug discovery program worth up to US$250 million.

We recorded net losses and net operating cash outflow during the Track Record Period, and we expect that such positions may continue until we achieve a greater scale. In the future, we aim to maintain sustainability and achieve profitability through: (i) enriching and expanding our solutions and services; (ii) expanding customer base, enabling cross-selling and diversifying revenue sources; and (iii) enhancing our operational efficiency and attaining economies of scale.

We will further enhance commercialization efforts for our solutions and services, and will continue to upgrade our closed-loop integrated technology platform and our solutions offerings. See "—Our Future Development." Based on (i) certain upfront payments we have received are expected be recognized as revenue as we continue fulfilling our contracts, (ii) certain milestone payments will be recognized as revenue as they are approaching the completion stage, and (iii) the increase in the number of contracts to be signed as we continuously expand our drug discovery solutions and intelligent automation solutions business, we anticipate that we will be able to qualify as a Commercial Company (as defined in Chapter 18C of the Listing Rules) by 2025. See "Risk Factors—Risks Related to the Commercialization of Our Solutions and Services" for relevant risks associated with the commercialization of our solutions and services.

RESEARCH AND DEVELOPMENT

Our R&D team, led by our three MIT-trained scientists and Co-founders, consisted of more than 700 scientists and technologists, as of the Latest Practicable Date. They possess multi-disciplinary expertise in algorithm design, physics, biology, chemistry, pharmaceutical R&D, and automation and robotics that collectively bring insights and experience to our R&D. Our R&D staff have exceptional backgrounds, with many holding advanced degrees and having gained valuable experience from leading global academic institutions and well-recognized industry participants. A majority of our R&D team have a master's degrees or above. In particular, as of the Latest Practicable Date, approximately 90 members of our R&D team hold Ph.D. degrees in various fields, including chemistry, biology, medicinal chemistry, organic chemistry, physical chemistry, biochemistry, and computational biology. Among them, 21 individuals have been recognized as "leading talent," "national expert" or "overseas high-caliber personnel" under the talent programs in China. As of the Latest Practicable Date, we had more than 120 granted patents, approximately 27 ongoing drug discovery programs, and four R&D facilities with more than 10,000 sq.m. of lab space. During the Track Record Period, our R&D expenditure increasing from RMB83.8 million in 2020, to RMB214.4 million in 2021, and further to RMB359.0 million in 2022, accounting for approximately 51.8%, 52.4% and 53.5% of our total operating expenditure in the same years, respectively.

We also have a dedicated innovation team, the XIC team, in Beijing, China, which focuses on fundamental innovation through AI, scientific computing and advanced experimental technologies to continue developing the application of AI and automated experimental technologies in life sciences and other high value sectors such as material science (including agritech, energy, cosmetics, and healthcare). The XIC team, led by our Co-founder Dr. Lai, possesses robust expertise in AI, such as deep learning, data mining and multi-method integration to define and address key issues in both the R&D process and the computational algorithms. Dr. Lai, who holds a Ph.D. from the University of Chicago and conducted his postdoctoral research at MIT, has extensive research experience in AI and quantum physics applications in pharmacology. Our XIC team consisted of 25 cross-disciplinary researchers, who have on average relevant experience of six years, with approximately 68% having a master's degree or above, as of the Latest Practicable Date, with diverse expertise in, among others, computer science, chemistry, and biochemistry and molecular biology.

During the Track Record Period, we had collaborated with Pfizer for the optimization of force field parameters, and with CK Life Sciences for the development of a novel AI-powered tumor vaccine R&D platform. For more details regarding our R&D collaborations, see "—Significant Cooperations and Collaborations." We had also collaborated with various biotechnology and pharmaceutical companies as part of our drug discovery business. For more details regarding our drug discovery collaborations, see "—Our Drug Discovery Solutions—Strategic Collaborations."

To improve our R&D capabilities, we have established our intellectual property ("**IP**") incentive scheme, according to which we may grant cash incentives to our employees if they file applications for or obtain certain IP rights, receive any governmental IP awards, or help in the defense of our IP rights.

We have entered into confidentiality and invention assignment agreements, and non-competition agreements with our R&D staff, or included confidentiality, invention assignment, and non-competition clauses in the employment contracts with our R&D staff. For details, see "—Employees." We have also entered into confidentiality agreements or included confidentiality clauses in the relevant agreements with our customers and collaborators. During the Track Record Period and up to the Latest Practicable Date, we did not have any legal claims or proceedings that may have a material adverse impact on our key R&D programs and business operations.

INTELLECTUAL PROPERTY

We strive to protect and enhance our proprietary technology, inventions, and improvements that are commercially important to the growth of our business, including by seeking, maintaining, and defending patent rights. We also rely on trade secrets, know-how, continuing technological innovation, and collaboration opportunities to develop, strengthen, and maintain our proprietary position in our field.

It is important to our future commercial success to obtain and maintain patent and other proprietary protection for commercially important technology, inventions, and know-how related to our business; defend and enforce our intellectual property rights, in particular our patents, trademarks, and copyrights; preserve the confidentiality of our trade secrets; and operate without infringing, misappropriating, or violating the valid and enforceable patents and proprietary rights of third parties. Our ability to stop third parties from making, using, selling, offering to sell, or importing any technology products we develop may depend on the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities.

The patent landscape for companies like ours is generally uncertain and can involve complex legal, scientific, and factual issues. We cannot predict whether the patent applications we have filed will result in issued patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient proprietary protection from competitors. Furthermore, we cannot guarantee the issuance of patents for any future patent applications, nor can we ensure that any of our patents, present or future, will be effective in protecting our software, technology, computational platform, and any product candidates we develop. In addition, the coverage claimed in a patent application may be significantly reduced before a patent is issued, and its scope can be reinterpreted and even challenged after issuance. As a result, we cannot guarantee that any technology products we develop will be protected or

remain protectable by enforceable patents. Moreover, any patents that we hold or may hold may be challenged, circumvented or invalidated by third parties. See "Risk Factors—Risks Related to Our Intellectual Property" for a more comprehensive description of risks related to our intellectual property.

Our strategy is to file patent applications that cover our key software and programs, AI-, calculation-, and automation-related methods, systems and technologies, among others, that underlie our integrated technology platform, as well as our drug discovery programs, in an effort to secure our intellectual property positions. As of June 30, 2023, we were granted approximately 11 U.S. patents, 113 China patents, two Japan patents, two Taiwan patents, and filed 18 pending U.S. patent applications and 187 pending China patent applications. In addition, we filed 56 pending international patent applications under the Patent Cooperation Treaty ("**PCT**"), which we plan to file in the U.S., China and other jurisdictions, as well as other priority PCT applications. As of June 30, 2023, of all these patents and patent applications, approximately 412 were internally developed and approximately seven were co-developed and co-owned with third parties. While we believe that the specific and generic claims contained in our pending applications provide adequate protection for various aspects of our integrated technology platform and drug programs, third parties may nevertheless challenge such claims. Our patents are expected to expire between 2031 and 2043, absent any adjustments or extensions.

See "Appendix IV—Statutory and General Information—B. Further Information about the Business of the Company—2. Our Material Intellectual Property Rights" for the details regarding our material granted patents and filed patent applications in connection with our integrated technology platform and drug programs.

Prosecution is a lengthy process, during which the scope of the claims initially submitted for examination by the U.S. Patent and Trademark Office, the China National Intellectual Property Administration and other comparable patent authorities may be significantly narrowed before issuance, if issued at all. We expect this may be the case with respect to some of our pending patent applications.

The term of individual patents depends upon the legal term of the patents in the countries in which they are obtained. In most countries in which we file, the patent term is 20 years from the earliest date of filing a non-provisional patent application, absent any adjustments or extensions.

In addition, in the U.S., the term of a patent covering an FDA-approved drug may, in certain cases, be eligible for a patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984 as compensation for the loss of patent term during the FDA regulatory review process. The period of extension may be up to five years, but cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval. Only one patent among those eligible for an extension and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. Similar provisions are available in China, Europe and in certain other jurisdictions to extend

the term of a patent that covers an approved drug. It is possible that issued U.S. or PRC patents we may obtain in the future may be entitled to patent term extensions. If our use of product candidates or the product candidate itself receive approvals from the FDA or the NMPA, we intend to apply for patent term extensions, if available, to extend the term of patents that cover the approved use or product candidate. We also intend to seek patent term extensions in any jurisdictions where available. However, there is no guarantee that the applicable authorities, including the FDA and the Patent Administration Department under the State Council of the PRC, will agree with our assessment of whether such extensions should be granted, and even if granted, the length of such extensions.

In addition to patent protection, as of June 30, 2023, we had more than 50 copyright registrations covering our proprietary software code, and we rely upon unpatented trade secrets and confidential know-how and continuing technological innovation to develop and maintain our competitive position. However, protecting trade secrets and confidential know-how is challenging. We seek to protect our proprietary information, in part, using confidentiality agreements with collaborators, scientific advisors, service providers, employees, and consultants, and invention assignment agreements with our employees and selected consultants, scientific advisors, and collaborators. These agreements may not provide meaningful protection. There is a risk of breaches, unauthorized use, or independent development of our trade secrets or confidential information by third parties. We may not always have sufficient remedies for such breaches or unauthorized access to our proprietary information.

We also own numerous trademarks registered in China, the U.S. and foreign jurisdictions, including "XtalPi" and "晶泰科技." We pursue additional trademark registrations to the extent we believe doing so will be beneficial to our competitive position. See "Appendix IV—Statutory and General Information—B. Further Information about the Business of the Company—2. Our Material Intellectual Property Rights" to this document for further details regarding our intellectual property.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material proceedings in respect of intellectual property right infringement claims against us or initiated by us. However, there are risks if we fail to protect our intellectual property rights in the future. For details, see "Risk Factors—Risks Related to Our Intellectual Property."

COMPETITION

The global markets for drug and material science R&D and solid-state R&D are rapidly evolving and subject to intense competition as a result of technology innovation and shifting customer needs. Given our presence in China and globally, we face potential competition from many different sources both locally and globally, while the solutions and applications offered by our competitors, including both AI-powered and traditional drug discovery solutions providers, vary in size, breadth, and scope.

We believe that our proprietary integrated *in silico* and wet lab platform, technical expertise and technology innovation provide us with significant competitive advantages over existing and new entrants. According to Frost & Sullivan, we compete favorably in China and pioneered the adoption of quantum physics-based computation, AI, and automation technologies in drug R&D. While we believe that we can compete favorably on the basis of these factors, many emerging and established companies have also built upon their technologies and competencies in the business areas we operate:

- For our drug discovery solutions, we face competition from many sources, including major pharmaceutical companies, specialist biotechnology and pharmaceutical companies, technology companies, academic institutions and government agencies, and public and private research institutions. In particular, we face competition from competitors engaged in AI-powered early-stage drug R&D. Some of our competitors possess well-established capabilities in drug R&D and have long-standing relationships with many of our existing and potential collaborators and customers, including large biotechnology and pharmaceutical companies and academic institutions. We also face competition from pharmaceutical companies that develop AI-powered drug R&D solutions internally, smaller companies that offer drug discovery solutions and services directed at more specific markets than we target, as well as a large number of companies focused on applying AI and quantum physics-based computation technologies to drug discovery. Any product candidates that we or our collaborators successfully develop and commercialize will compete with existing therapies and future therapies.

- For our solid-state R&D, we face competition from companies providing computational and/or experimental solid-state R&D services. This includes specialized solid-state CROs, other large CROs, and AI-focused CROs. We also face competition from pharmaceutical companies that develop solid-state R&D internally.

BUSINESS DEVELOPMENT AND MARKETING

Our business development and marketing team consisted of approximately 50 members with relevant qualifications and experience in the pharmaceutical and material science industries, as of the Latest Practicable Date. Our business development team leads the business development process from connecting with potential customers to the kick-off of our programs for different business lines. Tasks include, but are not limited to, identifying potential customers and programs, establishing and maintaining relationships with our potential and existing biotechnology and pharmaceutical partners and research institutions, understanding our customers' business development objectives and challenges, assisting our R&D team in preparing and tailoring solutions, coordinating between our customers and our R&D team, and negotiating and consummating agreements.

Working in collaboration with our scientists, technologists and subject matter experts, our marketing team engages with existing and prospective customers to understand their needs and offer tailored solutions. Our marketing team creates marketing collateral and sales enablement tools and conducts multi-channel marketing campaigns to highlight the benefits and differentiated capabilities of our platform and establish collaborations and commercialize our drug or new materials discovery business, solid-state R&D services and other XtalPi R&D solutions, including by attending in-person and online events such as academic conferences and industry exhibitions, as well as leveraging word-of-mouth marketing from our past achievements and building up favorable industry reputation. Through these activities, we aim to promote the competitive advantages of our technologies, solutions and services and differentiate us from other competitors.

To support our business development and marketing efforts, we have also established a dedicated market analysis team. This specialized team focuses on forecasting industry trends, evaluating market prospects, and carefully selecting and evaluating potential customers. Their expertise enables us to screen opportunities more effectively for each line of business, further enhancing our business development and marketing efforts.

Pricing

We price our solutions and services considering a variety of factors, such as our contract fulfillment costs, the value of our solutions or services to the customer, the scarcity of our solutions or services in the market, the urgency and certainty of the delivery of our solutions or services, our delivery capacity, competition in the market, market's willingness to pay, the overall market condition, and competitors' pricing strategies. Taking these factors into account, we may adopt either cost-driving pricing or target-return pricing for different solutions or services.

OUR CUSTOMERS

During the Track Record Period, our customers, including our drug discovery collaborators, consisted primarily of China- and U.S.-based biotechnology and pharmaceutical companies. The revenue generated from our five largest customers in 2020, 2021 and 2022, and the six months ended June 30, 2023 was RMB29.9 million, RMB38.8 million, RMB66.1 million and RMB33.1 million, respectively, representing approximately 83.9%, 61.8%, 49.6% and 41.4% of our total revenue in the same periods, respectively.

To the best knowledge of our Directors, each of our five largest customers during the Track Record Period is an Independent Third Party. None of our Directors, their close associates, or any Shareholder, which to the best knowledge of our Directors owns more than 5.0% of the total number of issued Shares, had any interest in any of our five largest customers during the Track Record Period.

Below is a summary of the key terms of a typical agreement with our drug discovery customers and collaborators:

- ***Services***. We provide our customer with services such as program modeling and evaluation, pre-clinical candidate design and/or optimization, and development and/or synthesis of the relevant compounds as specified in the master agreement or work order.

- ***Term***. Typically ranging from one year to three years, or until both parties fulfill their obligations under the agreement.

- ***Payment***. Our customer is required to make upfront and milestone payments to us according to the payment schedule agreed by the parties, typically with four to eight milestones.

- ***Credit Term***. We generally grant to our customers credit terms of ten to 30 days and settle with them by wire transfer.

- ***Revenue Sharing***. In terms of a collaboration program, we are typically entitled to receive a certain percentage of revenue, agreed upon by the parties, generated from the commercialization of products developed under the agreement.

- ***Exclusivity***. Typically, we are prohibited from designing candidate molecules for particular targets for purposes outside the scope of the agreement or are required to design candidate molecules with certain "core skeletons" exclusively for the relevant program under the relevant agreement. Some of the exclusivity provisions are effective for a specified period of time, typically two to five years.

- ***Confidentiality***. We and our customer agree to keep confidential any information in relation to the performance of the master agreement, including but not limited to the confidential information received from the other party.

- ***Intellectual Property***. Our customer typically owns the intellectual property derived from the research program, and is entitled to apply patent for such intellectual properties.

Below is a summary of the key terms of a typical agreement with our intelligent automation solutions customers:

- ***Services***. We provide our customer with services such as CSP and full time employee chemical synthesis services as specified in the master agreement or work order.

- ***Term***. Typically ranging from three months to one year or until both parties fulfill their obligations under the agreement, unless terminated earlier by the customer with a 30-day prior written notice.

- ***Payment***. Our customer is required to make monthly or quarterly payments within ten business days after the confirmation of such invoice amount.

- ***Credit Term***. We generally grant to our customers credit terms of 30 to 90 days and settle with them by wire transfer.

- ***Confidentiality***. We and our customer agree to keep confidential any information in relation to the performance of the master agreement, including but not limited to the confidential information received from the other party.

- ***Intellectual Property***. Our customer owns all intellectual property derived from the research program, and is entitled to apply patent for such intellectual properties.

The following table sets forth details of our top five customers during the Track Record Period.

Year ended December 31, 2020

Customer	Commencement of relationship	Customer background and principal business	Nature of revenue	Revenue amount *(RMB in thousands)*	Percentage of total revenue *(%)*
Customer A	April 2017	A U.S.-based multinational biopharmaceutical corporation headquartered at Manhattan, New York City, focusing on the development and production of medicines and vaccines for immunology, oncology, cardiology, endocrinology, and neurology founded in 1849, listed on New York Stock Exchange	Solid-state R&D services	15,928	44.7
Signet Group*	December 2019	A pre-clinical stage biopharmaceutical company focusing on developing innovative targeted cancer drugs using novel disease models, established in December 2020	Drug discovery solutions	8,974	25.2
Metis*	February 2020	A Hangzhou-based biotechnology company that uses AI to drive drug delivery and drug discovery, founded in January 2020	Solid-state R&D services, technical support, and computing resources.	3,106	8.7
Customer B	December 2019	A R&D center focuses on research, development, and production of medicines and solutions	Solid-state R&D services	980	2.8
Customer C	April 2019	A Japanese pharmaceutical company headquartered in Tokyo, Japan, established in December 1941	Solid-state R&D services	897	2.5

* *denotes our collaborator-investee*

Year ended December 31, 2021

Customer	Commencement of relationship	Customer background and principal business	Nature of revenue	Revenue amount *(RMB in thousands)*	Percentage of total revenue *(%)*
Signet Group*	December 2019	A pre-clinical stage biopharmaceutical company focusing on developing innovative targeted cancer drugs using novel disease models, established in December 2020	Drug discovery solutions	15,094	24.0
Beijing META Biotechnology Co., Ltd. ("北京默達生物科技有限公司")*	June 2021	A Shenzhen-based innovative drug discovery company focused on autoimmune diseases, established in 2021	Drug discovery solutions	12,696	20.2
Shanghai Blueray Biopharma Co., Ltd. (上海青煜醫藥科技有限公司)	March 2021	A Shanghai-based biopharmaceutical company focuses on the development of first-in-class and/or best-in-class small molecule drug discovery, targeting novel proteins, established in December 2016	Drug discovery solutions	4,127	6.6
3D Medicines, Inc. (思路迪生物醫藥(上海)有限公司)	February 2021	A Shanghai-based commercial-stage biopharmaceutical company that researches, develops, and commercialization of drugs in the field of managing cancer as a chronic disease established in 2014, listed on the Stock Exchange	Drug discovery solutions	3,686	5.9
Customer A	April 2017	A U.S.-based multinational biopharmaceutical corporation headquartered at Manhattan, New York City, focuses on development and production of medicines and vaccines for immunology, oncology, cardiology, endocrinology, and neurology founded in 1849, listed on the New York Stock Exchange	Solid-state R&D services and other services	3,201	5.1

* *denotes our collaborator-investee*

Year ended December 31, 2022

Customer	Commencement of relationship	Customer background and principal business	Nature of revenue	Revenue amount *(RMB in thousands)*	Percentage of total revenue *(%)*
Xaicure	August 2022	A Suzhou-based innovative biopharmaceutical company focusing on pre-clinical and clinical stage development of small molecule targeted drugs, with a research focus on oncology therapeutic areas	Drug discovery solutions	33,019	24.8
Customer D*	June 2021	A Shenzhen-based genomics-based platform focuses on the development of novel medicines targeting human RNAs, established in May 2021	Drug discovery solutions	9,434	7.1
Customer A	April 2017	A U.S.-based multinational biopharmaceutical corporation headquartered at Manhattan, New York City, focuses on development and production of medicines and vaccines for immunology, oncology, cardiology, endocrinology, and neurology founded in 1849, listed on the New York Stock Exchange	Solid-state R&D services	9,116	6.8
Shanghai Blueray Biopharma Co., Ltd. (上海青煜醫藥科技有限公司)	March 2021	A Shanghai-based biopharmaceutical company focuses on the development of first-in-class and/or best-in-class small molecule drug discovery, targeting novel proteins, established in December 2016	Chemical synthesis services and drug discovery solutions	9,076	6.8
Qilu Pharmaceutical Co., Ltd. (齊魯製藥有限公司)	December 2019	A large and comprehensive pharmaceutical company specializing in R&D, manufacture, sales and international trade of both APIs and drug products headquartered in Jinan, China, established in August 1992	Drug discovery solutions	5,500	4.1

* *denotes our collaborator-investee*

Six months ended June 30, 2023

Customer	Commencement of relationship	Customer background and principal business	Nature of revenue	Revenue amount *(RMB in thousands)*	Percentage of total revenue *(%)*
Customer A	April 2017	A U.S.-based multinational biopharmaceutical corporation headquartered at Manhattan, New York City, focuses on development and production of medicines and vaccines for immunology, oncology, cardiology, endocrinology, and neurology founded in 1849, listed on the New York Stock Exchange	Solid-state R&D services	14,536	18.2
Customer D*	June 2021	A Shenzhen-based genomics-based platform focuses on the development of novel medicines targeting human RNAs, established in May 2021	Drug discovery solutions	5,249	6.6
Qilu Pharmaceutical Co., Ltd. (齊魯製藥有限公司)	December 2019	A large and comprehensive pharmaceutical company specializing in R&D, manufacture, sales and international trade of both APIs and drug products headquartered in Jinan, China, established in August 1992	Drug discovery solutions	5,200	6.5
Customer E	March 2022	A Taiwan-based biopharmaceutical company primarily engaged in the development of new drugs and therapeutic drugs for cancer, established in February 2003	Drug discovery solutions and chemical synthesis services	4,236	5.3
Daewoong Pharma	March 2022	A pharmaceutical company that develops, manufactures, and commercializes pharmaceuticals for both domestic and international markets, headquartered in Seoul, Korea, established in 1945 and listed on the Korea Exchange	Drug discovery solutions	3,833	4.8

* *denotes our collaborator-investee*

OUR SUPPLIERS

During the Track Record Period, our suppliers for our main business operations consisted primarily of R&D consumables and equipment suppliers and R&D service providers. Our suppliers also included property owners and renovation service providers during the Track Record Period. Purchases from our five largest suppliers in 2020, 2021 and 2022 and the six months ended June 30, 2023 amounted to RMB15.2 million, RMB116.2 million, RMB77.1 million and RMB34.6 million, respectively, representing approximately 37.6%, 33.7%, 17.7% and 19.5% of our total purchases in the same periods, respectively.

To the best knowledge of our Directors, except for Tencent Cloud Computing (Beijing) Co., Ltd., which is an associate of Image Frame Investment (HK) Limited, our substantial shareholder, each of our five largest suppliers during the Track Record Period is an Independent Third Party. None of our Directors, their close associates, or any Shareholder, which to the best knowledge of our Directors owns more than 5.0% of the total number of issued Shares, had any interest in any of our five largest suppliers during the Track Record Period.

Below is a summary of the key terms of a typical agreement with our R&D consumables and equipment provider:

- ***Products/Services***. The supplier provides us with products, such as R&D consumables and equipment, and/or services as specified in the master agreement or purchase order.

- ***Term***. Typically one year, or until both parties fulfill their obligations under the agreement.

- ***Price***. Unless both parties agree on a lower price for a particular purchase, the price of the products (including services) shall be fixed as set forth in the agreement.

- ***Payment***. We are required to make payments to the supplier according to the payment schedule agreed by the parties.

- ***Credit Term***. Our suppliers generally settle with us by wire transfer and grant to us credit terms within 30 to 60 days. Certain suppliers also require for prepayment.

- ***Confidentiality***. The supplier agrees to keep confidential any information in relation to the performance of the agreement, including but not limited to any documents, know-how and other information related to us, the agreement or the purchase order.

- ***Discontinue of Supply***. In the event of cessation of production or supply of any products, the supplier shall notify us immediately; we shall have the right to place a final order for such products in such quantities as may be reasonably required, and the supplier shall accept such order at the price agreed upon by the parties, which shall not be higher than the applicable price set forth in the agreement.

Below is a summary of the key terms of a typical agreement with our R&D service provider:

- ***Services***. The supplier provides us with services such as compound testing services as specified in the master agreement or purchase order.

- ***Term***. Typically one year, or until both parties fulfilled their obligations under the agreement.

- ***Payment***. We are required to make payments to the supplier according to the payment schedule agreed by the parties.

- ***Credit Term***. Our suppliers generally settle with us by wire transfer and grant to us credit terms within ten to 30 days.

- ***Confidentiality***. We and the supplier agree to keep confidential any information in relation to the performance of the agreement, including but not limited to the confidential information received from the other party.

The following table sets forth details of our five largest suppliers during the Track Record Period.

Year ended December 31, 2020

Supplier	Commencement of relationship	Supplier background and principal business	Nature of purchase (cash basis)	Purchase amount *(RMB in thousands)*	Percentage of total purchases *(%)*
Supplier A	January 2018	A Shenzhen-based company with an operating scope primarily covering investment in industrial business, leasing, investment consulting, cultural information consulting, founded in November 2014	Rental fee	4,560	11.3
Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司)	May 2019	A China-based R&D service company supporting the life sciences industry, founded in July 2004 and listed on the Stock Exchange and the Shenzhen Stock Exchange	Experimental testing services	4,104	10.2

Supplier	Commencement of relationship	Supplier background and principal business	Nature of purchase (cash basis)	Purchase amount *(RMB in thousands)*	Percentage of total purchases *(%)*
Tencent Cloud Computing (Beijing) Co., Ltd. (騰訊雲計算(北京)有限責任公司)	October 2018	A China-based a computer software company focusing on providing cloud computing, AI, big data and other technology products and services, established in October 2010	Cloud computing services	2,805	6.9
Supplier B	April 2019	A Shenzhen-based professional industrial park operator focusing on the transformation and upgrading of old industrial areas, established in October 2014	Rental fee	2,088	5.2
Supplier C	September 2018	A Hangzhou-based cloud computing and AI technology company, established in April 2008	Cloud computing services	1,637	4.1

Year ended December 31, 2021

Supplier	Commencement of relationship	Supplier background and principal business	Nature of purchase (cash basis)	Purchase amount *(RMB in thousands)*	Percentage of total purchases *(%)*
Guangdong Zhongke Scientific & Technical Co., Ltd. (廣東省中科進出口有限公司)	May 2020	A professional foreign trading company controlled by Guangdong Academy of Sciences, established in October 1993 with the approval of the State Ministry of Foreign Trade and Economic Cooperation	R&D equipment	46,847	13.6
Shenzhen Homyi Technology Group Co., Ltd. (深圳宏一科技集團有限公司)	February 2021	A China-based company primarily engaged in providing total laboratory solutions, biological purification, electromechanical installation, founded in January 2011	Renovation services	26,801	7.8
Shenzhen Suno Experiment Equipment Co., Ltd. (深圳市賽諾實驗設備有限公司)	December 2020	A China-based laboratory system equipment and solutions provider, founded in November 2006	Renovation services	21,794	6.3
Supplier D	September 2021	A scientific research and technical service provider, founded in October 2019	R&D equipment	11,188	3.2
Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司)	May 2019	A China-based R&D service company supporting the life sciences industry, founded in July 2004 and listed on the Stock Exchange and the Shenzhen Stock Exchange	Experimental testing services	9,579	2.8

Year ended December 31, 2022

Supplier	Commencement of relationship	Supplier background and principal business	Nature of purchase (cash basis)	Purchase amount *(RMB in thousands)*	Percentage of total purchases *(%)*
Shenzhen Yukun Technology Co., Ltd. (深圳市羽坤科技有限公司)	May 2021	A Shenzhen-based new technology enterprise specializing in the application development, sales, commissioning service and system integration in the field of electrical drive and motion control technology, founded in November 2015	R&D equipment and raw materials	18,064	4.1
Shanghai Zhangtou Zhigu Technology Development Co., Ltd. (上海張投智谷科技發展有限公司)	November 2022	A Shanghai-based company with an operating scope primarily covering real estate development and operation, energy technology, information technology and network technology development, technology services, transfer and consulting, founded in January 2022	Rental fee	17,058	3.9
Zhuhai Huaya Machinery Technology Co., Ltd. (珠海市華亞機械科技有限公司)	March 2022	A Zhuhai-based professional intelligent manufacturing solutions provider founded in June 2007	Raw materials and services	14,565	3.3
Guangdong Zhongke Scientific & Technical Co., Ltd. (廣東省中科進出口有限公司)	May 2020	A professional foreign trading company controlled by Guangdong Academy of Sciences, established in October 1993 with the approval of the State Ministry of Foreign Trade and Economic Cooperation	R&D equipment	14,265	3.3
Lab Direct (Shanghai) Life Science Technology Co., Ltd. (泉心泉意(上海)生命科技有限公司)	November 2021	A Shanghai-based one-stop laboratory procurement and supply management service provider, established in January 2014	R&D equipment and raw materials	13,170	3.0

Six Months ended June 30, 2023

Supplier	Commencement of relationship	Supplier background and principal business	Nature of purchase (cash basis)	Purchase amount *(RMB in thousands)*	Percentage of total purchases *(%)*
Shanghai Simbay Industrial (Group) Co., Ltd. (上海星北實業(集團)有限公司)	April 2021	A Shanghai-based life science and technology industry investment and operation group which focuses on the development and operation of industrial parks, and investment management, established in December 2011	Rental fee	11,676	6.6
Lab Direct (Shanghai) Life Science Technology Co., Ltd. (泉心泉意(上海)生命科技有限公司)	November 2021	A Shanghai-based one-stop laboratory procurement and supply management service provider, established in January 2014	R&D equipment and raw materials	6,930	3.9
Shanghai Sieton Group Co., Ltd. (上海協通(集團)有限公司)	February 2022	A Shanghai-based comprehensive joint-stock enterprise group primarily engaged in providing automobile service, hotel service, import and export trade, investment and leasing and financial services, established in December 1992	R&D equipment	6,213	3.5
Supplier E	March 2023	A large-scale Chinese central state-owned enterprise primarily engaged in clean engineering and industrial construction engineering headquartered in Wuxi, Jiangsu Province, founded in 1986	Renovation services	5,030	2.8
Qinternet Technology Limited	July 2022	A Hong Kong-based technical support service provider, incorporated in December 2021	Cloud computing services	4,777	2.7

EMPLOYEES

As of the Latest Practicable Date, we had 989 employees, including a total of 497 employees with master's or doctorate degrees, accounting for approximately 50.3% of our employees. Among them, 957 of our employees were located in China and 32 employees were located in the U.S. The following table sets forth a breakdown of our employees by function as of the Latest Practicable Date.

Function	Number of Employees	Percentage of Total *(%)*
Management	58	5.9
R&D	710	71.8
General Administration	171	17.3
Business Development and Marketing	50	5.1
Total	989	100.0

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We believe we offer our employees competitive compensation packages and an environment that fosters career development. To recruit new talent, we employ various means such as campus events and colleague referrals, which enables us to build and cultivate our own pool of skilled professionals. Our initiatives for talent retention encompass executive coaching, employee surveys or engagement, training and development, compensation and rewards. As a result of these efforts, we believe we have been generally successful in attracting and retaining qualified personnel, and have established a stable core management team.

To formalize our employment relations, we enter into individual employment contracts with our employees. These contracts cover matters such as salaries, bonuses, employee benefits, workplace safety, confidentiality obligations, work product assignment clause and grounds for termination. We have also entered into confidentiality and invention assignment agreements and non-competition agreements with all of our employees, or included confidentiality, invention assignment, and non-competition clauses in the employment contracts of our employees. In particular, we ensure that any inventions created by our employees during our employment are assigned to us through confidentiality and invention assignment agreements. See "Directors and Senior Management—Key Terms of Employment Contracts" for key terms of our employment contracts with senior management members and other key personnel.

To maintain the quality, knowledge and skill levels of our workforce, we provide continuing education and training programs, both internally and externally, to enhance their technical, professional or management skills. We also conduct periodic trainings sessions 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 incentive schemes to our employees, particularly our key employees.

As required by PRC laws and regulations, we participate in social security schemes organized by municipal and provincial government, including pension, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds. We are required under PRC laws and regulations to make contributions to employee social security schemes at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We have granted, and plan to continue to grant, share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development. See "Risk Factors—Risks Related to Our Operations—Failure to make full contributions to social insurance and housing provident funds for our employees in accordance with the relevant PRC laws and regulations may subject us to penalties."

Our employees are represented by labor unions. We believe that we maintain a positive working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with our employees.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations, and based on our assessment of our operational needs and industry practice. As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. In addition, we have also acquired commercial insurance policies for all employees as a supplemental employee benefit, such as term life insurance, accidental injury insurance, critical illness insurance, medical insurance, and traffic accident insurance. In the future, to the extent that any of the foregoing types of insurances becomes mandatory due to changes in law or other reasons, we will acquire such insurance to ensure continued compliance with the law. Our Directors believe that our existing insurance coverage is sufficient for our present operations and aligns with the industry practice in the PRC.

During the Track Record Period and up to the Latest Practicable Date, we did not file any material insurance claims, nor did we encounter any material difficulties in renewing our insurance policies.

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we did not own any real property.

Leased Properties

As of the Latest Practicable Date, we leased 20 properties in Shenzhen, Shanghai, Beijing, Guangzhou, Suzhou, Hong Kong, and Cambridge, Massachusetts. Our headquarters is based in Shenzhen, China, where we have our main administrative offices and laboratories occupy a total area of approximately 11,207 sq.m. We rent approximately 28,041 sq.m. of lab space and 332 sq.m. of office space in Shanghai, China for our R&D and lab operations expansion and business development under leases that will expire in May 2029 and May 2024, respectively. We also occupy approximately 1,300 sq.m. of office space in Beijing, China for our AI research and approximately 17 sq.m. of office space in Hong Kong under leases that will expire in July 2024 and October 2025, respectively. Furthermore, we have a business development and strategy office and an innovative demo lab in Cambridge, Massachusetts, occupying a total of over 100 sq.m. of office space and lab space. Our Cambridge office and innovative demo lab is staffed with experienced scientists in drug and material science R&D and serves as our business development center under a service agreement. As of the Latest Practicable Date, our leased properties had a total gross floor area of approximately 50,587 sq.m., and each leased property ranges from a gross floor area of approximately 17 sq.m. to 28,041 sq.m. The relevant lease agreements have lease expiration dates ranging from August 2023 to May 2029.

We believe that our leased facilities meet our present needs and we regularly assess our space requirements. As of the Latest Practicable Date, we were not aware of any environmental issues or other constraints that would materially impact the intended use of our facilities.

As of the Latest Practicable Date, the lessors of seven of our leased properties in China had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties, of which the lessors of four of our leased properties in China were not the owner as stated on the title certificates of such leased properties. Moreover, we had not entered into a supplemental lease agreement with the lessor of one of our leased properties for expanded area and had not yet completed the renewal of a lease agreement with the lessor of one of our leased properties, as of the same date. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. In addition, as of the Latest Practicable Date, five of our leased properties, including our lease agreements for our Shenzhen headquarters and two office premises in Guangzhou, are subject to prior-registered mortgages. Each of the lease agreements for our Shenzhen headquarters

provides that the lease agreement could be unilaterally terminated by either party if the property is foreclosed by the mortgagee. If the mortgagees foreclose our leased properties with prior-registered mortgages, we could be required to vacate the properties. Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not obtained lease registration for 16 of the properties located on state-owned land parcels we leased in China, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered if required by applicable PRC laws and regulations. Our PRC Legal Advisor has advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws. See "Risk Factors—Risks Related to Our Operations—There are risks associated with our leased properties or lease agreements. Our use of some leased properties could also be challenged by third parties or governmental authorities."

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material difficulties in renewing lease agreements or locating new premises for our facilities. We do not foresee any major challenges or impediments in renewing the relevant leases upon their expiration. In some cases, our tenancy rights are subject to the mortgage loans by our lessors' lenders. In the event of a foreclosure, there is a possibility that we may lose our lease. However, such situations did not occur during the Track Record Period and up to the Latest Practicable Date. If we need to add or relocate to new facilities, or expand existing facilities to accommodate additional employees, we believe that suitable space will be available to accommodate our operations.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of the date of the most recent audited consolidated balance sheet of our Group, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Governance

We are committed to operating our business in a manner that prioritizes environmental (including climate-related) protection and ensures a safe workplace for our employees. To achieve this, we have implemented company-wide environmental, health and safety manuals, policies and standard operating procedures. Our focus on environmental, health and safety protection includes the following measures:

(i) implementation of safety guidelines with respect to employee health and safety, environmental protection and operational safety in lab facilities, and closely monitor internal compliance with these guidelines;

(ii) storage of hazardous substances in special warehouses and contract with qualified third parties for the disposal of hazardous materials and waste on a quarterly basis;

(iii) conducting periodic environmental evaluations on greenhouse gas and pollutants detection and emissions, hazardous waste disposals, noise emissions, and waste water detection and emissions to make sure all operations are in compliance with the applicable laws and regulations; and

(iv) resource conservation policies to reduce the levels of resource consumption.

We closely monitor the below metrics in relation to the formulation and implementation of our environmental (including climate-related) management and resource conservation policies as appropriate:

Pollutant emission

- *Greenhouse gas emissions.* In 2020, 2021 and 2022, and the six months ended June 30, 2023, based on our best estimates, greenhouse gas emissions were approximately 162.7 tons, 819.0 tons, 3,138.0 tons, and 1,705.3 tons in aggregate, respectively.

- *Hazardous solid waste discharge.* In 2020, 2021 and 2022, and the six months ended June 30, 2023, based on our best estimates, hazardous solid waste discharge levels were approximately 0.3 tons, 8.8 tons, 57.5 tons and 31.5 ton in aggregate, respectively.

- *Hazardous liquid waste discharge.* In 2020, 2021 and 2022, and the six months ended June 30, 2023, based on our best estimates, hazardous liquid waste discharge levels were 4.6 ton, 21.4 ton, 122.8 tons and 120.6 ton in aggregate, respectively.

As our business expands, we plan to implement policies and practices to manage the discharge of various types of emissions, pollutants, and wastes. This will be achieved by actively monitoring all discharge levels, implementing advanced equipment, and engaging professional third parties where necessary. By ensuring the effectiveness of our environmental protection measures, we will endeavor to minimize negative impacts on the environment. Regarding our greenhouse gas emissions, we will strictly comply with applicable general and industry-specific standards during our operations.

Resource consumption

- *Electricity consumption.* In 2020, 2021 and 2022, and the six months ended June 30, 2023, electricity consumption levels were approximately 285.2 thousand kWh, 1,436.2 thousand kWh, 5,502.3 thousand kWh and 2,990.2 thousand kWh in aggregate, respectively.

- *Water consumption.* In 2020, 2021 and 2022, and the six months ended June 30, 2023, water consumption levels were approximately 1,114.9 tons, 5,614.2 tons, 21,509.0 tons and 14,780.0 tons in aggregate, respectively.

We are committed to expanding our business in a sustainable manner, taking into account our forecasted growth and implementation of power-saving measures and equipment, as well as our water-saving initiatives.

To achieve these targets, we are committed to maximizing electricity utilization and reducing energy consumption by leveraging advanced electric power technology. We will gradually phase out mechanical and electrical products that have been declared obsolete by relevant government authorities. In terms of energy consumption management, we have established power-saving standards in our operations. We ensure that power-saving signs are posted on switches and control boxes, and conduct manual inspections after shift to eliminate unnecessary lighting. In addition, we strive to conserve water by regularly checking faucets to prevent leakage, promptly reporting any damages, and promoting water conservation awareness among employees through the use of water-saving signs in offices.

As a high-tech company, we endeavor minimizing our negative impact on the environment through energy-saving practices and sustainable development. We encourage our employees to adopt sustainable practices to reduce our carbon footprint, including promoting energy-saving measures and reducing paper wastage. As we expand our business, we will prioritize the balance between business growth and the need of Environmental, Social and Governance ("**ESG**") to achieve sustainable development. We will review material metrics related to resource consumption regularly to ensure that they align with the needs of our Group. While we recognize that the identification and prioritization of ESG issues is a dynamic and on-going process, we have established areas of initial focus, including:

i. Reducing energy consumption density;

ii. Advocating for environmentally-conscious office practices, maximizing the use of natural lighting, and implementing energy-efficient solutions for air conditioning; and

iii. Strictly adhering to the lab "three waste" treatment implementation standards.

The cost of compliance with relevant environmental protection laws and regulations incurred in 2020, 2021 and 2022 and the six months ended June 30, 2023, was approximately RMB70,200, RMB447,900, RMB2,124,100 and RMB1,123,100, respectively.

In the future, we anticipate an increase in expenses related to environmental, social, and climate-related issues as our business expands. However, we expect the proportion of these expenses to decline relative to our total revenue.

Employee Health and Safety

We have adopted and maintained a series of rules, standard operating procedures, and measures to maintain a safe and healthy working environment for our employees. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. We also 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 culture and continually implement management practices that support diversity and provide fair treatment and employment opportunities for all employees. 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.

Social Responsibility

In terms of social responsibility, our public relations department is responsible for disclosing our development and achievements, and actively communicating with the media, universities, governments, 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, with a view to understanding and discovering solutions to key social issues.

We actively participate in patient caring events in China, during which we provide care and fun activities and spend holidays together with the patients. In addition, we aim to cultivate a robust talent pool within the biotechnology and pharmaceutical industries. We hold scientific seminars, provide professional guidance to potential youth, guide them to actively participate in pharmaceutical R&D programs, and promote their interest in the industry.

During the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant environmental and occupational health and safety laws and regulations in all material aspects and we had not experienced any incidents or complaints that would have a material and adverse effect on our business, financial condition or results of operations.

INFORMATION SECURITY AND PRIVACY PROTECTION

We have sole ownership of our data assets that are developed, generated and accumulated before the commencement of any R&D programs. We also have sole ownership of the data developed, generated or accumulated independently outside of the R&D activities during the R&D process. If the data is developed, generated or accumulated jointly by our counterparty and us during the R&D process in connection with the relevant contract, our counterparty and we will typically have joint ownership of such data assets.

To meet the stringent data security requirements for our drug and new materials discovery and intelligent automation solutions, we have established a comprehensive information security management system ("**ISMS**"). Our ISMS focuses on four key aspects: cloud security, data security, operation security, and compliance. We have implemented a self-hosted multiple cloud management system within our ISMS, which manages different cloud computing resources and facilitates the application of our "plan-do-check-adjust" operational protocol. This system consistently enforces a cloud security policy across various cloud service providers to safeguard the confidential information of our customers and collaborators, and provides virtual secure environment that complies with their data encryption standards.

Since 2019, our ISMS has obtained ISO27001 certification from the United Kingdom Accreditation Service and China National Accreditation Service. ISO27001 is a recognized and widely applied management system standard centered on information asset security and business risk management within the field of information security. Additionally, our drug discovery platform has received Level 3 Certification of the "National Information System Security Level Protection" issued by the Ministry of Public Security of China.

To ensure data security, we employ internal firewalls to separate project teams and mitigate conflicts of interest. In addition, we have implemented a terminal security management tool to strictly control outbound data and the use of external devices, and to add watermarks to all outbound data. We have also adopted a network access management platform to conduct security checks on office devices that accessing the intranet, allowing only devices that meet our security requirement to access our intranet.

Data security is upheld by three layers of protection: (i) use of security software to ensure infrastructural security, (ii) constant auditing and monitoring of data to ensure day-to-day operation security, and (iii) engagement with data consulting firms to ensure compliance with applicable regulations. We plan to introduce a data loss prevention and security operation platform to strengthen our overall information security management, and further invest in virtual desktop infrastructure to safeguard our experimental data.

As our business operations solely focus on pre-clinical studies, we do not handle, store, or have access to any human data. In compliance with China's latest data security regulations, we engaged a leading PRC law firm to conduct data reviews. 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, see "Risk Factors—Risks Related to the Commercialization of Our Solutions and Services."

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become involved in legal proceedings and claims that arise in the ordinary course of our business activities. We cannot predict the results of litigation and claims. See "Risk Factors—Risks Related to Our Operations—We are subject to risks relating to disputes and legal proceedings, which could have a material adverse effect on our business, financial condition and results of operations."

During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Non-Compliance

During the Track Record Period and up to the Latest Practicable Date, except as disclosed elsewhere in this document, we had not been involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation.

INTERNAL CONTROL AND RISK MANAGEMENT

With the growth and expansion of our operations, potential risks associated with our business increase, see "Risk Factors" for a discussion of various risk and uncertainties that we face. Our Directors believe that internal control procedures and risk management are crucial to our business development and success.

In order to strengthen our internal control procedures and risk management system to better safeguard the interests of our Shareholders, we have adopted enhanced internal control and risk management measures as follows:

- We have formulated a conflict-of-interest management system and put in place reporting procedures and guidelines to provide guidance to employees on how to identify, declare and manage perceived, potential or actual conflict of interest. As a part of this strategy, directors and members of the senior management are required to declare to our Group any potential conflicts of interests that may result in the accrual of a personal advantage;

- We have created anti-fraud and anti-corruption and anti-bribery guidelines and manuals to provide guidance to our employees on ways to identify and address risks associated with fraud and bribery that may arise in the course of business. These guidelines also provide guidance on transactions involving sanctioned persons or countries;

- We have environmental, safety and corporate governance ("**ESG**") guidelines in place to mitigate the potential impact of ESG-related risks on our operations and other stakeholders in society. As of the Latest Practicable Date, we had obtained ISO 27001 information security management system certifications and ISO 9001 quality management system certifications, and meanwhile effectively control potential ESG-related risks through scientific and comprehensive policies and management systems to ensure compliance with the relevant laws and regulations in all materials respects;

- We have implemented rules to delineate the responsibilities and authorities of employees of different levels of seniority. These rules also prescribe limits on employees' authority to approve transactions, depending on the size of the consideration and types of transaction;

- We have created guidelines on internal control, which set out the principles and basis of internal audit work. In particular, we have established the Audit Committee, who are responsible for supervising our internal control procedures, disclosure of financial information and financial reporting matters. Their authority encompasses but is not limited to overseeing the audit process, internal control procedures and risk management system of our Company. For details of qualification and experiences on person in charge of risk management, see "Directors and Senior Management—Board of Directors" and "Directors and Senior Management—Board Committees—Audit Committee;" and

- We have adopted policies to ensure compliance with the Listing Rules and other applicable laws, rules and regulations, including but not limited to compliance in inspect of Chapter 13 (Continuing Obligation), Chapter 14 (Notifiable Transactions), Chapter 14A (Connected Transactions), Appendix 16 (Disclosure on Financial Information) of the Listing Rules and Part XIVA of the SFO.

Taking into consideration the adoption and implementation of the above-mentioned internal control procedures and risk management measures, our Directors are of view that our enhanced internal control and risk management system are adequate and effective to address various potential risks identified in relation to our business.

LICENSES, PERMITS AND APPROVALS

We are required to obtain permits, licenses, approvals, filings and certifications for certain business operated by us from the relevant government authorities as required under PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had obtained all licenses, permits, approvals, filings and certifications that are material to our operations, and such licenses, permits, approvals, filings and certifications all remain in full effect. Please refer to "Regulatory Overview" for more details regarding the laws and regulations to which we are subject. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in renewing such licenses, permits, approvals and certificates. To the best of our Directors' knowledge, we currently do not expect to encounter any material difficulty in renewing them when they expire, if applicable, and no material unexpected or adverse changes have occurred since the date of their respective issuance.

The following table sets forth the key licenses and permits that were material to our business and operations as of June 30, 2023.

License/Permit	Holder	Grant Date	Expiration Date
Guangdong Province pathogenic microorganisms level II laboratory filing completion notice (廣東省二級病原微生物實驗室備案通知書)	Shenzhen Jingtai	January 7, 2022	N/A
Shanghai pathogenic microorganism laboratory filing certificate (上海市病原微生物實驗室備案憑證)	Shanghai Zhiyao	November 15, 2022	N/A
Beijing pathogenic microorganism laboratory and experimental activities filing completion notice (北京市病原微生物實驗室及實驗活動備案通知書)	Beijing Jingtai	September 4, 2023	N/A

AWARDS AND RECOGNITIONS

As of June 30, 2023, we had received various awards, honors and recognitions, including the following:

Year of Grant	Award/Recognition	Issuing Organization/Authority
2023	2023 Super AI Leader Award (2023年度卓越人工智能引領者獎)	World Artificial Intelligence Conference (世界人工智能大會)
2023	Global Unicorn Index 2023 Report (2023年全球獨角獸榜)	Hurun Research Institute (胡潤研究院)
2022	Top 50 China Pharmaceutical R&D 2021 (2021年度中國醫藥研發50強)	China Pharmaceutical Industry Association (全國工商聯醫藥業商會)
2022	Top 50 Innovative Companies in China 2022 (2022中國創新力企業50強)	Forbes China
2022	Most Socially Impactful Start-ups (最具社會影響力創業公司)	Fortune China
2022	2022 Shenzhen Top 100 Industry Leading Enterprises (2022深圳行業領袖企業100強)	Shenzhen Industry Leaders Enterprise Development Promotion Association (深圳市行業領袖企業發展促進會), Shenzhen Economic Daily (深圳商報) and Duchuang client (讀創用戶端)
2022	2021 "Fierce 15" for biopharmaceutical companies	Fierce Medtech
2021	High-Tech Enterprise (高新技術企業)	Shenzhen Science and Technology Bureau (深圳市科學技術局), Shenzhen Municipal Finance Bureau (深圳市財政局), and Shenzhen Taxation Bureau, State Taxation Administration (國家税務總局深圳市税務局)
2021	Shenzhen Science and Technology Awards—Patent Award (深圳市科學技術獎—專利獎)	Shenzhen Municipal People's Government (深圳市人民政府)

Year of Grant	Award/Recognition	Issuing Organization/Authority
2021	2021 Forbes China Enterprise Technology 50 (福布斯中國企業科技50強)	Forbes China
2020	50 Smartest Companies in China (TR50 China) 2020	MIT Technology Review
2020	China Technology Fast 50 (TF50)	Deloitte
2020	Most Innovative 50 Companies in Biotech and Life Sciences 2020 (2020生物科技創新企業50強)	Fast Company
2020	China's Most Promising Companies (中國最具潛力種子企業)	Ernst & Young, Fudan University (復旦大學)
2020	Digital Health 150	CB Insights Research
2020	AI Top 50, Nomination for "King of the New Infrastructure" (新基建之王人工智能領域TOP50企業)	36Kr (36氪)
2019	"China's Big Health Industry Influencers 2019" list – Top Biopharmaceutical Drug Innovative Companies (《2019年中國大健康產業影響力》榜單–最佳生物醫藥創新企業)	EqualOcean (億歐)

OVERVIEW

Upon the [**REDACTED**], the following transactions disclosed in this section will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

From time to time, we procure from Tencent Cloud Computing (Beijing) Co. Ltd. (騰訊雲計算(北京)有限責任公司) ("**Tencent Cloud**") and its associates (collectively, the "**Tencent Group**") certain cloud services, including but not limited to system services composed of various products and services such as computing and network, cloud virtual machine, cloud database, cloud security, monitoring and management, domain name resolution service, video service, big data and artificial intelligence (the "**Cloud Services**").

For each of the three years ended December 31, 2022 and the six months ended June 30, 2023, the historical transaction amount paid by us for the Cloud Services was approximately RMB2.7 million, RMB2.3 million, RMB2.6 million and RMB1.7 million, respectively. The transaction amount of the Cloud Services for each of the two years ending December 31, 2025 is not expected to exceed RMB2.7 million.

The fees for the Cloud Services will be determined after arm's length negotiations, taking into account (i) the unit service fee and duration of use for each type of the Cloud Services; (ii) the prevailing market rate of similar services; and (iii) the fees charged for historical transactions of similar services.

Reason for the transactions

The Tencent Group is a leading provider of Internet value-added services in the PRC, which offers a wide range of technological products and services. Tencent Cloud is a consolidated affiliated entity of Tencent which provides information system integration services in the PRC. Procurement of the Cloud Services from the Tencent Group will enable us to receive quality services from a reliable source to facilitate our business development and integrate our various operating systems.

Our Directors (including our independent non-executive Directors) consider that the continuing connected transactions have been and will be carried out: (i) in the ordinary and usual course of our business, (ii) on normal commercial terms; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Listing Rules implications

Tencent Cloud is a fellow subsidiary of Tencent Holdings Limited, the holding company of Image Frame Investment (HK) Limited, which will hold [**REDACTED**]% of the total number of issued Shares upon the [**REDACTED**]. Accordingly, Tencent Cloud is an associate of a substantial shareholder of our Company and thus a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions with Tencent Cloud will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the [**REDACTED**].

As each of the applicable percentage ratios in respect of the Cloud Services for each of the two years ending December 31, 2025 is expected to be less than 5% and the transaction amount in respect of the Cloud Services for each of the two years ending December 31, 2025 is expected to be less than HK$3.0 million, the provision of the Cloud Services by Tencent Cloud to our Group is fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

OVERVIEW

Dr. Wen, Dr. Ma and Dr. Lai are our Co-founders.

Under the WVR Structure in place as of the date of this document, each of the Class A Ordinary Shares and the Preferred Shares entitles its holder to exercise one vote at our Company's general meetings, and each Class B Ordinary Share entitles its holder to exercise ten votes at our Company's general meetings. As of the date of this document, (i) Dr. Wen (through QuantumPharm Holdings) is the beneficial owner of 6.90% of the total number of issued Shares, comprising Class A Ordinary Shares which are entitled to 0.05% of the voting rights at general meetings of our Company and Class B Ordinary Shares which are entitled to 30.90% of the voting rights at general meetings of our Company; (ii) Dr. Ma (through Crete Helix) is the beneficial owner of 3.82% of the total number of issued Shares, comprising only Class B Ordinary Shares, which are entitled to 17.34% of the voting rights at general meetings of our Company; and (iii) Dr. Lai (through SeveningBAlpha) is the beneficial owner of 2.73% of the total number of issued Shares, comprising only Class B Ordinary Shares which are entitled to 12.39% of the voting rights at general meetings of our Company. Pursuant to the powers of attorney dated July 19, 2021 executed by (i) Dr. Ma, Jian Guo Pai and Crete Helix; and (ii) Dr. Lai, Sevening B Holdings and SeveningBAlpha (collectively, the "**Co-founder Grantors**"), QuantumPharm Holdings is indefinitely and irrevocably authorized and appointed to exercise all the voting rights attached to the Shares held by them at any time and from time to time which they are entitled to under the laws of the Cayman Islands and the Memorandum and the Articles on all matters submitted to a vote of Shareholders at a meeting of Shareholders or through the solicitation of a written consent of Shareholders, except for any matter the outcome of the vote on which will disproportionately, materially and adversely affect the Co-founder Grantors, as compared to QuantumPharm Holdings or any other Shareholder.

QuantumPharm Holdings is owned as to 1% by SSBL Holdings, a company which is wholly owned by Dr. Wen, and 99% by WSH Family Holdings, a holding vehicle wholly owned by TMF (Cayman) Ltd. as the trustee of the WSH Family Trust (a discretionary trust established by Dr. Wen as the settlor). Crete Helix is owned as to 1% by Jian Guo Pai, a company which is wholly owned by Dr. Ma, and 99% by MH International, a holding vehicle wholly owned by TMF (Cayman) Ltd. as the trustee of the MH Fund Trust (a discretionary trust established by Dr. Ma as the settlor). SeveningBAlpha is owned as to 1% by Sevening B Holdings, a company which is wholly owned by Dr. Lai, and 99% by LPHappy Holding, a holding vehicle wholly owned by TMF (Cayman) Ltd. as the trustee of the LPHappy Family Trust (a discretionary trust established by Dr. Lai as the settlor).

Upon the [**REDACTED**], by the adoption of the Memorandum and the Articles, the WVR Structure will be unwound, and each Share (including each of the Class B Ordinary Shares with super-voting rights) will be converted or re-designated to one Ordinary Share. After the re-designation, all the issued Shares will entitle their holders to one vote per Share at each general meeting of our Company. For further details of the Memorandum and the Articles, see "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company." As a result, QuantumPharm Holdings, Crete Helix and SeveningBAlpha will control [**REDACTED**]% of the voting rights at general meetings of our Company (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs).

Furthermore, QuantumPharm Roc, a company which is wholly owned by QuantumPharm Holdings and a shareholding platform for the [**REDACTED**] ESOP which holds the Shares underlying the options granted thereunder for the benefit of the grantees, holds 9.26% of the total number of issued Shares as of the date of this document. Upon the [**REDACTED**], in respect of such Shares held by QuantumPharm Roc, the Co-founders will control the voting right of, (i) the Shares underlying vested options which have been granted to the Co-founders, representing [**REDACTED**]% of the total number of issued Shares; and (ii) the Shares underlying vested options, the voting right of which will be entrusted to one of the Co-founders or in respect of which one of the Co-founders is entitled to give instructions, representing [**REDACTED**]% of the total number of issued Shares.

Accordingly, Dr. Wen, Dr. Ma, Dr. Lai, QuantumPharm Holdings, SSBL Holdings Limited, Crete Helix, Jian Guo Pai, SeveningBAlpha and Sevening B Holdings will continue to control 17.12% of the voting power at general meetings of our Company and will be our group of Shareholders with the largest voting power at our general meetings upon the [**REDACTED**]. For the biographical information of the Co-founders, see "Directors and Senior Management—Board of Directors—Executive Directors."

INDEPENDENCE FROM OUR CO-FOUNDER GROUP

We believe that our Group is capable of carrying on our business independently from our Co-founder Group and their respective close associates (other than our Group) after the [**REDACTED**].

Management Independence

Our Board comprises four executive Directors, one non-executive Director, and three independent non-executive Directors. None of our Directors or members of our senior management team other than our Co-founders holds any position in our Co-founder Group or their respective close associates.

Our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is any potential conflict of interest arising out of any contract or arrangement or any other proposal in which our Directors or any of his/her close associates has any material interest, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings in respect of such transactions and shall abstain from voting on (nor shall be counted in the quorum in relation to) any resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates is materially interested in. See "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company".

We [have appointed] three independent non-executive Directors with extensive experience in their respective areas of expertise to ensure that the decision of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole. Matters including connected transactions are required to be referred to our independent non-executive Directors for review and approval. In addition, we [have adopted] a series of corporate governance measures to manage conflicts of interests, if any, between our Group and our Co-founders which would support our independent management. See "—Corporate Governance Measures" in this section.

Based on the above, our Directors are of the view that our Group is capable of managing our business independently from our Co-founder Group and their respective close associates following the completion of the [**REDACTED**].

Operational Independence

Although our Co-founder Group will be the group of Shareholders with the largest voting power at our general meeting after the [**REDACTED**], we have full rights to make all decisions on and to carry out our own business operations independently. Our Company, through our subsidiaries, holds the relevant licenses, approvals and permits from the relevant regulatory authorities that are material to our operations. We have sufficient capital, facilities and employees to operate our business independently from our Co-founders and their respective close associates. We also have independent access to our customers and suppliers and an independent management team to operate our business.

Based on the above, our Directors are of the view that our Group is capable to operate independently from our Co-founder Group and their respective close associates following the completion of the [**REDACTED**].

Financial Independence

We have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. As of June 30, 2023, our bank borrowings of RMB34.0 million were secured by, among others, personal guarantee provided by Dr. Wen. The personal guarantee will be released upon the [**REDACTED**]. For details, See "Financial Information—Indebtedness—Bank Borrowings" and note 29 to the Accountant's Report set out in Appendix I to this document. As of the Latest Practicable Date, our Group did not have any outstanding loans, advances or balances due to or from our Co-founders or their respective close associates.

Based on the above, our Directors are of the view that our Group is capable to maintain financial independence from our Co-founder Group and their respective close associates following the completion of the [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

Each of our Co-founders has confirmed that it fully comprehends its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our [**REDACTED**] Shareholders. For details of our independent non-executive Directors, see "Directors and Senior Management—Board of Directors—Independent non-executive Directors;"

(d) we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance; and

(e) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue prior to the completion of the [**REDACTED**]:

Authorized share capital:

Number of Shares	Description of Shares	Aggregate par value *(US$)*
[97,132,966,842]	Class A Ordinary Shares of US$0.00001 each	[971,329.67]
429,653,340	Class B Ordinary Shares of US$0.00001 each	4,296.53
145,221,000	Series Pre-A Preferred Shares of US$0.00001 each	1,452.21
250,001,000	Series A-1 Preferred Shares of US$0.00001 each	2,500.01
56,338,300	Series A-2 Preferred Shares of US$0.00001 each	563.38
301,810,900	Series B Preferred Shares of US$0.00001 each	3,018.11
264,664,900	Series B+ Preferred Shares of US$0.00001 each	2,646.65
29,305,077	Series B++ Preferred Shares of US$0.00001 each	293.05
768,406,598	Series C Preferred Shares of US$0.00001 each	7,684.07
621,632,043	Series D Preferred Shares of US$0.00001 each	6,216.32
[100,000,000,000]	**Total**	**[1,000,000]**

Issued share capital:

Number of Shares	Description of Shares	Aggregate par value *(US$)*
352,366,603	Class A Ordinary Shares of US$0.00001 each	3,523.67
429,653,340	Class B Ordinary Shares of US$0.00001 each	4,296.53
145,221,000	Series Pre-A Preferred Shares of US$0.00001 each	1,452.21
250,001,000	Series A-1 Preferred Shares of US$0.00001 each	2,500.01
56,338,300	Series A-2 Preferred Shares of US$0.00001 each	563.38
301,810,900	Series B Preferred Shares of US$0.00001 each	3,018.11
264,664,900	Series B+ Preferred Shares of US$0.00001 each	2,646.65
29,305,077	Series B++ Preferred Shares of US$0.00001 each	293.05
768,406,598	Series C Preferred Shares of US$0.00001 each	7,684.07
621,632,043	Series D Preferred Shares of US$0.00001 each	6,216.32
3,219,399,761	**Total**	**32,194.00**

The following is a description of the authorized and issued share capital of our Company in issue immediately following the completion of the [**REDACTED**]:

Authorized share capital:

Number of Shares	**Description of Shares**	**Aggregate par value** *(US$)*
[100,000,000,000]	Ordinary Shares of US$0.00001 each	[1,000,000]

Issued share capital:

Assuming the* [REDACTED] *is not exercised

Number of Shares	**Description of Shares**	**Aggregate par value** *(US$)*
[3,219,399,761]	Shares of US$0.00001 each in issue immediately following the completion of the Share Conversion	[32,194.00]
[**REDACTED**]	Shares of US$0.00001 each to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Total**	[**REDACTED**]

Assuming the* [REDACTED] *is fully exercised

Number of Shares	**Description of Shares**	**Aggregate par value** *(US$)*
[3,219,399,761]	Shares of US$0.00001 each in issue immediately following the completion of the Share Conversion	[32,194.00]
[**REDACTED**]	Shares of US$0.00001 each to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares of US$0.00001 each to be issued pursuant to the exercise of the [**REDACTED**] in full	[**REDACTED**]
[**REDACTED**]	**Total**	[**REDACTED**]

ASSUMPTIONS

The above table assumes that (a) the [**REDACTED**] becomes unconditional and the [**REDACTED**] will be issued pursuant to the [**REDACTED**]; (b) our Company's WVR structure will be unwound and each of the Class A Shares and Class B will be re-designated to one Ordinary Share upon the [**REDACTED**]; and (c) each of the Series Pre-A Preferred Shares, the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, the Series B Preferred Shares, the Series B+ Preferred Shares, the Series B++ Preferred Shares, the Series C Preferred Shares and the Series D Preferred Shares will be converted to one Ordinary Share upon the [**REDACTED**]. The above tables also do not take into account (a) any Shares which may be issued under the ESOPs; or (b) any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to in "—General Mandate to Issue Shares" and "—General Mandate to Repurchase Shares" below.

OUR VOTING STRUCTURE BEFORE AND AFTER THE [REDACTED]

As of the date of this document, our Company adopted a WVR Structure, under which each Class B Ordinary Share entitled its holder to exercise ten votes at our Company's general meetings, and each of the Class A Ordinary Shares, the Series Pre-A Preferred Shares, the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, the Series B Preferred Shares, the Series B+ Preferred Shares, the Series B++ Preferred Shares, the Series C Preferred Shares and the Series D Preferred Shares entitled its holder to exercise one vote at our Company's general meetings.

Upon the [**REDACTED**], by the adoption of the Memorandum and the Articles, the WVR Structure will be unwound, and each Share (including the Class B Ordinary Shares with super-voting rights) will be converted or re-designated to one Ordinary Share, which will confer equal voting rights to its holder. After the re-designation, all the issued Shares will entitle their holders to one vote per Share at a general meeting of our Company.

For further details of the Memorandum and the Articles, see "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company."

RANKING

The [**REDACTED**] are Ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares upon the completion of the [**REDACTED**], namely Ordinary Shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase our capital; (ii) consolidate and divide our capital into shares of larger amount; (iii) divide our shares into several classes; (iv) subdivide our shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by our shareholders passing a special resolution. For details, see "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company."

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate 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 the sum of:

(a) 20% of the number of Shares in issue immediately following completion of the [**REDACTED**]; and

(b) the total number of Shares repurchased by us under the authority referred to in "—General Mandate to Repurchase Shares" below.

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**].

This mandate to issue Shares will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or any other applicable laws to be held; or

(iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, see "Appendix IV—Statutory and General Information—A. Further Information about our Group—4. Resolutions of the Shareholders of our Company dated [●]."

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities of up to 10% of the total number our Shares in issue immediately following the completion of the [**REDACTED**] (excluding the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange which the Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Appendix IV—Statutory and General Information—A. Further Information about our Group—5. Repurchase of Our Shares."

This general mandate to repurchase Shares will expire at the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or any other applicable laws to be held; or

(c) the date on which it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please see the section headed "Appendix IV —Statutory and General Information—A. Further Information about our Group—4. Resolutions of the Shareholders of our Company dated [●]."

SHARE INCENTIVE SCHEMES

As of the Latest Practicable Date, we had one share incentive scheme subsisting, being the [**REDACTED**] ESOP, and had granted options thereunder. For the purpose of the Listing, we [have] adopted the [**REDACTED**] Share Option Scheme and [**REDACTED**] RSU Scheme, which will take effect upon the Listing and will replace the [**REDACTED**] ESOP in its entirety and pursuant to which further Shares may be issued. See "Appendix IV—Statutory and General Information—D. Share Incentive Schemes" for further details.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs), the following persons 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:

Name of Shareholder	Nature of Interest[1]	As of the date of this document		Immediately following the completion of the [REDACTED]	
		Number and Class of Shares	Shareholding	Number and Class of Shares	Shareholding
Dr. Wen	Founder of trust[2]	3,195,700 Class A Ordinary Shares 218,930,700 Class B Ordinary Shares	6.90%	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[3]	81,093,362 Class A Ordinary Shares	2.52%	[**REDACTED**]	[**REDACTED**]
	Interest in controlled corporation	298,041,143 Class A Ordinary Shares[4]	9.26%	[**REDACTED**]	[**REDACTED**]
		210,722,640 Class B Ordinary Shares[5]	6.55%	[**REDACTED**]	[**REDACTED**]
WSH Family Holdings	Interest in controlled corporation[2]	3,195,700 Class A Ordinary Shares 218,930,700 Class B Ordinary Shares	6.90%	[**REDACTED**]	[**REDACTED**]
QuantumPharm Holdings	Beneficial owner[2 and 5]	3,195,700 Class A Ordinary Shares 429,653,340 Class B Ordinary Shares	13.45%	[**REDACTED**]	[**REDACTED**]
	Interest in controlled corporation[4]	298,041,143 Class A Ordinary Shares	9.26%	[**REDACTED**]	[**REDACTED**]

Name of Shareholder	Nature of Interest[1]	As of the date of this document		Immediately following the completion of the [REDACTED]	
		Number and Class of Shares	Shareholding	Number and Class of Shares	Shareholding
Dr. Ma	Founder of trust[6]	122,908,500 Class B Ordinary Shares	3.82%	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[7]	45,230,342 Class A Ordinary Shares	1.40%	[**REDACTED**]	[**REDACTED**]
	Interest in controlled corporation[8]	59,103,125 Class A Ordinary Shares	1.84%	[**REDACTED**]	[**REDACTED**]
MH International Holdings	Interest in controlled corporation[6]	122,908,500 Class B Ordinary Shares	3.82%	[**REDACTED**]	[**REDACTED**]
Crete Helix	Beneficial owner	122,908,500 Class B Ordinary Shares	3.82%	[**REDACTED**]	[**REDACTED**]
Dr. Lai	Founder of trust[9]	87,814,140 Class B Ordinary Shares	2.73%	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[10]	32,315,661 Class A Ordinary Shares	1.00%	[**REDACTED**]	[**REDACTED**]
LPHappy Holding	Interest in controlled corporation[9]	87,814,140 Class B Ordinary Shares	2.73%	[**REDACTED**]	[**REDACTED**]
SeveningBAlpha	Beneficial owner	87,814,140 Class B Ordinary Shares	2.73%	[**REDACTED**]	[**REDACTED**]
TMF (Cayman) Ltd.	Trustee of trusts[2], [6] and [9]	3,195,700 Class A Ordinary Shares 429,653,340 Class B Ordinary Shares	13.45%	[**REDACTED**]	[**REDACTED**]

Name of Shareholder	Nature of Interest[1]	As of the date of this document		Immediately following the completion of the [REDACTED]	
		Number and Class of Shares	Shareholding	Number and Class of Shares	Shareholding
QuantumPharm Roc	Beneficial owner	298,041,143 Class A Ordinary Shares	9.26%	[**REDACTED**]	[**REDACTED**]
Tencent Holdings Limited	Interest in controlled corporation[11]	250,001,000 Series A-1 Preferred Shares 14,084,700 Series A-2 Preferred Shares 63,380,300 Series B Preferred Shares 63,324,366 Series C Preferred Shares 49,076,214 Series D Preferred Shares	13.66%	[**REDACTED**]	[**REDACTED**]
Image Frame Investment (HK) Limited	Beneficial owner	250,001,000 Series A-1 Preferred Shares 14,084,700 Series A-2 Preferred Shares 63,380,300 Series B Preferred Shares 63,324,366 Series C Preferred Shares 49,076,214 Series D Preferred Shares	13.66%	[**REDACTED**]	[**REDACTED**]

Name of Shareholder	Nature of Interest[1]	As of the date of this document		Immediately following the completion of the [REDACTED]	
		Number and Class of Shares	Shareholding	Number and Class of Shares	Shareholding
HSG Venture VI Holdco, Ltd.	Beneficial owner	190,140,900 Series B Preferred Shares 13,303,438 Series C Preferred Shares	6.32%	[**REDACTED**]	[**REDACTED**]
HongShan Capital Venture Fund VI, L.P.	Interest in controlled corporation[12]	190,140,900 Series B Preferred Shares 13,303,438 Series C Preferred Shares	6.32%	[**REDACTED**]	[**REDACTED**]
HSG Venture VI Management, L.P.	Interest in controlled corporation[12]	190,140,900 Series B Preferred Shares 13,303,438 Series C Preferred Shares	6.32%	[**REDACTED**]	[**REDACTED**]
HSG Holding Limited	Interest in controlled corporation[12][13]	190,140,900 Series B Preferred Shares 26,606,877 Series C Preferred Shares 49,076,214 Series D Preferred Shares	8.25%	[**REDACTED**]	[**REDACTED**]
SNP China Enterprises Limited	Interest in controlled corporation[12][13]	190,140,900 Series B Preferred Shares 26,606,877 Series C Preferred Shares 49,076,214 Series D Preferred Shares	8.25%	[**REDACTED**]	[**REDACTED**]

Name of Shareholder	Nature of Interest[1]	As of the date of this document		Immediately following the completion of the [REDACTED]	
		Number and Class of Shares	Shareholding	Number and Class of Shares	Shareholding
Neil Nanpeng Shen	Interest in controlled corporation[12][13][14]	190,140,900 Series B Preferred Shares 26,606,877 Series C Preferred Shares 65,434,952 Series D Preferred Shares	8.76%	[**REDACTED**]	[**REDACTED**]
China Life Chengda (Shanghai) Healthcare Industry Equity Investment Center (Limited Partnership)	Beneficial owner	208,946,000 Series B+ Preferred Shares 26,606,877 Series C Preferred Shares	7.32%	[**REDACTED**]	[**REDACTED**]
China Life Chengda (Shanghai) Healthcare Equity Investment Management Co., Ltd.	Interest in controlled corporation[15]	208,946,000 Series B+ Preferred Shares 26,606,877 Series C Preferred Shares	7.32%	[**REDACTED**]	[**REDACTED**]
China Life Insurance (Group) Company	Interest in controlled corporation[15]	208,946,000 Series B+ Preferred Shares 26,606,877 Series C Preferred Shares	7.32%	[**REDACTED**]	[**REDACTED**]
China Life Insurance Company Limited	Interest in controlled corporation[15]	208,946,000 Series B+ Preferred Shares 26,606,877 Series C Preferred Shares	7.32%	[**REDACTED**]	[**REDACTED**]

Name of Shareholder	Nature of Interest[1]	As of the date of this document		Immediately following the completion of the [REDACTED]	
		Number and Class of Shares	Shareholding	Number and Class of Shares	Shareholding
5Y Capital GP Limited	Interest in controlled corporation[16]	13,717,395 Class A Ordinary Shares 1,741,200 Series B+ Preferred Shares 22,370,288 Series B++ Preferred Shares 119,730,944 Series C Preferred Shares 98,152,428 Series D Preferred Shares	7.94%	[**REDACTED**]	[**REDACTED**]
Liu Qin	Interest in controlled corporation[16]	13,717,395 Class A Ordinary Shares 1,741,200 Series B+ Preferred Shares 22,370,288 Series B++ Preferred Shares 119,730,944 Series C Preferred Shares 98,152,428 Series D Preferred Shares	7.94%	[**REDACTED**]	[**REDACTED**]

Name of Shareholder	Nature of Interest[1]	As of the date of this document		Immediately following the completion of the [REDACTED]	
		Number and Class of Shares	Shareholding	Number and Class of Shares	Shareholding
Shi Jianming	Interest in controlled corporation[16]	13,717,395 Class A Ordinary Shares 1,741,200 Series B+ Preferred Shares 22,370,288 Series B++ Preferred Shares 119,730,944 Series C Preferred Shares 98,152,428 Series D Preferred Shares	7.94%	[**REDACTED**]	[**REDACTED**]

Notes:

(1) All interests stated are long positions.

(2) QuantumPharm Holdings is held as to 99% by WSH Family Holdings, which is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd., being the trustee of the WSH Family Trust, a discretionary trust established by Dr. Wen as settlor. Under the SFO, each of Dr. Wen, WSH Family Holdings and TMF (Cayman) Ltd. is deemed to be interested in the [**REDACTED**] Ordinary Shares in which QuantumPharm Holdings is interested.

(3) Representing 81,093,362 Class A Ordinary Shares underlying the options granted to Dr. Wen under the [**REDACTED**] ESOP.

(4) QuantumPharm Roc, being the shareholding platform for the [**REDACTED**] ESOP which holds the Shares underlying the options granted thereunder for the benefit of the grantees, is wholly owned by QuantumPharm Holdings. Under the SFO, each of Dr. Wen and QuantumPharm Holdings is deemed to be interested in the [**REDACTED**] Ordinary Shares in which QuantumPharm Roc is interested.

(5) Pursuant to the powers of attorney dated July 19, 2021 executed by (i) Dr. Ma, Jian Guo Pai and Crete Helix; and (ii) Dr. Lai, Sevening B Holdings and SeveningBAlpha (collectively, the "**Co-founder Grantors**"), QuantumPharm Holdings is indefinitely and irrevocably authorized and appointed to exercise all the voting rights attached to the Shares held by them at any time and from time to time which they are entitled to under the laws of the Cayman Islands and the Memorandum and the Articles on all matters submitted to a vote of Shareholders at a meeting of Shareholders or through the solicitation of a written consent of Shareholders, except for any matter the outcome of the vote on which will disproportionately, materially and adversely affect the Co-founder Grantors, as compared to QuantumPharm Holdings or any other Shareholder. Under the SFO, each of Dr. Wen and QuantumPharm Holdings is deemed to be interested in the [**REDACTED**] Ordinary Shares in which CreteHelix is interested and the [**REDACTED**] Ordinary Shares in which SeveningBAlpha is interested.

(6) Crete Helix is held as to 99% by MH International Holdings, which is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd., being the trustee of the MH Fund Trust, a discretionary trust established by Dr. Ma as settlor. Under the SFO, each of Dr. Ma, MH International Holdings and TMF (Cayman) Ltd. is deemed to be interested in the Shares in which Crete Helix is interested.

(7) Representing 45,230,342 Ordinary Shares underlying the options granted to Dr. Ma under the [**REDACTED**] ESOP.

(8) Representing [**REDACTED**] Ordinary Shares underlying the options granted under the [**REDACTED**] ESOP held by QuantumPharm Employee Holdings Limited, a holding vehicle wholly owned by the trustee of the QuantumPharm Employee Benefit Trust for the benefit of 13 employees of our Group, to which Dr. Ma has the power to provide voting instructions in respect of the Shares underlying the options held by the QuantumPharm Employee Benefit Trust.

(9) SeveningBAlpha is held as to 99% by LPHappy Holding, which is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd., being the trustee of the LPHappy Family Trust, a discretionary trust established by Dr. Lai as settlor. Under the SFO, each of Dr. Lai, LPHappy Holding and TMF (Cayman) Ltd. is deemed to be interested in the Shares in which SeveningBAlpha is interested.

(10) Representing [**REDACTED**] Ordinary Shares underlying the options granted to Dr. Lai under the [**REDACTED**] ESOP.

(11) Tencent Holdings Limited is the sole member of Image Frame Investment (HK) Limited. Under the SFO, Tencent Holdings Limited is deemed to be interested in the Shares in which Image Frame Investment (HK) Limited is interested.

(12) HSG Venture VI Holdco, Ltd. is wholly owned by HongShan Capital Venture Fund VI, L.P., whose general partner is HSG Venture VI Management, L.P.. The general partner of HSG Venture VI Management, L.P. is HSG Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited. Under the SFO, each of HongShan Capital Venture Fund VI, L.P., HSG Venture VI Management, L.P., HSG Holding Limited, SNP China Enterprises Limited and Neil Nanpeng Shen is deemed to be interested in the shares in which HSG Venture VI Holdco, Ltd. is interested.

(13) HSG Venture VIII Holdco, Ltd. is wholly owned by HongShan Capital Venture Fund VIII, L.P., whose general partner is HSG Venture VIII Management, L.P. HSG Growth VI Holdco E, Ltd. is wholly owned by HongShan Capital Growth Fund VI, L.P., whose general partner is HSG Growth VI Management, L.P.. The general partner of each of HSG Venture VIII Management, L.P. and HSG Growth VI Management, L.P. is HSG Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited. Under the SFO, each of HSG Holding Limited, SNP China Enterprises Limited and Neil Nanpeng Shen is deemed to be interested in the shares in which HSG Venture VIII Holdco, Ltd. and HSG Growth VI Holdco E, Ltd. are interested.

(14) HCHP Holdco, Ltd. is wholly owned by HCHP Master Fund, which is managed by HCHP Management Limited as investment manager, which is in turn wholly owned by HCHP Management Holding Limited. The majority voting rights of HCHP Management Holding Limited are indirectly held by its non-executive director, Neil Nanpeng Shen. Under the SFO, Neil Nanpeng Shen is deemed to be interested in the shares in which HCHP Holdco, Ltd. is interested.

(15) The general partner of China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) ("China Life Chengda") is China Life Chengda (Shanghai) Healthcare Equity Investment Management Co., Ltd., a limited liability company indirectly owned by China Life Insurance (Group) Company. The ultimate limited partners of China Life Chengda are China Life Insurance Company Limited, a company listed on the Stock Exchange (stock code: 2628) and the Shanghai Stock Exchange (stock code: 601628), being its largest limited partner of with 74.94% partnership interest, and the Ministry of Finance of the PRC. Under the SFO, each of China Life Chengda (Shanghai) Healthcare Equity Investment Management Co., Ltd., China Life Insurance (Group) Company, China Life Insurance Company Limited is deemed to be interested in which China Life Chengda is interested.

(16) Evolution Fund I, L.P., Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P., are exempted limited partnerships established under the laws of the Cayman Islands and are controlled by 5Y Capital GP Limited, as their general partner. Each of Liu Qin and Shi Jianming is entitled to exercise or control the exercise of one-half of the voting power of all issued shares in 5Y Capital GP Limited at its general meeting. Under the SFO, each of 5Y Capital GP Limited, Liu Qin and Shi Jianming is deemed to be interested in which Evolution Fund I, L.P., Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P. are interested.

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 and no Shares will be issued under the ESOPs), 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.

BOARD OF DIRECTORS

Our Board consists of eight Directors, of whom four are executive Directors, one is a non-executive Director and three are independent non-executive Directors. Our Board is responsible for, and has general powers for, the management and conduct of our business. The table below sets out certain information in respect of the members of the Board.

The table below sets out certain information in respect of our Directors:

Name	Age	Position(s) in our Group	Date of joining our Group	Date of appointment as Director	Key responsibilities	Relationship with other Directors or senior management
Dr. Wen Shuhao (溫書豪)	[42]	Executive Director and chairman of our Board	September 2015	April 28, 2017 (re-designated as executive Director on November 27, 2023)	Overseeing our overall global business management and our strategies in the capital markets	None
Dr. Ma Jian (馬健)	[38]	Executive Director and Chief Executive Officer	September 2015	April 28, 2017 (re-designated as executive Director on November 27, 2023)	Overseeing our overall operation and management	None
Dr. Lai Lipeng (賴力鵬)	[40]	Executive Director and Chief Innovation Officer	September 2015	April 28, 2017 (re-designated as executive Director on November 27, 2023)	Overseeing our artificial intelligence development	None
Dr. Jiang Yide Alan	[59]	Executive Director and Chief Strategic Officer	January 2016	November 17, 2017 (re-designated as executive Director on November 27, 2023)	Overseeing our strategic development including identification of growth opportunities, strategic planning and execution	None

Name	Age	Position(s) in our Group	Date of joining our Group	Date of appointment as Director	Key responsibilities	Relationship with other Directors or senior management
Dr. Gu Cuiping (顧翠萍)	[43]	Non-executive Director	September 5, 2018	September 5, 2018 (redesignated as non-executive Director on November 27, 2023)	Providing professional advice, opinion, and guidance to our Board	None
Mr. Law Cheuk Kin Stephen (羅卓堅)	[60]	Independent non-executive Director	[●]	[●]	Providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	None
Ms. Chan Wing Ki (陳穎琪)	[39]	Independent non-executive Director	[●]	[●]	Providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	None
Dr. Fan Fengtao (范峰滔)	[42]	Independent non-executive Director	[●]	[●]	Providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	None

Executive Directors

Dr. Wen Shuhao (溫書豪), aged [42], was appointed as our Director on April 28, 2017 and re-designated as our executive Director and chairman of the Board on November 27, 2023. He is primarily responsible for overseeing our overall global business management and our strategies in the capital markets. Dr. Wen has also contributed to our cooperation with world-leading research institutes and biotechnology and pharmaceutical companies.

Prior to founding our Group, from February 2010 to April 2013, Dr. Wen worked as a postdoctoral research scholar at the University of California at Riverside. He worked as a postdoctoral associate at the Massachusetts Institute of Technology from April 2013 to February 2015.

Dr. Wen obtained his bachelor's degree in electronic science and technology from Dalian University of Technology in the PRC in June 2004. Dr. Wen obtained his master's degree in physical chemistry from the University of Science and Technology of China in the PRC in June 2005. Dr. Wen obtained his Ph.D. degree in physical chemistry from Dalian Institute of Chemical Physics, Chinese Academy of Sciences in the PRC in January 2010. Dr. Wen is a published quantum physicist with over 14 years of research experiences in the field of computational physics and quantum chemistry and has published 36 papers with more than 2,100 citations. In 2020, Dr. Wen was awarded as one of "Fortune's 40 Business Elites Under 40 in China." In April 2023, Dr. Wen was award as one of the "Shenzhen Top Ten Outstanding Young Entrepreneurs."

Dr. Ma Jian (馬健), aged [38]**,** was appointed as our Director on April 28, 2017 and re-designated as our executive Director and Chief Executive Officer on November 27, 2023. He is primarily responsible for overseeing our overall operation and management.

Prior to founding our Group, Dr. Ma completed his postdoctoral research at the Massachusetts Institute of Technology in June 2014.

Dr. Ma obtained his bachelor's and Ph.D. degree in physics from Zhejiang University (浙江大學) in the PRC in June 2007 and June 2012, respectively. Dr. Ma has published 30 papers in international leading scientific journals, including Physics Reports, Physical Review and Journal of Chemical Physics. Dr. Ma was honored as "Innovators Under 35" by MIT Technology Review in 2019. Dr. Ma is also recognized as a Shenzhen regional leading talent (深圳市地方級領軍人才) and Shenzhen overseas high-caliber personnel (深圳市海外高層次人才).

Dr. Lai Lipeng (賴力鵬), aged [40]**,** was appointed as our Director on April 28, 2017 and re-designated as our executive Director and Chief Innovation Officer on November 27, 2023. He is primarily responsible for overseeing our artificial intelligence development.

Prior to founding our Group, from April 2012 to August 2012, he served as a software developer at Epic Systems Corporation. From September 2012 to September 2014, Dr. Lai served as a postdoctoral associate at the Singapore University of Technology and Design-Massachusetts Institute of Technology (SUTD-MIT) Graduate Fellows Program.

Dr. Lai obtained his bachelor's double degree in physics and mathematics from Peking University in the PRC in July 2006. Dr. Lai obtained his master's and Ph.D. degree in physics from the University of Chicago in December 2007 and March 2012, respectively. Dr. Lai has published multiple papers in leading journals, including *Physical Review Letters*, and is recognized as a Shenzhen overseas high-caliber personnel (深圳市海外高層次人才).

Dr. Jiang Yide Alan, aged [59], was appointed as our Director on November 17, 2017 and re-designated as our executive Director and Chief Strategic Officer on November 27, 2023. He is primarily responsible for overseeing our strategic development including identification of growth opportunities, strategic planning and execution.

Dr. Jiang has over 20 years of experience in scientific and research management. From July 2001 to July 2016, Dr. Jiang worked at Sanofi-Genzyme R&D Center with his last position held as the director of Asia R&D Strategy, where he was responsible for the development of Genzyme Asia/China R&D strategy and led cross-functional R&D external collaborations and projects in Asia. Dr. Jiang was a key member of the Translational Medicine team and focused on strategic implementation of pharmacogenomics and biomarker in early clinical development.

Dr. Jiang obtained his bachelor's degree in medicine from Shanghai Medical College, Fudan University (formerly known as Shanghai Medical University) in the PRC in July 1987. He obtained his Ph.D. degree in molecular biology from University of Tennessee in the United States in June 1999. He completed his post-doctoral research in hematology and oncology at Brigham & Women's Hospital, Harvard Medical School in the United States in June 2001.

Non-executive Directors

Dr. Gu Cuiping (顧翠萍), aged [43], was appointed as our Director on September 5, 2018 and re-designated as our non-executive Director on November 27, 2023. She is primarily responsible for providing professional advice, opinion, and guidance to our Board.

Dr. Gu currently serves as the managing director of HongShan Capital and focuses on healthcare investment. Prior to joining HongShan Capital in July 2012, Dr. Gu worked at OrbiMed Asia with her last position held as an associate from April 2010 to July 2012, where she focused on healthcare and life sciences investments in Asia. Dr. Gu subsequently served as a project manager at Eli Lilly & Company in Shanghai, where she was responsible for R&D projects, collaboration and partnership. From April 2007 to May 2009, Dr. Gu worked at Shanghai Genomics, Inc. with her last position held as an associate director for development planning.

Dr. Gu obtained her bachelor of science degree with double majors in biotechnology and English from Shanghai Jiao Tong University in the PRC in July 2002 and Ph.D. degree in biochemistry and molecular biology from Shanghai Jiao Tong University in the PRC in April 2007.

Independent Non-executive Directors

Mr. Law Cheuk Kin Stephen (羅卓堅), aged 61, was appointed as our independent non-executive Director on [●]. He is responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance.

Mr. Law worked at Wheelock Pacific Limited, a subsidiary of Wheelock and Company Limited (會德豐有限公司), a company formerly listed on the Stock Exchange (stock code: 0020) from February 1995 to July 1997, i-CABLE Communications Limited, a company listed on the Stock Exchange (stock code: 1097) from July 1997 to 2000, Morningside Technologies Inc., part of the Morningside Group (晨興創投集團) from 2000 to 2006, and TPG Growth Capital (Asia) Limited from July 2006 to September 2012, where he last served as a managing director. Mr. Law served as the chief financial officer of Guoco Group Limited (國浩集團有限公司), a company listed on the Stock Exchange (stock code: 0053) from October 2012 to June 2013, the finance director of MTR Corporation Ltd., a company listed on the Stock Exchange (stock code: 0066) from July 2013 to July 2016, an adjunct professor of the Hong Kong Polytechnic University from 2015 to 2017, an independent non-executive director of AAG Energy Holdings Limited (亞美能源控股有限公司), a company listed on the Stock Exchange (stock code: 2686) from July 2016 to September 2018, and an independent non-executive director of Stealth BioTherapeutics Inc., a company listed on NASDAQ (ticker symbol: MITO) from June 2018 to July 2019. He has been the managing director and a responsible officer of ZhongYi Investment Managers Limited since January 2021.

Mr. Law obtained his bachelor's degree in civil engineering from the University of Birmingham in the United Kingdom in July 1984 and master's degree in business administration from the University of Hull in the United Kingdom in July 1996. Mr. Law is a council member of the Hong Kong Institute of Certified Public Accountants (HKICPA) since 2022, with previous experience of being a council member of the HKICPA from January 2010 to December 2017. Mr. Law is now a member of the Institute of Chartered Accountants in England and Wales, a council member of Hong Kong Business Accountants Association Ltd. (HKBAA) and an expert accounting consultant appointed by the Ministry of Finance of the PRC. Mr. Law is also a council member of The Hong Kong Independent Non-Executive Director Association Limited (HKiNEDA). Mr. Law has accounting qualifications in Hong Kong and the United Kingdom. Mr. Law was appointed as the Justice of the Peace by the Government of the Hong Kong Special Administrative Region in July 2022 and he was appointed as a CPPCC National Committee Member in January 2023.

Mr. Law is currently or has served as a director of the following listed companies during the three years immediately preceding the date of this document:

Period of service	Name of company	Principal business	Place of listing and stock code	Position
May 17, 2018 – present	China Everbright Limited	Investment activities and provision of financial services	The Stock Exchange (stock code: 165)	Independent non-executive director
November 1, 2018 to August 25, 2022	Bank of Guizhou Co., Ltd.	Provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services	The Stock Exchange (stock code: 6199)	Independent non-executive director
February 15, 2019 – present	Somerley Capital Holdings Limited	Provision of corporate finance advisory services and asset management services	The Stock Exchange (stock code: 8439)	Independent non-executive director
March 8, 2021 – present	CSPC Pharmaceutical Group Limited	Manufacture and sale of pharmaceutical products	The Stock Exchange (stock code: 1093)	Independent non-executive director
June 29, 2020 – present	China Galaxy Securities Co., Ltd.	Securities and futures brokerage, institutional sales and investment research, proprietary trading and other securities trading services, margin financing and securities lending, asset management and wealth management, and equity investment management	The Stock Exchange (stock code: 6881)	Independent non-executive director

Period of service	Name of company	Principal business	Place of listing and stock code	Position
July 8, 2021 – present	Keymed Biosciences Inc.	Research and development of pharmaceutical products	The Stock Exchange (stock code: 2162)	Independent non-executive director

Ms. Chan Wing Ki (陳穎琪), aged [39], was appointed as our independent non-executive Director on [●]. She is responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance.

Ms. Chan has over 10 years of legal and corporate governance experience. From September 2008 to September 2011, Ms. Chan worked at Allen & Overy with her last position as an associate. From October 2011 to June 2016, she worked at Davis Polk & Wardwell as an associate. Ms. Chan worked at King & Wood Mallesons as a managing associate from January 2017 to May 2017, and worked at Latham & Watkins as an associate from July 2017 to April 2018. From May 2018 to April 2021, she worked for Xiaomi Corporation, a company listed on the Stock Exchange (stock code: 1810), with her last position as the head of legal and finance and joint company secretary. From May 2021 to June 2021, she worked at Kuaishou Technology as a senior director of the company secretary department. From June 2021 to September 2022, she worked at ECARX Holdings Inc., a company listed on Nasdaq (ticker symbol: ECX), as the secretary to the board. Since October 2022, she has been serving as the group general counsel and company secretary of China Gas Holdings Limited, a company listed on the Stock Exchange (stock code: 384).

Ms. Chan obtained her bachelor's degree in business administration (law) and a bachelor's degree in law from The University of Hong Kong in 2006 and 2007, respectively. Ms. Chan was admitted as a solicitor of Hong Kong by the High Court of Hong Kong in January 2011, and as an attorney of the State of New York, United States, in January 2019.

Dr. Fan Fengtao (范峰滔), aged [42], was appointed as our independent non-executive Director on [●]. He is responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance.

Dr. Fan served as a researcher at Dalian Institute of Chemical Physics (DICP), Chinese Academy of Sciences from May 2010 to July 2015. Since then, he was promoted to a full professor of DICP. In 2018, he was selected as a chair professor at DICP. Dr. Fan has serving as a vice director of the State Key Laboratory of Catalysis (催化基礎國家重點實驗室) since June 2016 and the secretary-general of the Catalysis Division of the Chinese Chemical Society (中國化學會催化委員會) since January 2020. He has been serving as an associate editor of ChemComm, RSC since October 2021 and a fellow of the Royal Society of Chemistry since 2022.

Dr. Fan received the Liaoning Provincial Science and Technology Award (1st class) in December 2010 and the National Natural Science Award (2nd class) in December 2011. He was recognized as the National Ten Thousand Talent Program—Young Top-Notch Talent in August 2018 and is a recipient of the National Science Fund for Distinguished Young Scholars in July 2023.

Dr. Fan obtained his bachelor's degree in applied chemistry from Shanxi University in the PRC in July 2003. He obtained his doctorate degree in physical chemistry from Dalian Institute of Chemical Physics, Chinese Academy of Sciences in the PRC in January 2010.

Save as disclosed above, none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this document.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (b) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our executive Directors and our senior management members are responsible for the day-to-day operations and management of our business. For the biography of Dr. Wen, Dr. Ma, Dr. Lai and Dr. Jiang, see "—Board of Directors—Executive Directors" above, the table below sets out certain information in respect of the senior management of the Group.

Name	Age	Existing position in our Group	Date of joining our Group	Date of appointment as senior management	Key responsibilities
Dr. Zhang Peiyu (張佩宇)	[40]	Chief Scientific Officer	September 2015	September 2015	Overseeing our scientific research operations
Dr. Gu Liang (古亮)	[41]	Chief Technology Officer	August 2022	August 2022	Overseeing our automation business
Mr. Tam Man Hong (譚文康)	[46]	Chief Financial Officer	December 2020	December 2020	Overseeing our fundraising and corporate finance transactions, investor relations, financial reporting, legal and compliance, intellectual properties, strategic formulation and business development

Dr. Zhang Peiyu (張佩宇), aged [40], is our Chief Scientific Officer and is primarily responsible for overseeing our scientific research operations.

Prior to joining our Group in September 2015, Dr. Zhang was appointed as an associate researcher in July 2013 at Dalian Institute of Chemical Physics, Chinese Academy of Sciences.

Dr. Zhang obtained his bachelor's degree in electronic science from Dalian University of Technology in the PRC in July 2004. He obtained his Ph.D. degree in physical chemistry from Dalian Institute of Chemical Physics, Chinese Academy of Sciences in the PRC in January 2011.

Dr. Gu Liang (古亮), aged [41], was appointed as our Chief Technology Officer in August 2022. He is primarily responsible for overseeing our automation business.

Prior to joining our Group, Dr. Gu worked as a research associate from February 2013 to February 2015 at Yale University. From February 2015 to November 2015, Dr. Gu served as chief security and technology specialist at Shenzhen Securities Communication Co. Ltd. From November 2015 to July 2022, Dr. Gu, served as R&D vice president and chief scientist at Sangfor Technologies Inc., where he was focusing on information technology.

Dr. Gu obtained his bachelor's degree in computer science and technology from University of Electronic Science and Technology of China in the PRC in July 2005. He obtained his Ph.D. degree in computer software and theory from Peking University in the PRC in January 2011. Dr. Gu was qualified as a professorate senior engineer by Human Resources and Social Security Department of Guangdong Province in August 2022.

Mr. Tam Man Hong (譚文康), aged [46], is our Chief Financial Officer and is primarily responsible for overseeing our fundraising and corporate finance transactions, investor relations, financial reporting, legal and compliance, intellectual properties, strategic formulation and business development.

Mr. Tam has extensive management experience in finance and banking across the Asia-Pacific region. Prior to joining our Company, from August 2007 to September 2011, Mr. Tam served as director at UBS AG Hong Kong Branch. From December 2011 to November 2015, Mr. Tam served at Jefferies Hong Kong Limited, with his last position held as managing director. From February 2016 to January 2017, Mr. Tam served at Guosen Securities (HK) Financial Holdings Co., Ltd, with his last position held as managing director. From February 2017 to May 2018, he served at BOSC International Company Limited, with his last position held as managing director. He served at UBS AG Hong Kong Branch from June 2018 to July 2020, with his last position held as managing director. Mr. Tam also served as Chief Financial Officer of HUYA Bioscience International, LLC from October 2020 to November 2020.

Mr. Tam obtained his bachelor's degree in commerce from the University of Auckland in New Zealand in December 1997. He obtained his master's degree in sustainability leadership from University of Cambridge in England in July 2020. He was certified as a CFA

charterholder by the CFA Institute (formerly the Association for Investment Management and Research) in September 2002. He was admitted as a fellow of CPA Australia in February 2016 and a member of the Hong Kong Institute of Certified Public Accountants in January 2003, respectively.

JOINT COMPANY SECRETARIES

Mr. Tam Man Hong (譚文康) was appointed as one of our joint company secretaries on November 27, 2023. For details of his background, see "—Senior Management" above.

Ms. Tse Chung Man (謝頌敏) was appointed as one of our joint company secretaries on November 27, 2023. Ms. Tse is a manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Tse has over 8 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Tse is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Tse obtained her Master of Corporate Governance from The Hong Kong Polytechnic University in year 2020.

BOARD COMMITTEES

We have established the following committees on our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

Our Company [has] established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs D.3.3 and D3.7 of Part 2 of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. The audit committee consists of Mr. Law Cheuk Kin Stephen, Ms. Chan Wing Ki and Dr. Fan Fengtao. Mr. Law Cheuk Kin Stephen is the chairman of the audit committee.

The primary duties of the audit committee are to (i) review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) provide advice and comments to our Board in respect of financial risk, risk management and internal control matters; and (iii) perform other duties and responsibilities as may be assigned by the Board.

Remuneration Committee

Our Company [has] established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision E.1.2 of Part 2 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of Mr. Law Cheuk Kin Stephen, Dr. Ma Jian and Ms. Chan Wing Ki, with Mr. Law Cheuk Kin Stephen as the chairman.

The primary duties of the remuneration committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time; and (iv) reviewing and approving matters relating to share schemes of our Company.

Nomination Committee

Our Company [has] established a nomination committee with written terms of reference in compliance with 3.27A of the Listing Rules and code provision of B.3.1 of Part 2 of the CG Code as set out in Appendix 14A of the Listing Rules. The nomination committee consists of Dr. Wen Shuhao, Mr. Law Cheuk Kin Stephen and Ms. Chan Wing Ki with Dr. Wen Shuhao as the chairman.

The primary duties of the nomination committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) identity, select or making recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) perform review on the contributions made by our Directors (including our independent non-executive Directors) and the sufficiency of time devoted to perform their duties; (iv) assess the independence of our independent non-executive Directors; and (v) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out our objectives and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Board comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including holding doctoral degrees in pharmaceutical and other areas, as well as accounting qualifications. Furthermore, the Board possesses members spanning a wide range of ages, from 38 years old to 60 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies our board diversity policy, and the Board and the nomination committee of our Company will assess the Board composition regularly.

We will continue to take steps to promote gender diversity at the Board of our Company. After the [**REDACTED**], we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. One of our Directors is female upon the [**REDACTED**]. To further ensure gender diversity of our Board in a long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

Our nomination committee is responsible for reviewing the diversity of the Board. After [**REDACTED**], our nomination committee will continue to monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels.

COMPLIANCE ADVISOR

We have appointed UOB Kay Hian (Hong Kong) Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor 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 share issues and share repurchases;

- where our Company proposes to use the [**REDACTED**] from 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 regarding unusual movements in the [**REDACTED**] or [**REDACTED**] volume of our Shares.

The term of the appointment 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**].

COMPENSATION OF DIRECTORS

Our Directors receive compensation from our Group in the form of fees, salaries, bonuses, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and equity-settled share-based payment.

The aggregate amount of remuneration which was paid to our Directors for each of the three years ended December 31, 2022 and the six months ended June 30, 2023 was RMB9.0 million, RMB27.9 million, RMB46.3 million and RMB22.3 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended December 31, 2022 and the six months ended June 30, 2023. It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus and the amount of share-based compensation) of more than RMB12.5 million in aggregate will be paid and granted to our Directors by us in respect of the year ending December 31, 2024 under arrangements in force at the date of this document.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individuals (including both employees and Directors) in respect of each of the three years ended December 31, 2022 and the six months ended June 30, 2023 was RMB10.4 million, RMB34.3 million, RMB53.7 million and RMB26.5 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 or past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or 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.

Our Board will review and determine the remuneration and compensation package of our Directors and senior management and will, following the [**REDACTED**], receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

See "Appendix IV—Statutory and General Information—C. Further Information about Directors and Substantial Shareholders" and "Appendix IV—Statutory and General Information—D. Share Incentive Schemes" for details of the interests of our Directors and senior management.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into employment contracts, confidentiality and intellectual property protection agreements and non-competition agreements with our senior management members and other key personnel. Below sets forth the key terms of the employment contracts we enter into with our senior management and other key personnel.

Confidentiality

The employee shall, during the course of employment with the Group and thereafter, keep in confidence all technical, operational information or trade secrets belonging to our Company or other third parties to whom the Group owes confidentiality obligations. Without the Group's prior consent, the employee shall not leak, disclose, publish, announce, issue, teach, transfer or otherwise make available to any third party (including employees who are not privy to such trade secrets) any such trade secrets of the Group or the aforementioned third parties in any manner and shall not utilize such trade secret beyond his or her scope of work.

Ownership of intellectual work products

The employee acknowledges and agrees that the Group shall own all intellectual work products he or she (i) produces during the course of employment with the Group for the purposes of undertaking their duties and responsibilities and (ii) produces using the Group's resources.

Non-competition

Non-competition obligation during employment term. During the term of his/her employment with our Company, unless with the Group's prior consent, the employee shall not engage in any business that competes with or is similar to that of the Group's business.

If the Group requires the employee to undertake non-competition obligation following termination of employment relationship, it shall notify the employee in writing before termination of employment relationship and the employee shall not serve in any capacity at any company engaged in a business that competes with or is similar to that of the Group's business within a period not exceeding two years after termination of the employment relationship.

Compensation for breach of covenants

If the employee breaches the obligations under the confidentiality, intellectual property and non-competition agreement, our Group shall be entitled to recover from the employee any losses incurred and any profits earned by the employee as a result of the breaches.

SHARE INCENTIVE SCHEMES

As of the Latest Practicable Date, we had one share incentive scheme subsisting, being the [**REDACTED**] ESOP, and had granted options thereunder. For the purpose of the [**REDACTED**], we have adopted the [**REDACTED**] Share Option Scheme and [**REDACTED**] RSU Scheme, which will take effect upon the [**REDACTED**] and will replace the [**REDACTED**] ESOP in its entirety. The principal terms of the ESOPs are summarized in "Appendix IV—Statutory and General Information—D. Share Incentive Schemes."

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of our Shareholders. To accomplish this, our Company expects to comply with the CG Code and the associated Listing Rules after the [**REDACTED**].

You should read the following discussion and analysis in conjunction with our consolidated financial statements together with the accompanying notes as set forth in the Accountant's Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in certain aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. 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, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business."

OVERVIEW

We are a globally leading, quantum physics-based, AI-powered, and robotics-driven, innovative R&D platform. We adopt a combination of quantum physics-based first-principles calculation, advanced AI, high-performance cloud computing, and scalable and standardized robotic automation to provide drug and material science R&D solutions and services to global conglomerates and innovative companies in the pharmaceutical and material science (including agritech, energy and new chemicals, and cosmetics) industries and beyond. During the Track Record Period, we derived revenue from drug discovery solutions and intelligent automation solutions.

Drug discovery solutions. We principally provide drug discovery solutions to biotechnology and pharmaceutical companies in exchange for service fees as we deliver research results to our customers. We also expect to receive additional royalties, milestone or contingent payments if our collaboration programs reach particular milestones or events contemplated in the respective contracts in the future, such as successful commercialization in particular regions. In addition, we offered drug discovery solutions in exchange for equity interests in counterparties and recorded revenue from such non-cash transactions in 2020 and 2021.

Intelligent automation solutions. Our intelligent automation solutions primarily consist of solid-state R&D services and automated chemical synthesis services. We generate revenue from intelligent automation solutions in the form of service fees.

We achieved significant growth during the Track Record Period. In 2020, 2021 and 2022, our revenue amounted to RMB35.6 million, RMB62.8 million and RMB133.4 million, respectively, representing a CAGR of 93.4% from 2020 to 2022. Our revenue increased by 86.3% from RMB42.9 million in the six months ended June 30, 2022 to RMB80.0 million in the six months ended June 30, 2023.

Due to the significant amounts of changes in fair value of CRPS and other financial liabilities, and to a lesser extent, due to our R&D expenses, general and administrative expenses, contract fulfillment costs, and selling and marketing expenses incurred during the Track Record Period, we recorded net losses of RMB734.4 million, RMB2,137.3 million, RMB1,438.6 million, RMB343.6 million and RMB620.3 million in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively. The absolute dollar amounts of our fair value changes in CRPS and other financial liabilities increased throughout the Track Record Period as the valuation of our business increased while our R&D expenses, general and administrative expenses, contract fulfillment costs, and selling and marketing expenses increased as our business grew. Our adjusted net loss, which is a non-IFRS measure after excluding (i) share-based compensation expenses and (ii) changes in fair value of CRPS and other financial liabilities issued to investors, was RMB121.9 million, RMB271.0 million, RMB437.4 million, RMB224.1 million and RMB357.5 million, respectively, for 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023.

In the future, we aim to maintain business sustainability and achieve profitability through: (i) enriching and expanding our solutions and services, (ii) expanding customer base, enabling cross-selling and diversifying revenue sources, and (iii) enhancing our operational efficiency and attaining economies of scale.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

The Evolving Markets We Compete in

We compete in the evolving markets of new technologies, including AI, quantum physics-based computation, and automation, which have experienced rapid growth in recent years. According to Frost & Sullivan, the size of the global drug R&D outsourcing services market, the global solid-state R&D services market, the global automated R&D lab market, and the global material science R&D expenditure, has increased at a CAGR of 10.3%, 27.6%, 32.2% and 15.0% from 2020 to 2022, respectively; and is expected to further increase at a CAGR of 14.9%, 27.7%, 39.6% and 12.8% from 2023 to 2030, respectively. We believe that by leveraging our leading position and advanced technologies in the quantum physics-based, AI-powered and robotics-driven drug discovery and intelligent automation solutions, we are well-positioned to capture the tremendous market opportunities, and we expect our results of operations and financial performance to further improve and our market share to further increase going forward. For a detailed discussion on the growth drivers of the relevant markets, see "Industry Overview."

Our Ability to Innovate Our Technologies

We operate in industries that are subject to rapid technological advancements. Continual innovations of our technologies are crucial for us to satisfy our customers' and collaborators' evolving needs and to remain competitive in the markets in which we operate. Therefore, we have to continually upgrade, enhance, and innovate our existing technologies and solutions, and develop new features and functionalities of our technologies and solutions to enhance their utility.

During the Track Record Period, we initiated various technological advancements and upgrades. For example, we have developed our AI-powered intelligent robotic wet lab to accelerate wet lab process and enhance experimental quality. We have successfully launched our proprietary UpChemist.AI platform, which we will use to expand our business in material science R&D, such as biomaterials, new energy and chemical materials, leveraging our strong quantum physics-based computation and intelligent automation capabilities. Furthermore, we have developed and applied our ProteinGPT technology in multiple macromolecular drug and new materials design and discovery programs.

We have invested, and will continue devoting significant resources in R&D to deliver quality customer experience. Our R&D expenses amounted to RMB83.5 million, RMB212.6 million, RMB359.0 million, RMB159.7 million and RMB234.4 million in 2020, 2021 and 2022, and the six months ended June 30, 2022 and 2023, respectively, accounting for approximately 234.4%, 338.5%, 269.2%, 372.1% and 293.1% of our revenue in the corresponding years/periods. Going forward, we plan to continue investing in R&D to further enhance and innovate our technologies and support the long-term growth of our business, which may affect our profitability and operating cash flow in the short-term.

Our Ability to Retain Our Existing Customers and Expand Our Customer Base

The number, quality and diversity of our customers (including our drug discovery collaborators) are crucial to our results of operations and continued growth. In recent times, an increasing number of biotechnology and pharmaceutical companies and institutions have sought out our solutions and services to speed up and improve their success rates of their R&D processes, with 43, 75, 120 and 107 customers in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, and we estimate that the number of our customers will further grow in the future. Our diverse customer base ranges from start-ups to global biotechnology and pharmaceutical companies, and we have also established relationships with customers in material science sector. Due to our advanced R&D capabilities and distinct value proposition to our customers and collaborators, many of them are our repeat customers and engage us for either bundled transactions or long-term collaborations. Our customer retention rate was approximately 53.8%, 67.5%, 51.4% and 51.4%, respectively, in 2020, 2021, 2022 and the six months ended June 30, 2023.

We attract new customers and collaborators primarily through word-of-mouth marketing from our past achievements, favorable reputation build-up within the industries in which we operate, and marketing activities, such as by attending academic seminars, workshops, industry exhibitions, or conferences. We believe that our reputable and loyal customer and collaborator base demonstrates strong support and demand for our solutions and services and helps to strengthen our brand and reputation, thereby attracting more customers for our solutions or services, and more collaborators to collaborate with us. Our selling and marketing expenses were RMB17.1 million, RMB27.4 million, RMB40.4 million, RMB18.4 million and RMB29.6 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, representing approximately 47.9%, 43.7%, 30.3%, 42.8% and 37.1% of our revenue in the respective year/period. Going forward, we believe our success will continue to largely depend on our ability to retain and further expand our customer and collaborator base through offering quality and diversified services to our customers and collaborators in a speedy, scalable, and novel way with high success rates.

Our Ability to Succeed in Other High-Value Industries

Our financial condition and growth prospects could be affected by our ability to succeed in other high-value industries in the future. Leveraging our proprietary in-house technologies and expertise, we have been exploring entry into other high-value sectors which rely on advanced technologies, such as material science (including agritech, energy and new chemicals, and cosmetics) and automation, to capture the market opportunities as well as to diversify our service offerings and revenue streams. For example, we have formed a joint venture with Zhongke Guosheng (Hangzhou) Technology Co., Ltd. and successfully developed a new type of furan-based bio-based surfactant that is verified to be able to replace the generally used petroleum-based surfactants within merely four months. We intend to continue investing significantly in R&D efforts related to these high-value industries, which may lead to changes in our financial performance.

General Conditions Affecting the Industries in which We Operate

Our results of operations are affected by general conditions that typically affect the markets we compete in, primarily including:

- global demand for AI-powered and robotics-driven drug discovery and intelligent automation solutions;
- the overall economic conditions especially in China and the U.S.;
- competition in the markets for drug and new materials R&D;

- the advancement in technologies relating to drug and new materials R&D; and
- government regulations, policies and initiatives affecting our business and operations, particularly in China and the U.S.

Any change in any of these general industry conditions may have a material impact on the demand for our services and solutions, and materially affect our results of operations.

BASIS OF PREPARATION

We were incorporated in the Cayman Islands on April 28, 2017 as an exempted company with limited liabilities, following which we implemented a series of corporate restructurings for the purpose of the reorganization and our Company became the holding company of our current business. See "History, Development and Corporate Structure" for details regarding the reorganization. As the reorganization only involved inserting new holding companies at the top of an existing company and has not resulted in any change of economic substances, the historical financial information has been presented as a continuation of the existing company as if the reorganization had been in place at the beginning of Track Record Period.

Our Group initially carried out our operations via Shenzhen Jingtai and its subsidiaries in China. We obtained a controlling financial interest over Shenzhen Jingtai by entering into the Former Contractual Arrangements with Shenzhen Jingtai and its registered shareholders. The Former Contractual Arrangements included exclusive business cooperation agreement, exclusive call option agreement, voting rights proxy agreements, and equity interest pledge agreement, which enabled our Group to exercise power over Shenzhen Jingtai, received variable returns from its involvement in Shenzhen Jingtai and had the ability to affect those returns through its power over Shenzhen Jingtai. Our management concluded that Shenzhen Jingtai was a controlled structured entity, of which we were the ultimate primary beneficiary. The Former Contractual Arrangements were terminated on July 12, 2021 through our acquisition of the entire equity interest in Shenzhen Jingtai from its registered shareholders. The aforesaid equity transfer does not have any impact on the consolidated financial statements of our Group as the effect of the equity transfer resulted in Shenzhen Jingtai and its subsidiaries changing from being a consolidated structured entity and subsidiaries of a consolidated structured entity into being directly-owned consolidated subsidiaries of the Company. This equity transfer had not changed our economic ownership in the above entities. For details, see "History, Development and Corporate Structure—Former Contractual Arrangements."

Our historical financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. The historical financial information has been prepared on a historical cost basis, except for certain financial assets and financial liabilities, which are measured at fair value. All effective standards, amendments to standards and interpretation, mandatory for the financial period ended June 30, 2023, are consistently applied to our Group for the Track Record Period.

As at June 30, 2023, we were in a net liability position of approximately RMB6.2 billion as we were still in the early stages of developing our services and solutions, and our technological platform and that our CRPS were being reported as financial liabilities and measured at their fair values of RMB9.9 billion. These CRPS were not contractually redeemable within the 12 months subsequent to the end of the Track Record Period.

In preparing the historical financial information, our Directors have taken into account a projected cash flow covering a period of not less than 12 months from June 30, 2023 and financial resources as at June 30, 2023, and concluded that we will have sufficient working capital to finance our operations and to meet our financial obligations for not less than next 12 months from June 30, 2023. Consequently, our historical financial information has been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified various accounting policies that are material to the preparation of our financial information, and the understanding of our financial condition and results of operations. See Note 2 to the Accountant's Report in Appendix I to this document for details regarding our accounting policies.

The preparation of our historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying the our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountant's Report in Appendix I to this document.

The following paragraphs discuss, among others, our critical accounting policies, estimates and judgments applied in preparing our financial information:

Revenue recognition

We provide (i) drug discovery solutions, and (ii) intelligent automation solutions, primarily comprising solid-state R&D services and automated chemical synthesis services. Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of our activities and is recorded net of value-added tax. Revenue is shown net of discounts and after eliminating sales between companies within our Group.

For the revenue from drug discovery solutions and solid-state R&D services, we recognize the relevant revenue when we transfer control of the relevant research results to a customer. For the revenue from automated chemical synthesis services, we generally recognize our revenue over time as the customer simultaneously receives and consumes the services we provide during the performance of such services.

We account for revenue from contracts with customers and collaborators, which includes the identification and assessment of the services we provide pursuant to a contract to evaluate the disparate obligations thereunder. Contracts with customers may include multiple obligations which are separately identifiable with standalone selling prices of the services being provided to the customers. Services offered to different customers varies according to customers' needs. The transaction price generally includes fixed fees due at contract inception as well as fixed fees payable when different services have been performed.

We generally determine standalone selling prices for each distinct obligation identified based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using the formula of expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information, and we also consider our pricing policies and market practice in making pricing decisions. Assumptions and estimations have been made in estimating the relative standalone selling price of each distinct obligation, and changes in judgments on these assumptions and estimates may affect the revenue recognition.

When either party to a contract has performed its obligations thereunder, we present the contract in the consolidated balance sheets as contract costs or contract liabilities. Contract costs represent our right to consideration in exchange for services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Contract liabilities represent the cash collected upfront from customers for our provision of services when the underlying services have not yet been rendered to the customers. Contract liabilities are recognized as revenue when the underlying services have been rendered to the customers.

Non-cash transactions

In addition, we have engaged in certain revenue-generating transactions, in which we offer services in exchange for non-cash consideration in the form of equity interests in the counterparties. We recognize revenue when we transfer control of the relevant research results to the counterparties, and relevant equity interests are recorded in investments accounted for using the equity method and financial assets at fair vale though profit or loss when we obtained control of such interests.

Any non-cash consideration received from a customer must be accounted for when determining the overall transaction price, and non-cash consideration is measured at fair value. In situations where we cannot reasonably estimate the fair value of the non-cash consideration, we measure the consideration indirectly by reference to the stand-alone selling price of the goods or services promised to the customer (or class of customer) in exchange for the consideration.

We measure the non-cash consideration at contract inception date at fair value based on related fair value of the equity interests received from the counterparties.

For the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, we recognized revenue from transactions from which we receive non-cash consideration of RMB12.1 million, RMB17.6 million, nil, nil and nil, respectively.

Contract costs/Contract fulfillment costs

Costs to fulfill a contract are capitalized when incurred, recorded as "contract costs" on our consolidated balance sheet, if the costs (i) relate directly to an existing contract or to a specifically identifiable anticipated contract; (ii) generate or enhance resources that will be used to provide goods or services in the future; and (iii) are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, costs that are explicitly chargeable to the customer and other costs that are incurred only because we have entered into the contract. Capitalized costs might relate to an entire contract, or could relate only to specific performance obligations within a contract.

The asset recognized from capitalizing the costs to obtain or fulfill a contract is amortized on a systematic basis consistent with the pattern of the transfer of the goods or services to which the asset relates, i.e. contract costs will be recognized as "contract fulfillment costs" on our consolidated statement of profit or loss when the relevant revenue is recognized. Impairment loss are recognized to the extent that the carrying amount of an asset, being contract costs in this case, exceeds the remaining amount of consideration that we expects to receive, less the costs that relate directly to providing those goods or services that have not been recognized as expenses.

CRPS

CRPS issued by us are redeemable at the option of the holders upon occurrence of certain events. These instruments can also be converted into Ordinary Shares at any time at the option of the holders, or automatically upon occurrence of an initial [**REDACTED**] of our Company, see Note 32 in Appendix I to this document for details.

We designated the CRPS as financial liabilities at fair value through profit or loss ("**FVTPL**"). They are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss.

Fair value changes relating to market risk are recognized through profit or loss, while the component of fair value changes relating to our own credit risk is recognized through other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realized.

The CRPS are classified as non-current liabilities unless the holders of the relevant CRPS can demand us to redeem the CRPS in cash within 12 months after the end of the reporting period.

Investment and other financial assets

Classification

We classify our financial assets as the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on our business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether we have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

We reclassify debt investments when and only when our business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, being the date on which we commit to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and we have transferred substantially all the risks and rewards of ownership.

Measurements

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurements categories into which we classify our debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of profit or loss.

- Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("**OCI**"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other (losses)/gains, net." Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains or losses are presented in "other (losses)/gains, net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive (loss)/income.

- FVTPL: Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within "other (losses)/gains, net" in the period in which it arises.

(ii) Equity instruments

We subsequently measure all equity instruments at fair value. Where our management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as "other income" when our right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in "other (losses)/gains, net" in the consolidated statements of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Fair value estimation

Our financial instruments carried at fair value at each balance sheet date are measured by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by us is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to evaluate the fair value of an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Share-based payments

We have an equity-settled share-based compensation plan (i.e. share option scheme), under which we grant equity instruments of the Company as consideration for services received from employees. The value of the share options granted is measured at the grant date based on the fair value of equity instruments and is recognized as employee benefit expenses over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity as "equity-settled share-based compensation reserve."

At the end of each period, our Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price),

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability and remaining as an employee of the entity over a specified time period), and

- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss, with line items in absolute amounts and as a percentage of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(unaudited)			
Revenue	**35,636**	**100.0**	**62,799**	**100.0**	**133,353**	**100.0**	**42,915**	**100.0**	**79,967**	**100.0**
R&D expenses	(83,537)	(234.4)	(212,603)	(338.5)	(358,952)	(269.2)	(159,678)	(372.1)	(234,421)	(293.1)
General and administrative expenses	(47,486)	(133.3)	(137,035)	(218.2)	(204,401)	(153.3)	(87,833)	(204.7)	(101,165)	(126.5)
Contract fulfillment costs	(13,402)	(37.6)	(30,014)	(47.8)	(67,266)	(50.4)	(23,303)	(54.3)	(58,254)	(72.8)
Selling and marketing expenses	(17,076)	(47.9)	(27,413)	(43.7)	(40,427)	(30.3)	(18,374)	(42.8)	(29,640)	(37.1)
Impairment losses on financial assets	(2,828)	(7.9)	(673)	(1.1)	(874)	(0.7)	–	–	(104)	(0.1)
Other income	5,807	16.3	8,625	13.7	21,367	16.0	8,452	19.7	7,736	9.7
Other (losses)/gains, net	(3,435)	(9.6)	36,882	58.7	(8,114)	(6.1)	(8,136)	(19.0)	(99,109)	(123.9)
Operating loss	**(126,321)**	**(354.5)**	**(299,432)**	**(476.8)**	**(525,314)**	**(393.9)**	**(245,957)**	**(573.1)**	**(434,990)**	**(544.0)**
Finance income	5,772	16.2	14,055	22.4	50,478	37.9	5,323	12.4	50,716	63.4
Finance expenses	(747)	(2.1)	(3,575)	(5.7)	(5,746)	(4.3)	(2,943)	(6.9)	(3,846)	(4.8)
Finance income, net	5,025	14.1	10,480	16.7	44,732	33.5	2,380	5.5	46,870	58.6
Changes in fair value of CRPS and other financial liabilities	(607,847)	(1,705.7)	(1,843,883)	(2,936.2)	(957,799)	(718.2)	(99,875)	(232.7)	(231,164)	(289.1)
Impairment losses of investments accounted for using equity method	(3,602)	(10.1)	–	–	–	–	–	–	–	–
Share of net losses of investments accounted for using equity method	(1,613)	(4.5)	(4,497)	(7.2)	(236)	(0.2)	(119)	(0.3)	(1,013)	(1.3)
Loss before income tax	**(734,358)**	**(2,060.7)**	**(2,137,332)**	**(3,403.4)**	**(1,438,617)**	**(1,078.8)**	**(343,571)**	**(800.6)**	**(620,297)**	**(775.7)**
Income tax expense	–	–	–	–	–	–	–	–	–	–
Loss for the year/period	**(734,358)**	**(2,060.7)**	**(2,137,332)**	**(3,403.4)**	**(1,438,617)**	**(1,078.8)**	**(343,571)**	**(800.6)**	**(620,297)**	**(775.7)**
Adjusted net loss (non-IFRS measure)[1]	**(121,920)**	**(342.1)**	**(270,967)**	**(431.5)**	**(437,434)**	**(328.0)**	**(224,050)**	**(522.1)**	**(357,522)**	**(447.1)**

Note:

(1) See "—Non-IFRS Measure."

Revenue

Revenue by business lines

During the Track Record Period, we generated revenue from (i) drug discovery solutions and (ii) intelligent automation solutions. The table below sets forth a breakdown of our revenue by business lines in absolute amounts and as a percentage of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Drug discovery solutions	12,666	35.5	39,346	62.7	87,666	65.7	26,415	61.6	36,096	45.1
Intelligent automation solutions	22,970	64.5	23,453	37.3	45,687	34.3	16,500	38.4	43,871	54.9
Total	**35,636**	**100.0**	**62,799**	**100.0**	**133,353**	**100.0**	**42,915**	**100.0**	**79,967**	**100.0**

Revenue from our drug discovery solutions

Our drug discovery solutions span the drug discovery and research process, providing modular drug discovery solutions to or collaborating with a diverse range of biotechnology and pharmaceutical companies as well as academic institutions for novel drug discovery endeavors.

We charged service fees for our drug discovery solutions and recognized revenue as we delivered research results to our customers during the Track Record Period. We also recorded revenue from non-cash transactions in 2020 and 2021. We also expect to receive additional royalties, milestone or contingent payments if our collaboration programs successfully reach particular milestones or events contemplated in the respective contracts.

Revenue from our intelligent automation solutions

Our intelligent automation solutions primarily consist of (i) solid-state R&D services and (ii) automated chemical synthesis services.

Our solid-state R&D services encompass computational services, wet lab experimental services and integrated solutions which is a combination of both. Our computational services include CSP morphology prediction, as well as screenings performed on conformer and carrier for crystallization. Our wet lab experimental services encompass many aspects of solid-state R&D, such as crystallization process development and crystal structure determination, among others. We charged service fees for our solid-state R&D services and recognized revenue as we delivered research results to our customers during the Track Record Period.

Our automated chemical synthesis services apply automation technology to enable faster and more accurate production of chemical compounds. We began providing automated chemical synthesis services in 2021, for which we generally charged our customers service fees on a monthly basis, and to a lesser extent, on a quarterly basis, and recognized revenue over time as the customers simultaneously received and consumed our services during the performance of such services during the Track Record Period.

The table below sets forth a breakdown of our revenue generated from our provision of intelligent automation solutions by service type for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Solid-state R&D services	22,678	23,296	27,756	12,784	23,629
Automated chemical synthesis services	–	55	17,931	3,716	20,077
Others[(1)]	292	102	–	–	165
Total	**22,970**	**23,453**	**45,687**	**16,500**	**43,871**

Note:

(1) Income from other services pursuant to customers' requests, including lease income in 2020 and 2021, and income primarily from the provision of automation solutions in the six months ended June 30, 2023.

Revenue by geographical locations

The following table sets forth a breakdown of our revenue by geographical location of our customers (including collaborators), based on their billing addresses, in absolute amounts and as a percentage of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
China	3,176	8.9	45,769	72.9	101,404	76.0	30,013	70.0	53,166	66.5
U.S.	30,775	86.4	13,525	21.5	25,817	19.4	12,032	28.0	21,416	26.8
Other regions[(1)]	1,685	4.7	3,505	5.6	6,132	4.6	870	2.0	5,385	6.7
Total	**35,636**	**100.0**	**62,799**	**100.0**	**133,353**	**100.0**	**42,915**	**100.0**	**79,967**	**100.0**

Note:

(1) Other regions included primarily European countries, South Korea and Japan.

During the Track Record Period, over 90% of our revenue was generated from China and the U.S. as our customers consisted primarily of China- and U.S.-based biotechnology and pharmaceutical companies. Our business development efforts to capture the opportunities brought upon by the growth in the drug R&D outsourcing service market in China had been reflected in the increased revenue contribution from Chinese customers. Nevertheless, we will actively seek possibilities to expand our operations and business in the U.S. and Europe going forward. See "Business—Commercialization and Business Sustainability" for more details.

R&D Expenses

During the Track Record Period, our R&D expenses were incurred for our R&D activities in connection with our proprietary AI platform development and automation technologies. R&D expenses primarily consisted of (i) employee benefit expenses (including share-based compensation expenses) of R&D staff, (ii) depreciation and amortization expenses, (iii) sample fees, (iv) network and IT expenses, and (v) professional service fees. Our R&D expenses increased significantly during the Track Record Period, reflecting our vast investments in and commitment to R&D efforts to advance our integrated technology platform. We did not capitalize R&D expenses during the Track Record Period.

The table below sets forth a breakdown of R&D expenses, in absolute amounts and as a percentage of our total R&D expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Employee benefit expenses	54,123	64.8	112,563	52.9	209,706	58.5	100,424	62.9	140,799	60.1
Depreciation and amortization expenses	8,070	9.7	13,979	6.7	52,786	14.7	21,646	13.5	38,430	16.4
Sample fees	1,521	1.8	10,839	5.1	43,592	12.1	13,921	8.7	19,352	8.3
Network and IT expenses	11,211	13.4	26,248	12.3	23,244	6.5	11,446	7.2	10,589	4.5
Professional service fees	5,001	6.0	34,862	16.4	15,476	4.3	6,501	4.1	10,852	4.6
Others[(1)]	3,611	4.3	14,112	6.6	14,148	3.9	5,740	3.6	14,399	6.1
Total	**83,537**	**100.0**	**212,603**	**100.0**	**358,952**	**100.0**	**159,678**	**100.0**	**234,421**	**100.0**

Note:

(1) Others mainly include office and utilities expenses used for our R&D activities.

Employee benefit expenses primarily comprised wages, salaries and bonuses, pensions costs and housing benefits and share-based compensation expenses. The increase in employee benefits expenses during the Track Record Period was primarily attributable to the increase in the number of R&D staff to further enhance our technological capabilities to support more R&D activities.

Depreciation and amortization expenses primarily comprised (i) depreciation of property, plant and equipment, including lab equipment and leasehold improvements to our R&D facilities, (ii) depreciation of right-of-use assets in connection with our R&D facilities, and (iii) amortization in relation to the system software licenses which are classified as intangible assets used for our R&D activities. The increase in depreciation and amortization expenses was mainly attributable to our newly constructed lab facilities and purchase of additional lab equipment in view of our increasing R&D activities.

Sample fees primarily comprised costs of consumable materials and reagents for conducting experiments for our R&D programs. The increase in sample fees during the Track Record Period was primarily attributable to our increased R&D activities for AI platform development and automation technologies.

Network and IT expenses primarily comprised service fees paid for cloud service, information system service, software and network construction used for our R&D activities.

Professional service fees primarily included experimental testing fees and CRO service fees incurred for our R&D programs.

General and Administrative Expenses

Our general and administrative expenses primarily consisted of (i) employee benefit expenses (including share-based compensation expenses) of our management and administrative personnel, (ii) professional service fees, (iii) office and utilities expenses, and (iv) depreciation and amortization expenses.

The table below sets out a breakdown of our general and administrative expenses, both in absolute amounts and as a percentage of our general and administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Employee benefit expenses	31,520	66.4	73,635	53.7	132,990	65.1	60,289	68.6	75,432	74.6
Professional service fees	7,373	15.5	35,865	26.2	21,240	10.4	5,601	6.4	1,768	1.7
Office and utilities expenses	4,494	9.5	13,281	9.7	21,464	10.5	8,983	10.2	8,626	8.5
Depreciation and amortization expenses	2,610	5.5	8,619	6.3	15,071	7.4	7,826	8.9	8,860	8.8
Others[(1)]	1,489	3.1	5,635	4.1	13,636	6.6	5,134	5.9	6,479	6.4
Total	**47,486**	**100.0**	**137,035**	**100.0**	**204,401**	**100.0**	**87,833**	**100.0**	**101,165**	**100.0**

Note:

(1) Others mainly include network and IT expenses and fees relating to office supplies used by our management and administrative personnel.

The increase in employee benefit expenses for our management and administrative personnel was primarily attributable to the increase in (i) the number of administrative staff to support our business expansion, and (ii) share-based compensation expenses primarily attributable to an increase in the number of management and administrative personnel satisfying the vesting conditions.

Professional service fees primarily consisted of consulting fees, accounting service fees and legal fees. Office and utilities expenses primarily consisted of general office expenses, rental and utilities expenses, and property management fees. Depreciation and amortization expenses primarily consisted of (i) depreciation of property, plant and equipment, including computer and office equipment as well as leasehold improvements to our offices, (ii) depreciation of right-of-use assets in connection with our leased offices, and (iii) amortization of intangible assets in relation to software licenses purchased for daily office use.

Contract Fulfillment Costs

Our contract fulfillment costs represent the direct expenses incurred in relation to the fulfillment of our obligations under contracts with our customers. Our contract fulfillment costs primarily consist of (i) employee benefit expenses, (ii) network and IT expenses, (iii) sample fees, and (iv) professional service fees.

The following table sets forth a breakdown of contract fulfillment costs by nature in absolute amounts and as a percentage of our contract fulfillment costs for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Employee benefits expenses	5,253	39.2	18,206	60.7	47,856	71.1	17,248	74.0	38,517	66.1
Network and IT expenses	7,178	53.6	6,775	22.6	9,825	14.6	3,313	14.2	8,465	14.5
Sample fees	267	2.0	2,595	8.6	7,167	10.7	2,115	9.1	6,715	11.5
Professional service fees	561	4.2	1,223	4.1	2,024	3.0	513	2.2	4,328	7.4
Others[(1)]	143	1.1	1,215	4.0	394	0.6	114	0.5	229	0.5
Total	**13,402**	**100.0**	**30,014**	**100.0**	**67,266**	**100.0**	**23,303**	**100.0**	**58,254**	**100.0**

Note:

(1) Others mainly include office and utilities expenses for our operations.

Employee benefit expenses primarily comprised wages, salaries and bonuses and pensions costs and housing benefits for our employees. Employee benefits expenses increased during the Track Record Period due to our business expansion and revenue increase.

Network and IT expenses primarily consisted of service fees paid for cloud computing service and information system service for the fulfillment of our obligations under contracts. Network and IT expenses decreased from 2020 to 2021, primarily due to the decrease of delivery of such research results requiring cloud computation resources. Network and IT expenses increased from 2021 to 2022, and from the six months ended June 30, 2022 to the six months ended June 30, 2023, primarily due to the increase in the research results delivered.

Sample fees mainly included costs of consumable materials and reagents for conducting experiments for the fulfillment of our obligations under contracts. Sample fees increased during the Track Record Period, primarily attributable to the increase in consumable materials and reagents required for experiments, in line with the increase in the research results delivered.

Professional service fees primarily included experimental testing fees and consulting fees incurred for the fulfillment of our obligations under contracts. Professional service fees increased during the Track Record Period, primarily due to the increase in experimental testing services we purchased for the fulfillment of our obligations under contracts.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) employee benefit expenses, (ii) marketing expenses, and (iii) office and utilities expenses for the business development and marketing department. The table below sets forth a breakdown of our selling and marketing expenses, both in absolute amounts and as a percentage of our selling and marketing expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Employee benefit expenses	11,547	67.6	19,809	72.3	30,023	74.3	15,280	83.2	21,245	71.7
Marketing expenses	3,634	21.3	5,936	21.7	7,547	18.7	1,853	10.1	5,996	20.2
Office and utilities expenses	923	5.4	641	2.3	713	1.8	165	0.9	1,516	5.1
Others[(1)]	972	5.7	1,027	3.7	2,144	5.2	1,076	5.8	883	3.0
Total	**17,076**	**100.0**	**27,413**	**100.0**	**40,427**	**100.0**	**18,374**	**100.0**	**29,640**	**100.0**

Note:

(1) Others mainly include network and IT expenses on software used by our business development and marketing department.

Our employee benefit expenses increased throughout the Track Record Period, primarily due to the increase in the number of business development and marketing staff due to our increased marketing efforts to support our business expansion and diversification.

Marketing expenses primarily comprised business promotion fees related to our marketing activities such as organizing and attending exhibitions, industry seminars and conferences. Our marketing expenses increased throughout the Track Record Period primarily due to our increased marketing efforts and business development activities, in line with our business expansion and diversification.

Impairment Losses on Financial Assets

Our impairment losses on financial assets represented provisions of impairment of trade receivables and other receivables based on credit risk and expected credit loss rate. During the Track Record Period, we recorded impairment losses on financial assets of RMB2.8 million, RMB0.7 million, RMB0.9 million, nil and RMB0.1 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. See Note 3.1(b) to the Accountant's Report in Appendix I to this document for details regarding our credit risk and assessment of credit loss allowance.

Other Income

Our other income consisted of government grants, which amounted to RMB5.8 million, RMB8.6 million, RMB21.4 million, RMB8.5 million and RMB7.7 million in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

Government grants primarily comprised financial subsidies from local government authorities to support high-tech companies and recognize our contribution to society. We were only able to recognize the grants as other income when certain conditions were fulfilled. The conditions mainly included development and investment status of the enterprise, revenue growth and talent acquisition.

Other (Losses)/Gains, Net

Our other (losses)/gains, net primarily consisted of (i) gains or losses on derivative financial instruments, (ii) net fair value changes on financial assets at FVTPL, and (iii) net foreign exchange gains or losses. The following table sets forth a breakdown in absolute amounts and as a percentage of our total other (losses)/gains, net for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Net foreign exchange gains/(losses)	698	(20.3)	9,426	25.6	5,911	(72.8)	6,308	(77.5)	(55,889)	56.4
Gains/(losses) on derivative financial instruments	704	(20.5)	19,026	51.6	(5,159)	63.6	(13,540)	166.4	376	(0.4)
Net fair value changes on financial assets at FVTPL	(3,907)	113.7	10,360	28.1	(9,623)	118.6	(1,278)	15.7	(43,576)	44.0
Others	(930)	27.1	(1,930)	(5.3)	757	(9.4)	374	(4.6)	(20)	–
Total	**(3,435)**	**100.0**	**36,882**	**100.0**	**(8,114)**	**100.0**	**(8,136)**	**100.0**	**(99,109)**	**100.0**

We recorded net foreign exchange gains of RMB0.7 million in 2020, RMB9.4 million in 2021, RMB5.9 million in 2022, RMB6.3 million in the six months ended June 30, 2022 and net foreign exchange losses of RMB55.9 million in the six months ended June 30, 2023. The net foreign exchange gains or losses were primarily due to the volatility of the exchange rate, when there were commercial transactions denominated in a currency that is not the functional currency of the respective entity of our Group, primarily with respect to RMB vis-à-vis USD.

As we generated revenue from other parts of the world in addition to China, we purchased forward exchange contracts to hedge our foreign exchange risk in 2020 and 2021. We recorded changes in fair value due to the derivative financial instruments including forward exchange contracts and cross currency swaps during the Track Record Period due to the changes in the relevant foreign exchange rates specified in the derivative financial instruments.

We recorded net fair value changes on financial assets at FVTPL of RMB3.9 million in 2020, RMB10.4 million in 2021, RMB9.6 million in 2022, RMB1.3 million in the six months ended June 30, 2022 and RMB43.6 million in the six months ended June 30, 2023. Financial assets at FVTPL represented our investments in listed and unlisted entities, a convertible debt and wealth management products. The net changes in fair value of financial assets at FVTPL represented the net changes in total valuation of the investments.

Finance Income, Net

The following table sets forth a breakdown of our finance income, net for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Finance income										
Interest income from bank deposits	5,772	114.9	14,055	134.1	50,478	112.8	5,323	223.7	50,716	108.2
Finance expenses										
Interest expenses on lease liabilities	(186)	(3.7)	(1,885)	(18.0)	(4,347)	(9.7)	(2,137)	(89.8)	(3,191)	(6.8)
Interest expenses on bank borrowings	(561)	(11.2)	(1,690)	(16.1)	(1,399)	((3.1)	(806)	(33.9)	(655)	(1.4)
	(747)	(14.9)	(3,575)	(34.1)	(5,746)	(12.8)	(2,943)	(123.7)	(3,846)	(8.2)
Finance income, net	**5,025**	**100.0**	**10,480**	**100.0**	**44,732**	**100.0**	**2,380**	**100.0**	**46,870**	**100.0**

Our finance income primarily consisted of interest income from bank deposits placed with reputable commercial banks in the PRC. Our finance expenses primarily consisted of interest expenses on bank borrowings and lease payments.

Impairment Losses of and Share of Net Losses of Investments Accounted for Using Equity Method

Impairment losses of and share of net losses of investment accounted for using equity method relates to our investments in unlisted entities. Our investments cover various sectors, including oncology, AI-based peptide drug discovery, *de novo* generation of antibodies, and AI-powered new materials discovery, among others, which develops complementary technologies to ours and are compatible with our strategic position. See "Business—Our Drug Discovery Solutions—Strategic Collaborations" for details regarding our collaborations and investments. We have established and implemented capital and investment policies to minimize our investment risks. See "—Liquidity and Capital Resources" for details of our internal policies. For details relating to our investments, see "Risk Factors—We may never realize returns on our investment of resources and cash in our collaborators and other investee companies. Fluctuation of the operational results of our invested companies and the fair value of our investments may adversely affect our financial position."

We account for our equity investments over which we have significant influence but do not own a majority equity interest or otherwise control using the equity method. We recognized impairment losses of investments accounted for using equity method of RMB3.6 million in 2020 with respect to an investee company that suffered from financial difficulties and was later liquidated. We recognized share of net losses of investments accounted for using equity method of RMB1.6 million, RMB4.5 million, RMB0.2 million, RMB0.1 million and RMB1.0 million in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. The increases in share of net losses of investments were primarily due to the loss-making performance of our investee companies, which are still in their early R&D stage. See Note 19 to the Accountant's Report in Appendix I to this document for details regarding our investments in associates.

Changes in Fair Value of CRPS and Other Financial Liabilities

We issued CRPS to investors in our multiple rounds of equity or equity-linked financings before and during the Track Record Period. On September 28, 2020, we also issued warrants to the Series C Warrantholders, which could be converted into our Series C Preferred Shares. Our liabilities under such warrants were recorded as "other financial liabilities" on our consolidated balance sheet. On June 18, 2021, we issued an aggregate of 71,838,567 Series C Preferred Shares to the Series C Warrantholders (or their affiliates) in connection with their exercise of the warrants to purchase Series C Preferred Shares.

We recorded changes in fair value of CRPS and other financial liabilities of RMB607.8 million, RMB1,843.9 million, RMB957.8 million, RMB99.9 million and RMB231.2 million in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively, primarily due to the increased valuation of our Company.

Income Tax Expense

Our Group did not record any income tax expense during the Track Record Period. We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. Our principal applicable taxes and tax rates are as follows:

Cayman Islands

Our Company and subsidiaries were incorporated in the Cayman Islands as exempted companies with limited liability under the Companies Law of the Cayman Islands and are not subject to the Cayman Islands income tax pursuant to the laws of the Cayman Islands as of the date hereof.

Hong Kong

Our subsidiaries in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5% during the Track Record Period.

United States

Our subsidiaries in the United States are subject to Federal Tax at a rate of 21% and State Tax at a rate of 8.00% during the Track Record Period.

PRC

Under the EIT Law and Implementation Regulation of the EIT Law, the income tax rate of our PRC subsidiaries is 25% during the Track Record Period. Shenzhen Jingtai and Beijing Jingtai were qualified as high and new technology enterprises ("**HNTEs**") and enjoyed a preferential income tax rate of 15% during the Track Record Period. Our certain subsidiaries in the PRC have been granted certain tax concessions for small scale entities by tax authorities in the PRC and enjoy reduced tax rates. See Note 10 to the Accountant's Report in Appendix I to this document for details regarding the applicable taxes and tax rates.

NON-IFRS MEASURE

In evaluating our business, we consider and use adjusted net loss, a non-IFRS financial measure, to supplement the review and assessment of our operating performance. We believe such non-IFRS measure facilitates comparisons of our operating performance from period to period by eliminating the potential impact of items that our management does not consider to be indicative of our operating performance. We believe that the measure provides useful information to [**REDACTED**] in understanding and evaluating our consolidated results of operations in the same manner as they help our management. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for analysis of, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

We define adjusted net loss (non-IFRS measure) as net loss adjusted by adding back (i) changes in fair value of CRPS and other financial liabilities and (ii) share-based compensation expenses. We eliminate the potential impacts of these items as they are non-operating and non-cash expenses, so that our management does not consider they are indicative of our operating performance. In addition, our CRPS will be automatically converted into Ordinary Shares upon [**REDACTED**] and are not expected to recur after such conversion.

The following table reconcile our adjusted net loss for the years/periods presented to net loss for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000) (unaudited)*	*(RMB'000)*
Net loss for the year/period	**(734,358)**	**(2,137,332)**	**(1,438,617)**	**(343,571)**	**(620,297)**
Add:					
Changes in fair value of CRPS and other financial liabilities	607,847	1,843,883	957,799	99,875	231,164
Share-based compensation expenses	4,591	22,482	43,384	19,646	31,611
Adjusted net loss (non-IFRS measure)	**(121,920)**	**(270,967)**	**(437,434)**	**(224,050)**	**(357,522)**

DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenue

Our revenue increased by 86.3% from RMB42.9 million for the six months ended June 30, 2022 to RMB80.0 million for the six months ended June 30, 2023.

Drug discovery solutions. Our revenue generated from our provision of drug discovery solutions increased by 36.6% from RMB26.4 million for the six months ended June 30, 2022 to RMB36.1 million for the six months ended June 30, 2023, primarily due to (i) the increase in the number of customers, and (ii) the increase in the research results delivered in the first half of 2023.

Intelligent automation solutions. Our revenue generated from intelligent automation solutions increased by 165.9% from RMB16.5 million for the six months ended June 30, 2022 to RMB43.9 million for the six months ended June 30, 2023, primarily due to (i) an increase of RMB10.8 million in our solid-state R&D services, and (ii) an increase of RMB16.4 million in revenue from automated chemical synthesis services.

Revenue generated from solid-state R&D services increased by 84.8% from RMB12.8 million for the six months ended June 30, 2022 to RMB23.6 million for the six months ended June 30, 2023, primarily due to the increased volume of solid-state R&D services performed pursuant to our ongoing contracts with our existing customers as well as new engagements from our new customers.

Revenue generated from automated chemical synthesis services increased by 440.3% from RMB3.7 million for the six months ended June 30, 2022 to RMB20.1 million for the six months ended June 30, 2023, primarily attributable to the increase in the number of customers during the gradual ramp-up of our automated chemical synthesis business which commenced in 2021.

R&D Expenses

Our R&D expenses increased by 46.8% from RMB159.7 million for the six months ended June 30, 2022 to RMB 234.4 million for the six months ended June 30, 2023, primarily due to (i) an increase of RMB40.4 million in employee benefit expenses for our R&D staff, primarily attributable to an increase in the number of our employees to support our R&D activities, in line with our continuous investment in R&D, (ii) an increase of RMB16.8 million in depreciation and amortization expenses, as a result of the increase in purchases of lab equipment used for our growing R&D activities, (iii) an increase of RMB5.4 million in sample fees due to the increased procurement of consumable materials and reagents used in our antibody discovery platform, and (iv) an increase of RMB4.4 million in professional service fees due to an increase in the external experimental testing fees as a result of the increased investments in antibody discovery platform and biology R&D.

General and Administrative Expenses

Our general and administrative expenses increased by 15.2% from RMB87.8 million for the six months ended June 30, 2022 to RMB101.2 million for the six months ended June 30, 2023, primarily due to an increase of RMB15.1 million of employee benefit expenses for our administrative staff as a result of the increase in the number of our administrative staff.

Contract Fulfillment Costs

Our contract fulfillment costs increased significantly by 150.0% from RMB23.3 million for the six months ended June 30, 2022 to RMB58.3 million for the six months ended June 30, 2023. This increase was primarily due to (i) an increase of RMB21.3 million in employee benefit expenses mainly attributable to the increases in the number of our employees to support the fulfillment of our obligations under new contracts as we were engaged in certain complicated research programs requiring more manpower, despite our revenue increased in a different magnitude, (ii) an increase of RMB5.2 million in network and IT expenses in relation to cloud computing services for our business operation, (iii) an increase of RMB4.6 million in sample fee due to the increasing purchase of consumable materials and reagents required for

experiments, and (iv) an increase of RMB3.8 million in professional service expenses mainly attributable to the increase in external experimental testing fees as a result of the increase in our obligations to fulfill under contracts.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 61.3% from RMB18.4 million for the six months ended June 30, 2022 to RMB29.6 million for the six months ended June 30, 2023, primarily due to (i) an increase of RMB6.0 million in employee benefit expenses, (ii) an increase of RMB4.1 million in marketing expenses, and (iii) an increase of RMB1.4 million in office and utilities expenses, all of which reflected our business development and marketing efforts to attract new customers, build our brand awareness, and support our business expansion.

Impairment Losses on Financial Assets

We did not record impairment losses on financial assets in the six months ended June 30, 2022. Our impairment losses on financial assets increased to RMB0.1 million in the six months ended June 30, 2023 generally in line with the increase of our trade receivables and other receivables during this period.

Other Income

Our other income was relatively stable, being RMB8.5 million for the six months ended June 30, 2022 and RMB7.7 million for the six months ended June 30, 2023.

Other (Losses)/Gains, Net

We recorded other losses of RMB99.1 million for the six months ended June 30, 2023, as compared to other losses of RMB8.1 million for the six months ended June 30, 2022, primarily due to (i) net foreign exchange losses of RMB55.9 million due to the volatility of the exchange rate between RMB and USD, and (ii) net fair value changes on financial assets at FVTPL of RMB43.6 million mainly representing the changes in fair value of our equity interests in a listed company and several unlisted companies.

Finance Income, Net

Our finance income increased by 852.8% from RMB5.3 million for the six months ended June 30, 2022 to RMB50.7 million for the six months ended June 30, 2023, primarily due to the increased interest income from bank deposits in U.S. dollars as a result of the increase in term deposits interest due to the U.S. interest rate hike policy.

Our finance expenses increased by 30.7% from RMB2.9 million for the six months ended June 30, 2022 to RMB3.8 million for the six months ended June 30, 2023, primarily due to an increase in interest expenses on lease liabilities in relation to a new lease agreement.

Share of Net Losses of Investments Accounted for Using Equity Method

Our share of net loss of investments accounted for using equity method increased from RMB0.1 million for the six months ended June 30, 2022 to RMB1.0 million for the six months ended June 30, 2023, primarily due to the loss-making performance of our associates, which were mainly start-up biotech companies in the early R&D stage.

Changes in Fair Value of CRPS and Other Financial Liabilities

We recorded negative RMB99.9 million from changes in fair value of CRPS and other financial liabilities for the six months ended June 30, 2022, and negative RMB231.2 million for the six months ended June 30, 2023, primarily due to changes in the valuation of our Company.

Loss for the Period

As the result of the abovementioned factors, our net loss increased from RMB343.6 million for the six months ended June 30, 2022 to RMB620.3 million for the six months ended June 30, 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased significantly by 112.3% from RMB62.8 million in 2021 to RMB133.4 million in 2022.

Drug discovery solutions. Our revenue generated from drug discovery solutions increased significantly by 123.2% from RMB39.3 million in 2021 to RMB87.7 million in 2022, primarily due to (i) the increase in the number of our customers, and (ii) the increase in the research results delivered in 2022.

Intelligent automation solutions. Our revenue generated from the provision of intelligent automation solutions increased significantly by 93.8% from RMB23.5 million in 2021 to RMB45.7 million in 2022, primarily due to (i) an increase of RMB4.5 million in our solid-state R&D services, and (ii) an increase of RMB17.8 million in revenue from automated chemical synthesis services.

Revenue generated from the provision of solid-state R&D services increased by 18.1% from RMB23.3 million in 2021 to RMB27.8 million in 2022, primarily due to the increase in the number of customers.

Revenue generated from the provision of automated chemical synthesis services increased from RMB0.06 million in 2021 to RMB17.9 million in 2022, because our revenue from such services was recognized starting from December 2021.

R&D Expenses

Our R&D expenses increased significantly by 68.8% from RMB212.6 million in 2021 to RMB359.0 million in 2022, primarily due to (i) an increase of RMB97.1 million in employee benefit expenses for R&D staff, as a result of the expansion of our R&D team, (ii) an increase of RMB38.8 million in depreciation and amortization expenses primarily relating to the leasehold improvements, purchase of lab equipment for our new labs and offices in Shenzhen, and (iii) an increase of RMB32.8 million in sample fees, as a result of the increased procurement of consumable materials and reagents used in our R&D programs. These increases were partially offset by a decrease of RMB19.4 million in professional service fees, primarily due to an increase in our capability to conduct experimental testing in-house by recruiting more technicians and engineers.

General and Administrative Expenses

Our general and administrative expenses increased by 49.2% from RMB137.0 million in 2021 to RMB204.4 million in 2022, primarily due to an increase of RMB59.4 million in employee benefit expenses, reflecting the increase in the number of our administrative staff.

Contract Fulfillment Costs

Our contract fulfillment costs increased significantly by 124.1% from RMB30.0 million in 2021 to RMB67.3 million in 2022. This increase was primarily due to (i) an increase of RMB29.7 million in employee benefit expenses mainly attributable to the increase in the number of our employees to support the fulfillment of our obligations under new contracts, (ii) an increase of RMB4.6 million in sample fees due to the increasing purchase of consumable materials and reagents required for experiments, and (iii) an increase of RMB3.1 million in network and IT expenses in relation to cloud computing services for our business operations.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 47.5% from RMB27.4 million in 2021 to RMB40.4 million in 2022, primarily due to (i) an increase of RMB10.2 million in employee benefit expenses for our business development and marketing staff, and (ii) an increase of RMB1.6 million in marketing expenses, both of which reflected our increased efforts.

Impairment Losses on Financial Assets

We recorded impairment losses on financial assets of RMB0.9 million in 2022, as compared to RMB0.7 million in 2021, primarily due to the increase in our trade receivables in line with our revenue growth.

Other Income

Our other income increased by 147.7% from RMB8.6 million in 2021 to RMB21.4 million in 2022, due to an increase in government grants including financial subsidies to support high-tech companies.

Other (Losses)/Gains, Net

We recorded other losses of RMB8.1 million in 2022, as compared to other gains of RMB36.9 million in 2021, primarily due to (i) losses on derivative financial instruments of RMB5.2 million, and (ii) net fair value changes on financial assets at FVTPL of RMB9.6 million due to the decrease in valuation of financial assets at FVTPL, partially offset by foreign exchange gains incurred of RMB5.9 million during this period.

Finance Income, Net

Our finance income increased significantly by 259.1% from RMB14.1 million in 2021 to RMB50.5 million in 2022, primarily due to the interest income generated from bank deposits we placed in order to better utilize the proceeds from our equity financing.

Our finance expenses increased by 60.7% from RMB3.6 million in 2021 to RMB5.7 million in 2022 due to the increase in interest expenses on lease payments.

Share of Net Losses of Investments Accounted for Using Equity Method

Our share of net losses of investments accounted for using equity method investments decreased from RMB4.5 million in 2021 to RMB0.2 million in 2022, primarily due to the decreased loss recorded by our associates which were still in the early R&D stage in 2022 as compared to 2021.

Changes in Fair Value of CRPS and Other Financial Liabilities

We recorded negative RMB1,843.9 million from changes in fair value of CRPS and other financial liabilities in 2021, and negative RMB957.8 million in 2022, primarily due to the changes in valuation of our Company.

Loss for the Year

As the result of the abovementioned factors, our net loss decreased significantly from RMB2,137.3 million in 2021 to RMB1,438.6 million in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased significantly by 76.2% from RMB35.6 million in 2020 to RMB62.8 million in 2021.

Drug discovery solutions. Our revenue generated from drug discovery solutions increased significantly by 210.6% from RMB12.7 million in 2020 to RMB39.3 million in 2021, primarily because (i) we delivered more research results in 2021, from which we recognized relevant amount of revenue, and (ii) the increases in the number of our drug discovery solutions customers and programs in 2021 as compared to 2020 when such business was at its early stage.

Intelligent automation solutions. Our revenue generated from intelligent automation solutions remained relatively stable from RMB23.0 million in 2020 to RMB23.5 million in 2021.

R&D Expenses

Our R&D expenses increased significantly by 154.5% from RMB83.5 million in 2020 to RMB212.6 million in 2021, primarily due to (i) an increase of RMB58.4 million in employee benefit expenses, as a result of our expansion of R&D team, (ii) an increase of RMB29.9 million in professional service fees, as we engaged third-party service providers for our experimental programs, (iii) an increase of RMB15.0 million in network and IT expenses, as a result of the increased consumption of cloud computing resources resulting from the increase in our R&D programs, and (iv) an increase of RMB9.3 million in sample fees due to the increased procurement of raw materials and consumables used in our R&D programs.

General and Administrative Expenses

Our general and administrative expenses increased significantly by 188.6% from RMB47.5 million in 2020 to RMB137.0 million in 2021, primarily due to (i) an increase of RMB42.1 million in employee benefit expenses, as a result of the increases in the number of management and administrative personnel and share-based compensation expenses, (ii) an increase of RMB28.5 million in professional service fees including consultancy fee for business and human resources advisory, as well as financial advisory fees and legal fees in relation to equity financing, and (iii) an increase of RMB8.8 million in office and utilities expenses, in line with our business expansion.

Contract Fulfillment Costs

Our contract fulfillment costs increased significantly by 124.0% from RMB13.4 million in 2020 to RMB30.0 million in 2021. This increase was primarily due to (i) an increase of RMB13.0 million in employee benefit expenses primarily as a result of the increase in the number of our employees to support the fulfillment of our obligations under our contracts, especially for our growing drug discovery solutions, despite our revenue increased in a different magnitude, and (ii) an increase of RMB2.3 million in sample fees.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly by 60.5% from RMB17.1 million in 2020 to RMB27.4 million in 2021, primarily due to an increase of (i) RMB8.3 million in employee benefit expenses as a result of an increase in the number of our business development and marketing employees and increased performance bonuses paid to them, and (ii) RMB2.3 million in marketing expenses due to increased business development and marketing activities.

Impairment Losses on Financial Assets

Our impairment losses on financial assets decreased from RMB2.8 million in 2020 to RMB0.7 million in 2021, primarily due to the uncollectible other receivables of RMB2.4 million in 2020 for an overdue loan to a company we invested in.

Other Income

Our other income increased from by 48.5% from RMB5.8 million in 2020 to RMB8.6 million in 2021, due to an increase in government grants including financial subsidies to support high-tech companies.

Other (Losses)/Gains, Net

We recorded other gains of RMB36.9 million in 2021, as compared to other losses of RMB3.4 million in 2020, primarily due to (i) net fair value changes on financial assets at FVTPL of RMB10.4 million, (ii) net foreign exchange gains of RMB9.4 million and (iii) gains on derivative financial instruments in 2021 of RMB19.0 million, in line with the appreciation of RMB against USD during the reporting period.

Finance Income, Net

Our finance income increased by 143.5% from RMB5.8 million in 2020 to RMB14.1 million in 2021, primarily due to the interest income generated from increases in our bank balance as a result of the proceeds from our issuance of CRPS.

Our finance expenses increased by 378.6% from RMB0.7 million in 2020 to RMB3.6 million in 2021, primarily due to an increase in the interest expenses paid to commercial banks as a result of our incremental bank borrowings and interest expenses for lease payments.

Impairment Losses of Investments Accounted for Using Equity Method

Our impairment losses of investments accounted for using equity method decreased from RMB3.6 million in 2020 to nil in 2021. We made such impairment in 2020 with respect to an investee company that suffered from financial difficulties and was later liquidated.

Share of Net Losses of Investments Accounted for Using Equity Method

Our share of net losses of investments accounted for using equity method increased from RMB1.6 million in 2020 to RMB4.5 million in 2021, primarily due to the increased losses recorded by our associates, which were still in the early R&D stage.

Changes in Fair Value of CRPS and Other Financial Liabilities

We recorded negative RMB607.8 million from changes in fair value of CRPS and other financial liabilities in 2020, and negative RMB1,843.9 million in 2021, primarily due to the changes in the valuation of our Company.

Loss for the Year

As the result of the abovementioned factors, our net loss increased from RMB734.4 million in 2020 to RMB2,137.3 million in 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements primarily through capital contributions from our shareholders and cash inflows from our business operations. In the future, we expect to generate more net cash from our operating activities through sales of our drug discovery and intelligent automation solutions, improving cost control and operating efficiency and accelerating the turnover of trade receivables by tightening our credit policy.

With respect to cash management, we aim 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.

We also have established capital and investment policies, such as capital management policy (資金管理制度), to monitor and manage our settlement activities and financing activities, and control the risks relating to bank deposits and/or the purchase of financial instruments. Before making an investment, our finance department typically reviews the terms of the relevant bank deposits and/or financial instruments and prudently considers all information available and applies various applicable valuation in determining whether to place the bank deposits and/or purchase the relevant financial instruments. Our management team reviews the analysis on the details of the proposals from the finance department and consults with our accountants when necessary. We place bank deposits and/or purchase financial instruments only when we have spare cash in addition to sufficient cash for our operations and our unused time deposits exceed a certain amount and when such investment is in compliance with the applicable laws and the Listing Rules and in the best interest of the Company. Liquidity is also a major factor when we make an investment. We conduct periodic evaluation on the fair value of the financial assets we hold. Such evaluation generally comprises the fair value measurement assessment, profitability and risk condition of the relevant investments. Our finance employees are required to report the evaluation results to our chief financial officer in a timely manner.

We intend to continue relying on cash flows from operations and those from financing activities including [**REDACTED**] from the [**REDACTED**]. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had cash and cash equivalents, current portion of term deposits, current portion of financial assets at FVTPL and restricted cash of RMB1,944.7 million, RMB3,841.7 million, RMB3,473.7 million and RMB3,211.1 million, respectively.

Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000) (unaudited)*	*(RMB'000)*
Net loss	(734,358)	(2,137,332)	(1,438,617)	(343,571)	(620,297)
Operating loss before movements in working capital	(104,548)	(273,475)	(406,697)	(202,085)	(257,236)
Working capital changes	(62,733)	19,729	(22,407)	(8,956)	(41,752)
Net cash used in operating activities	(167,281)	(253,746)	(429,104)	(211,041)	(298,988)
Net cash (used in)/ generated from investing activities	(355,882)	(70,466)	(2,757,786)	(1,723,670)	788,030
Net cash generated from/(used in) financing activities	1,997,178	2,476,013	57,988	(12,286)	(20,094)
Net increase/(decrease) in cash and cash equivalents	**1,474,015**	**2,151,801**	**(3,128,902)**	**(1,946,997)**	**468,948**
Cash and cash equivalents at beginning of the year/period	38,715	1,430,913	3,523,647	3,523,647	574,219
Effects of exchange rate changes on cash and cash equivalents	(81,817)	(59,067)	179,474	151,342	(1,440)
Cash and cash equivalents at end of the year/period	**1,430,913**	**3,523,647**	**574,219**	**1,727,992**	**1,041,727**

Net cash used in operating activities

In the six months ended June 30, 2023, our net cash used in operating activities was RMB299.0 million, which was primarily attributable to our loss before income tax of RMB620.3 million, as adjusted by (i) non-cash and non-operating items, primarily comprised changes in fair value of CRPS and other financial liabilities of RMB231.2 million, foreign exchange losses of RMB55.9 million, net fair value changes on financial assets at FVTPL, finance income of RMB50.7 million, depreciation of property and equipment of RMB32.7 million and share-based compensation expenses of RMB31.6 million, and (ii) changes in working capital, which primarily comprised (a) an increase in trade and other receivables of RMB21.7 million due to our continuous revenue growth, (b) a decrease in trade and other payables of RMB21.6 million due to an increase in settled payments, (c) an increase in contract liabilities of RMB20.3 million due to an increase in the advance payment received by us for services that have not been rendered to the customers, and (d) an increase in contract costs of RMB11.8 million due to an increase in research activities performed but yet to meet the agreed milestone payment conditions or be delivered as stipulated in the contract, in line with our business growth.

In the six months ended June 30, 2022, our net cash used in operating activities was RMB211.0 million, which was primarily attributable to our loss before income tax of RMB343.6 million, as adjusted by (i) non-cash and non-operating items, which primarily comprised changes in fair value of CRPS and other financial liabilities of RMB99.9 million, depreciation of property and equipment of RMB20.0 million and share-based compensation expenses of RMB19.6 million, and (ii) changes in working capital, which primarily comprised (a) an increase in contract costs of RMB9.6 million, (b) an increase in deferred government grants of RMB5.8 million due to an increase in the government grants awarded with prerequisite conditions yet to be fulfilled, and (c) an increase in contract liabilities of RMB4.8 million.

Our net cash used in operating activities was RMB429.1 million in 2022, which was primarily attributable to our loss before income tax of RMB1,438.6 million, as adjusted by (i) non-cash and non-operating items, which primarily comprised changes in fair value of CRPS and other financial liabilities of RMB957.8 million, finance income of RMB50.5 million, depreciation of property and equipment of RMB48.0 million and share-based compensation expenses of RMB43.4 million, and (ii) changes in working capital, which primarily comprised (a) an increase in trade and other receivables of RMB24.9 million due to revenue growth, (b) an increase in trade and other payables of RMB26.8 million due to increasing procurement of lab equipment and consumables to support the growth of our drug discovery solutions business, and (c) an increase in contract costs of RMB16.2 million.

Our net cash used in operating activities was RMB253.7 million in 2021, which was primarily attributable to our loss before income tax of RMB2,137.3 million, as adjusted by (i) non-cash and non-operating items, which primarily comprised changes in fair value of CRPS and other financial liabilities of RMB1,843.9 million, share-based compensation expenses of RMB22.5 million and finance income of RMB14.1 million, and (ii) changes in working capital, which primarily comprised (a) an increase in trade and other receivables of RMB44.6 million primarily due to the increase in revenue, (b) a decrease in restricted cash of RMB32.5 million in relation to the release of payment restrictions on our bank account, (c) an increase in trade and other payables of RMB47.6 million due to increasing procurement of tools and consumables used in our growing drug discovery solutions business, and (d) an increase in contract costs of RMB15.7 million.

Our net cash used in operating activities was RMB167.3 million in 2020 which was primarily attributable to our loss before income tax of RMB734.4 million, as adjusted by (i) non-cash and non-operating items, which primarily comprised changes in fair value of CRPS and other financial liabilities of RMB607.8 million, and (ii) changes in working capital, which primarily comprised (a) an increase in trade and other receivables of RMB44.1 million due to increasing procurement of tools and consumables used in our business, (b) an increase in restricted cash of RMB32.5 million in relation to the payment restrictions on our bank account, and (c) an increase in trade and other payables of RMB10.2 million due to the increases in employee benefit payables and other tax payables.

Net cash (used in)/generated from investing activities

Our net cash generated from investing activities was RMB788.0 million for the six months ended June 30, 2023, which was primarily due to (i) proceeds from maturity of term deposits of RMB2,733.5 million, and (ii) proceeds from disposal of financial assets at FVTPL of RMB1,823.9 million in relation to the redemption of our wealth management products at maturity, partially offset by (i) placement of term deposits of RMB2,075.8 million, and (ii) increases in our investments in financial assets at FVTPL of RMB1,737.1 million in relation to our investments in collaborators and purchases of wealth management products.

Our net cash used in investing activities was RMB1,723.7 million for the six months ended June 30, 2022, which was primarily due to (i) placement of term deposits of RMB1,486.5 million, (ii) increases in our investments in financial assets at FVTPL of RMB746.6 million in relation to our investments in collaborators and purchases of wealth management products, and (iii) purchase of property, plant and equipment of RMB89.0 million, partially offset by (i) proceeds from maturity of term deposits of RMB329.2 million and (ii) proceeds from disposal of financial assets at FVTPL of RMB250.6 million in relation to the redemption of our wealth management products at maturity.

Our net cash used in investing activities was RMB2,757.8 million in 2022, which was primarily due to (i) placement of term deposits of RMB8,302.2 million, (ii) increases in our investments in financial assets at FVTPL of RMB2,376.4 million, and (iii) purchase of property, plant and equipment of RMB193.4 million, partially offset by (i) proceeds from maturity of term deposits of RMB6,183.4 million and (ii) proceeds from disposal of financial assets at FVTPL of RMB1,911.8 million in relation to the redemption of our wealth management products at maturity.

Our net cash used in investing activities was RMB70.5 million in 2021, which was primarily due to (i) placement of term deposits of RMB779.4 million, (ii) purchase of property, plant and equipment of RMB160.6 million in relation to our lab equipment, leasehold improvements as well as construction in progress for our operational premises in Shenzhen, and (iii) increases in our investments in financial assets at FVTPL of RMB85.9 million in relation to our investments in collaborators, partially offset by the proceeds from maturity of term deposits of RMB945.7 million.

Our net cash used in investing activities was RMB355.9 million in 2020, which was primarily due to placement of term deposits of RMB591.4 million, partially offset by the proceeds from maturity of term deposits of RMB215.8 million.

Net cash generated from/(used in) financing activities

In the six months ended June 30, 2023, our net cash used in financing activities was RMB20.1 million, which was primarily due to (i) payment of lease liabilities of RMB17.4 million and (ii) repayment of short-term bank borrowings of RMB2.0 million.

In the six months ended June 30, 2022, our net cash used in financing activities was RMB12.3 million, which was primarily due to (i) repayment of short-term bank borrowings of RMB6.3 million and (ii) payments of lease liabilities of RMB5.2 million.

In 2022, our net cash generated from financing activities was RMB58.0 million, which was primarily due to (i) capital injection from non-controlling interest of RMB68.2 million in connection with the equity financing of one of our subsidiaries in August 2022. See note 18 to the Accountant's Report in Appendix I to this document for details; and (ii) proceeds from bank borrowings of RMB25.0 million, partially offset by (i) repayment of short-term bank borrowings of RMB22.3 million, and (ii) payments of lease liabilities of RMB11.3 million.

In 2021, our net cash generated from financing activities was RMB2,476.0 million, which was primarily due to proceeds from our issuance of CRPS of RMB2,480.1 million and proceeds from bank borrowings of RMB20.0 million, partially offset by repayment of short-term bank borrowings of RMB16.2 million.

In 2020, our net cash generated from financing activities was RMB1,997.2 million, which was primarily due to (i) proceeds from our issuance of CRPS of RMB1,790.4 million in connection with our equity financing, (ii) proceeds from our issuance of warrants which could be converted into Series C Preferred Shares of RMB184.7 million, and (iii) proceeds from bank borrowings of RMB29.5 million.

Cash operating costs

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	**2021**	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
R&D costs[(1)]	23,071	78,277	98,403	61,977
Workforce employment[(2)]	83,138	170,936	356,425	254,970
Direct service and production costs, including materials	9,173	25,706	33,909	33,513
Service/solution marketing	5,283	7,208	9,794	8,037
Non-income taxes and other charges	141	700	786	395
Total	**120,806**	**282,827**	**499,317**	**358,892**

Notes:

(1) R&D costs represent R&D expenses excluding employee benefit expenses.

(2) Workforce employment represents employee benefit expenses, mainly including wages, salaries and bonuses.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NET CURRENT ASSETS

The following table sets forth our net current assets of the consolidated statements of financial position as of the respective dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2020	2021	2022	2023	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000) (unaudited)*
Current assets					
Contract costs	1,365	17,051	33,280	45,054	45,832
Trade receivables	11,203	30,717	37,936	43,688	51,683
Prepayments, deposits and other receivables	50,246	30,090	51,734	63,087	85,898
Financial assets at FVTPL	–	–	356,361	270,397	746,296
Restricted cash	32,627	12,751	5,432	3,058	9,190
Term deposits	481,139	305,308	2,537,703	1,895,926	1,758,505
Cash and cash equivalents	1,430,913	3,523,647	574,219	1,041,727	532,334
Total current assets	**2,007,493**	**3,919,564**	**3,596,665**	**3,362,937**	**3,229,737**
Current liabilities					
Trade payables	3,173	10,573	13,979	5,841	17,274
Other payables and accruals	21,982	98,077	104,250	85,868	116,771
Short term bank borrowings	15,000	22,280	36,000	34,000	60,000
Other financial liabilities	190,679	–	–	–	–
Derivative financial instruments	378	811	2,531	1,261	–
Deferred government grants	1,500	1,959	1,118	2,996	2,450
Contract liabilities	4,838	9,871	15,519	35,835	34,163
Lease liabilities	3,136	17,297	24,248	43,553	45,062
CRPS	–	–	–	–	9,999,125
Total current liabilities	**240,686**	**160,868**	**197,645**	**209,354**	**10,274,845**
Net current assets/(liabilities)	**1,766,807**	**3,758,696**	**3,399,020**	**3,153,583**	**(7,045,108)**

We had net current liabilities of RMB7,045.1 million as of September 30, 2023, which represented a decrease of RMB10,198.7 million from our net current assets of RMB3,153.6 million as of June 30, 2023, primarily due to our CRPS of RMB9,999.1 million classified as our current liabilities. We had turned into net current assets position as of the date of the document.

We had net current assets decreased by RMB245.4 million from RMB3,399.0 million as of December 31, 2022 to RMB3,153.6 million as of June 30, 2023. Our total current assets decreased by RMB233.7 million primarily due to (i) a decrease of RMB641.8 million in term deposits, and (ii) a decrease of RMB86.0 million in current portion of financial assets at FVTPL due to our increased investment in wealth management products, partially offset by an increase of RMB467.5 million in cash and cash equivalents. Our total current liabilities increased by RMB11.7 million primarily due to (i) an increase of RMB20.3 million in contract liabilities due to advance payment received by us for services that have not been rendered to the customers, (ii) an increase of RMB19.3 million in lease liabilities, as a result of the new lease agreement we entered into in 2023 for our leased office in Shanghai, partially offset by (i) a decrease of RMB18.4 million in other payables and accruals as a result of (a) the decrease in accrued salaries and staff benefits due to the settled year-end bonus payment, and (b) the decrease in accrual for acquiring property, plant and equipment due to the settled payments; and (ii) a decrease of RMB8.1 million in trade payables.

We had net current assets decrease of RMB359.7 million from RMB3,758.7 million as of December 31, 2021 to RMB3,399.0 million as of December 31, 2022. Our total current assets decreased by RMB322.9 million primarily due to a decrease of RMB2,949.4 million in cash and cash equivalents, partially offset by (i) an increase of RMB2,232.4 million in term deposit, (ii) an increase of RMB356.4 million in financial assets at FVTPL, as a result of our increased investment in wealth management products, (iii) an increase of RMB21.6 million in prepayments, deposits and other receivables, and (iv) an increase of RMB16.2 million in contract costs in relation to the research activities performed but yet to meet the agreed milestone payment conditions or delivered as stipulated in the contract, in line with our business growth. Our total current liabilities increased by RMB36.8 million primarily due to (i) an increase in short-term bank borrowings of RMB13.7 million for working capital purpose, (ii) an increase in lease liabilities of RMB7.0 million, (iii) an increase in other payables and accruals of RMB6.2 million, as a result of the increases in our employee benefit payables due to an increase in the number of our staff, and (iv) an increase in contract liabilities of RMB5.6 million. The increase in prepayments, deposits and other receivables was primarily due to (i) an increase of RMB9.5 million in prepayments for our leased office, and (ii) an increase of RMB7.5 million in value-added tax recoverables as a result of deductible value-added input tax in excess of the value-added output tax due to our increase in purchase of R&D equipment.

We had an increase of RMB1,991.9 million from our net current assets of RMB1,766.8 million as of December 31, 2020 to RMB3,758.7 million as of December 31, 2021. Our total current assets increased by RMB1,912.1 million, which was primarily due to (i) an increase of RMB1,916.9 million in cash and cash equivalents, and term deposits as a result of the funds we received through our equity financing, and (ii) an increase of RMB19.5 million in trade receivables, in line with our business growth. Our total current liabilities decreased by RMB79.8 million primarily due to a decrease in other financial liabilities of RMB190.7 million, partially offset by (i) an increase of RMB76.1 million in other payables and accruals as a result of increased employee benefit expenses and accrual for acquiring property, plant and equipment, (ii) an increase of RMB14.2 million in lease liabilities, as a result of the new lease agreements we entered into in 2021 for office premises in Shenzhen and standardized and automated wet lab in Shanghai, and (iii) an increase of RMB7.4 million in trade payables, in line with the rapid growth of our business.

Contract Costs

Our contract costs increased from RMB1.4 million as of December 31, 2020 to RMB17.1 million as of December 31, 2021, and further to RMB33.3 million as of December 31, 2022 and RMB45.1 million as of June 30, 2023, mainly due to an increase in research activities performed by our Group for our customers ahead of the agreed milestone payment conditions as stipulated in the respective contracts.

As of September 30, 2023, RMB12.0 million or approximately 26.6% of our contract costs as of June 30, 2023, had been subsequently expensed.

Trade Receivables

Our trade receivables primarily represent amounts due from customers for our solutions or services provided in the ordinary course of business. The credit period given to our drug discovery customers and collaborators ranged generally from 30 to 60 days from the date of invoice. The following table sets forth our trade receivables, net of credit loss allowance, as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Trade receivables	11,428	31,615	39,708	45,467
Less: Credit loss allowance	(225)	(898)	(1,772)	(1,779)
	11,203	30,717	37,936	43,688

Our trade receivables increased from RMB11.2 million as of December 31, 2020 to RMB30.7 million as of December 31, 2021, and further to RMB37.9 million as of December 31, 2022 and RMB43.7 million as of June 30, 2023, in line with our overall revenue growth in all business lines, particularly our growing drug discovery solutions business.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated, based on the invoice date.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
0 to 90 days	11,428	31,487	33,584	39,051
91 to 180 days	–	128	–	288
181 to 365 days	–	–	5,406	–
Over one year	–	–	718	6,128
	11,428	31,615	39,708	45,467

We adopted the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. We closely review the trade receivables balance and any overdue balances on an ongoing basis and assess the collectability of overdue balances, taking into account the financial position, past experience and other relevant factors. We normally performed impairment assessment based on credit risk and expected credit loss rate, considering our customers' strong capacity to meet the contractual cash flow obligation in the near term and the low historical default risk.

Our trade receivables due over 180 days and over one year as of December 31, 2022 and June 30, 2023 were related to our transactions with certain long-term customers. Taking into account the customers' historical credit record and financial performance, while we had been actively communicating with them for the trade receivables collection, we did not observe significant risk regarding the recoverability of such amounts and did not make specific loss provision.

As of September 30, 2023, RMB24.1 million or approximately 55.1% of our trade receivables as of June 30, 2023 had been subsequently settled. As of the date of this document, we had received RMB5.0 million of the trade receivables aged over one year as of June 30, 2023.

The table below sets forth the turnover days of our trade receivables for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Trade receivables turnover days[(1)]	127.2	121.8	94.0	91.9

Note:

(1) Trade receivables turnover days for a period equals the average opening and closing trade receivables balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period, being 365 days or 180 days, as applicable.

The trade receivables turnover days indicate the average time required for us to collect cash payments. Our trade receivables turnover days decreased from 127.2 days in 2020 to 121.8 days in 2021, and further to 94.0 days in 2022, primarily due to we have adopted tighter trade receivable collection policies to collect our cash payments more quickly, in order to reduce our credit risk. Our trade receivables turnover days remained relatively stable at 91.9 days in the six months ended June 30, 2023 as compared with 94.0 days in 2022.

Prepayments, Deposits and Other Receivables

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Non-current				
Prepayment for equipment	25	16,053	13,893	37,425
Current				
Receivables from issue of CRPS	26,100	–	–	–
Prepayments	14,890	5,043	14,533	15,556
Deposits	6,898	8,785	14,248	14,672
Value-added tax recoverables	2,353	15,858	23,326	33,383
Others	2,608	3,007	2,027	1,973
	52,849	32,693	54,134	65,584
Less: loss allowance	(2,603)	(2,603)	(2,400)	(2,497)
	50,246	30,090	51,734	63,087

Prepayment for equipment represents prepayment primarily for R&D equipment. Prepayment for equipment increased from RMB25,000 as of December 31, 2020 to RMB16.1 million as of December 31, 2021, and further to RMB13.9 million as of December 31, 2022, primarily due to our purchases of additional R&D equipment to upgrade and innovate our technologies. Our prepayment for equipment increased from RMB13.9 million as of December 31, 2022 to RMB37.4 million as of June 30, 2023, primarily due to the construction of our new leased property, including our purchase of lab equipment and leasehold improvement, used for the offices and labs in Shanghai in 2023.

Our receivables from our issuance of CRPS of RMB26.1 million as of December 31, 2020 was in relation to our Series C Financing.

Prepayments represent amounts we prepaid primarily for our operating activities as prepayments for leased properties, experimental fees, purchase of materials and promotional fees. Our prepayments decreased from RMB14.9 million as of December 31, 2020 to RMB5.0 million as of December 31, 2021, primarily because we settled the prepayment to one of our investee companies and recognized it as financial asset at FVTPL in 2021. We recorded the aforementioned prepayment in a non-cash transaction where we delivered services before receiving the consideration. Our prepayments increased from RMB5.0 million as of December 31, 2021 to RMB14.5 million as of December 31, 2022 and further to RMB15.6 million as of June 30, 2023, primarily due to (i) an increase in prepayments for our leased properties in Shenzhen and Beijing and (ii) an increase in prepaid experimental fees to support our operations.

Deposits represent rental deposit. Our deposits increased from RMB6.9 million as of December 31, 2020 to RMB8.8 million as of December 31, 2021, and further to RMB14.2 million as of December 31, 2022, primarily due to our newly leased office in Shenzhen and standardized and automated wet lab in Shanghai. Our deposits remained relatively stable at RMB14.2 million as of December 31, 2022 and RMB14.7 million as of June 30, 2023.

Value-added tax recoverable represents deductible value-added input tax in excess of the value-added output tax, which can be deductible or recoverable in the future. Our value-added tax recoverable increased from RMB2.4 million as of December 31, 2020 to RMB15.9 million as of December 31, 2021, and further to RMB23.3 million as of December 31, 2022 and RMB33.4 million as of June 30, 2023, primarily due to our incremental purchases of R&D equipment.

Financial Assets at FVTPL

The following table sets forth our financial assets at FVTPL as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Investments in financial assets at fair value through profit or loss included in non-current assets:				
A listed entity	–	–	69,814	58,975
Unlisted entities	63,065	170,258	211,465	187,123
A convertible debt	–	–	3,250	3,250
	63,065	170,258	284,529	249,348
Investments in financial assets at fair value through profit or loss included in current assets:				
Wealth management products	–	–	356,361	270,397

The non-current portion of our financial assets at FVTPL represent our long-term equity investments. We have invested in companies that we think share synergies with us. For more details regarding our strategic collaborations, acquisitions and investments, see "Business—Significant Cooperations and Collaborations" and "Business—Our Drug Discovery Solutions—Strategic Collaborations." For those investments over which we do not have significant influence and without readily determinable fair value, we elected to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Our management regularly evaluates the impairment of long-term equity investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but not limited to, reviewing the investees' cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss recognized equal to the excess of the investment costs over its fair value at the end of each Track Record Period for which the assessment is made. See Note 3.3 to the Accountant's Report in Appendix I to this document for details regarding our fair value measurement. Our non-current financial assets at FVTPL increased from RMB63.1 million as of December 31, 2020 to RMB170.3 million as of December 31, 2021, and further to RMB284.5 million as of December 31, 2022 and remained relatively stable at RMB249.3 million as of June 30, 2023, primarily due to our continuous equity investments in biotechnology start-ups.

The current portion of our financial assets at FVTPL represent wealth management products issued by reputable PRC commercial banks. We believe we can make better use of our idle funds and increase our revenue by making appropriate investments in short-term wealth management products, under the premise of not interfering with our normal business activities or capital expenditures. We use alternative pricing sources and models utilizing market observable inputs to estimate the fair value, and we classify the valuation techniques that use these inputs as Level 3 of fair value measurement. The current portion of our financial assets at FVTPL was nil, nil, RMB356.4 million and RMB270.4 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

Trade Payables

Our trade payables primarily represent outstanding amounts due to our suppliers for purchases of raw materials, consumables, third party experimental and renovation services. We generally settle with our suppliers within 30 to 180 days from the date of invoice. The following table sets forth our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Trade payables	3,173	10,573	13,979	5,841

Our trade payables increased from RMB3.2 million as of December 31, 2020 to RMB10.6 million as of December 31, 2021, and further to RMB14.0 million as of December 31, 2022, generally in line with our revenue growth across all business lines. Our trade payables decreased from RMB14.0 million as of December 31, 2022 to RMB5.8 million as of June 30, 2023, primarily due to an increase in the settled trade payables.

The following table sets forth the aging analysis of our trade payables, based on the invoice dates, as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
0 to 90 days	3,173	10,573	13,979	5,171
90 to 180 days	–	–	–	670
	3,173	10,573	13,979	5,841

As of September 30, 2023, RMB5.3 million, or approximately 89.9% of our trade payables as of June 30, 2023, had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily included (i) investment payables; (ii) accrual for salaries and staff benefits; (iii) accrual for acquiring property, plant and equipment; (iv) other tax payables; and (v) rental payable. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Non-Current				
Investment payables	280	280	8,638	8,951
Current				
Accrued salaries and staff benefits	17,426	48,589	69,354	58,771
Accrual for acquiring property, plant and equipment	560	22,649	19,281	12,730
Investment payables	100	13,876	–	2,510
Other tax payables	2,824	2,488	4,481	2,292
Rental payables	7	62	554	2,029
Others[(1)]	1,065	10,413	10,580	7,536
Total	**21,982**	**98,077**	**104,250**	**85,868**

Note:

(1) Other primarily included professional fees payables and interest payable.

Investment payables represents our equity investment in investees that have not been settled. The non-current portion of our investment payables remained stable at RMB0.3 million as of December 31, 2020 and December 31, 2021, and increased to RMB8.6 million as of December 31, 2022 primarily due to an increase in our investments. The non-current portion of our investment payables remained stable at RMB9.0 million as of June 30, 2023. The current portion of our investment payable increased from RMB0.1 million as of December 31, 2020 to RMB13.9 million as of December 31, 2021, and was nil and RMB2.5 million as of December 31, 2022 and June 30, 2023, respectively.

Accrued salaries and staff benefits represent salaries and welfare payables to our employees. Our accrued salaries and staff benefits increased from RMB17.4 million as of December 31, 2020 to RMB48.6 million as of December 31, 2021, and further to RMB69.4 million as of December 31, 2022 and RMB58.8 million as of June 30, 2023, primarily due to the increases in the number of our employees and their average compensation level, in line with our business expansion and the market trend.

Accrual for acquiring property, plant and equipment mainly represent payables for purchasing lab equipment, computer and office equipment, leasehold improvements and construction in process. Our accrual for acquiring property, plant and equipment increased from RMB0.6 million as of December 31, 2020 to RMB22.6 million as of December 31, 2021, primarily due to the newly purchased lab equipment and construction in process for our R&D activities and provision of our services. Our accrual for acquiring property, plant and equipment decreased to RMB19.3 million as of December 31, 2022, and further to RMB12.7 million as of June 30, 2023, primarily due to an increase in settled payables.

Other tax payables represent employer payroll tax payables to the relevant government tax authorities. Our other tax payables decreased from RMB2.8 million as of December 31, 2020 to RMB2.5 million as of December 31, 2021, primarily due to the relatively smaller amount of personal income tax payable as of December 31, 2021, as compared to that as of December 31, 2020, because we changed the timing of the year-end bonus payment. Our other tax payables increased from RMB2.5 million as of December 31, 2021 to RMB4.5 million as of December 31, 2022, in line with our increased employee benefit expenses. Our other tax payables decreased from RMB4.5 million as of December 31, 2022 to RMB2.3 million as of June 30, 2023, primarily because the individual income tax payable in the second half of a calendar year is generally higher than that in the first half, as the individual income tax is calculated on annual comprehensive income based on progressive tax rates.

Rental payable represents rental expenses payable to our lessors. Our rental payable increased from RMB7,000 as of December 31, 2020 to RMB62,000 as of December 31, 2021, and further to RMB0.6 million as of December 31, 2022 and RMB2.0 million as of June 30, 2023. The substantial increase in rental payable as of December 31, 2022 and June 30, 2023 are primarily due to the payables for utilities expenses and property management fees for our operational premises in Shenzhen and Shanghai in 2023.

Others increased from RMB1.1 million as of December 31, 2020 to RMB10.4 million as of December 31, 2021, primarily due to an increase of RMB5.4 million in professional fees payables in relation to the preparation then undertaken in respect of an overseas listing. Others decreased from RMB10.6 million as of December 31, 2022 to RMB7.5 million as of June 30, 2023 due to an increase in settled other payables.

Deferred Government Grants

Our deferred government grants represent the government grants that we received but yet to be recognized until we complied with all the prerequisite conditions. Our deferred government grants remained relatively stable at RMB33.0 million, RMB32.6 million and RMB30.7 million as of December 31, 2020, 2021 and 2022, respectively, and increased to RMB48.6 million as of June 30, 2023 primarily because we received government grants of approximately RMB17.8 million in the six months end June 30, 2023 for which the prerequisite conditions had not been met.

Contract Liabilities

Our contract liabilities represent advance payments from our customers for purchases of our services which have not yet been rendered to the customers and hence have not been recognized as revenue. We normally request 50% advance payment for purchases of our solid-state R&D services, while the advance payment percentage for drug discovery solutions and automated chemical synthesis services is determined by the complexity of the program and negotiation with the relevant contract counterparties. The contract liabilities are recognized as revenue when the underlying services have been rendered to the customers.

Our contract liabilities increased from RMB4.8 million as of December 31, 2020 to RMB9.9 million as of December 31, 2021, and further to RMB15.5 million as of December 31, 2022, due to the increase in services yet to be delivered that was driven by our rapid expansion of all business lines. Our contract liabilities increased from RMB15.5 million as of December 31, 2022 to RMB35.8 million as of June 30, 2023, primarily because we received an advance payment of US$3.0 million from a major collaborator in the first half of 2023.

As of September 30, 2023, RMB7.4 million, or approximately 20.7% of our contract liabilities as of June 30, 2023, had been subsequently recognized as revenue.

INDEBTEDNESS

Our indebtedness consisted of (i) bank borrowings, (ii) lease liabilities, and (iii) CRPS. The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2020	2021	2022	2023	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Current					
Short-term bank borrowings	15,000	22,280	36,000	34,000	60,000
Current portion of lease liabilities	3,136	17,297	24,248	43,553	45,062
CRPS	–	–	–	–	9,999,125
Subtotal	18,136	39,577	60,248	77,553	10,104,187
Non-current					
Long-term bank borrowings	14,480	11,000	–	–	–
Non-current portion of lease liabilities	2,994	81,669	69,206	215,970	206,809
CRPS	3,308,549	7,701,279	9,320,782	9,948,578	–
Subtotal	3,326,023	7,793,948	9,389,988	10,164,548	206,809
Total	**3,344,159**	**7,833,525**	**9,450,236**	**10,242,101**	**10,310,996**

Save as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of September 30, 2023 and up to the Latest Practicable Date.

Bank Borrowings

Our bank borrowings during the Track Record Period were denominated in Renminbi and were used to finance our working capital requirements. Our total outstanding borrowings increased from RMB29.5 million as of December 31, 2020 to RMB33.3 million as of December 31, 2021, increased to RMB36.0 million and RMB60.0 million as of December 31, 2022 and September 30, 2023 as we optimized our working capital structure. As of December 31, 2020, 2021 and 2022 and June 30, 2023 and September 30, 2023, the average interest rate of our bank borrowings was approximately 4.5%, 5.2%, 4.2%, 3.7% and 3.9%, respectively. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings or default in payment of bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of the Latest Practicable Date, there was no material restrictive covenants in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of such covenants during the Track Record Period and up to the Latest Practicable Date.

Short-term bank borrowings of RMB34.0 million as of June 30, 2023, among which RMB4.0 million were guaranteed by Dr. Wen (an executive Director of our Group and chairman of our Board), Shenzhen Zhiyao and Shenzhen Jingtai, the remaining were guaranteed by Dr. Wen and Shenzhen Jingtai. See Note 29 to the Accountant's Report in Appendix I to this document for details regarding our bank borrowings.

As of September 30, 2023, we had short-term bank borrowings of RMB60.0 million, among which RMB30.0 million were guaranteed by Dr. Wen and Shenzhen Jingtai, and the remaining were guaranteed by Dr. Wen and subsequently further secured by one of our patents as collateral. As of the same date, we had unutilized credit facilities of RMB290.0 million. The guarantees provided by Dr. Wen will be released upon [**REDACTED**]. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

Lease liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements for office premises and standardized and automated wet lab. Our leases of properties generally have lease terms of three to ten years. Our lease liabilities significantly increased from RMB6.1 million as of December 31, 2020 to RMB99.0 million as of December 31, 2021, primarily due to the new lease agreements we entered into in 2021 for office premises in Shenzhen and wet lab in Shanghai to support our business expansion. Our lease liabilities slightly decreased from RMB99.0 million as of December 31, 2021 to RMB93.5 million as of December 31, 2022, primarily due to lease payments made by our Group. Our lease liabilities

significantly increased to RMB259.5 million as of June 30, 2023, primarily due to the new lease agreements we entered into in first half 2023 in Shanghai; and subsequently slightly decreased to RMB251.9 million as of September 30, 2023, primarily due to lease payments made by our Group.

CRPS

Our Company completed several rounds of financing by issuing CRPS before and during the Track Record Period. See "History, Development and Corporate Structure—[**REDACTED**] Investments" for details regarding the identity and background of the [**REDACTED**] Investors, and the principal terms of the [**REDACTED**] Investments. We have used the discounted cash flow method to determine the underlying share value of our Company and adopted equity allocation model to determine the fair value of the CRPS at the end of each Track Record Period. Such valuation techniques are certified by an independent third party valuer before being implemented for valuation to ensure that outputs reflect market conditions. See Note 32 to the Accountant's Report in Appendix I to this document for details regarding the determination of fair value of CRPS.

As of December 31, 2020, 2021, 2022 and June 30 and September 30, 2023, we had liabilities in relation to CRPS of RMB3,308.5 million, RMB7,701.3 million, RMB9,320.8 million, RMB9,948.6 million and RMB9,999.1 million, respectively, reflecting our increasing valuation. All the CRPS which were accounted for as liabilities will be converted into Ordinary Shares immediately prior to the completion of the [**REDACTED**], and such liabilities would be derecognized and accounted as an increase in equity upon the [**REDACTED**]. We expect that our net liabilities position will turn into a net assets position upon the [**REDACTED**].

Our Directors have confirmed that there was no material adverse change in the indebtedness statement of our Group since September 30, 2023 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

During the Track Record Period, we did not have material contingent liabilities that were expected to materially and adversely affect our financial condition or results of operations. Our Directors confirm that there has been no material change in our contingent liabilities since June 30, 2023 to the date of this document.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Revenue growth rate[(1)]	N/A	76.2%	112.3%	86.3%

	As of December 31,			As of June 30,
	2020	2021	2022	2023
Current ratio[(2)]	8.3	24.4	18.2	16.1
Cash ratio[(3)]	8.1	23.9	17.6	15.3

Notes:

(1) Revenue growth rate is calculated by dividing revenue growth for the relevant period by revenue for the previous period and multiplied by 100%.

(2) Current ratio is calculated by dividing total current assets by total current liabilities as of the year/period end.

(3) Cash ratio is calculated by dividing the sum of cash and cash equivalents, term deposits, restricted cash, and current portion of financial assets at FVTPL by total current liabilities as of the year/period end.

Revenue Growth Rate

See "—Discussion of Results of Operations" for a discussion of the factors affecting our revenue growth rate during the respective periods.

Current Ratio

Our current ratio increased from 8.3 as of December 31, 2020 to 24.4 as of December 31, 2021, primarily due to an increase in current assets and a decrease in current liabilities. The increase in current assets was primarily because we received proceeds from our Series C financing in 2021, which resulted in an increase in cash and cash equivalents. The decrease in current liabilities was primarily due to a decrease in other financial liabilities of FVTPL due to exercise of warrants during 2021, which resulted in no outstanding other financial liabilities as of December 31, 2021.

Our current ratio decreased from 24.4 as of December 31, 2021 to 18.2 as of December 31, 2022, primarily due to a decrease in current assets and an increase in current liabilities. The decrease in our current assets in 2022 was primarily because we made investments in property, plant and equipment and financial assets at FVTPL including equity interests in a listed company and several unlisted companies as well as a convertible debt. The increase in our current liabilities was primarily due to an increase in our short-term bank borrowings and lease liabilities.

Our current ratio remained relatively stable at 18.2 as of December 31, 2022 and 16.1 as of June 30, 2023.

Cash Ratio

Our cash ratio increased from 8.1 as of December 31, 2020 to 23.9 as of December 31, 2021, primarily due to an increase in cash and cash equivalents as we received proceeds from our Series C financing in 2021.

Our cash ratio decreased from 23.9 as of December 31, 2021 to 17.6 as of December 31, 2022, primarily due to an increase in our current liabilities, primarily due to increases in our short-term bank borrowings and lease liabilities.

Our cash ratio remained relatively stable at 17.6 as of December 31, 2022 and 15.3 as of June 30, 2023.

R&D EXPENDITURE AND TOTAL OPERATING EXPENDITURE

During the Track Record Period, our R&D expenditure primarily consisted of R&D expenses adjusted by adding back intangible assets acquired from third parties and capitalized and deducting amortization expenses for capitalized intangible assets included in R&D expenditure. The table below sets forth our annual and total R&D expenditure for the periods indicated:

	Year ended December 31,		
	2020	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
R&D expenses	83,537	212,603	358,952
Adjustments:			
Add: Intangible assets acquired from third parties and capitalized	1,148	2,567	3,027
Less: Amortization expenses of capitalized intangible assets included in R&D expenditure	(844)	(738)	(3,018)
Annual R&D expenditure	**83,841**	**214,432**	**358,961**
Total R&D expenditure for the three financial years prior to [REDACTED]			**657,234**

The table below sets forth our annual and total operating expenditure for the periods indicated:

	Year ended December 31,		
	2020	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
R&D expenses	83,537	212,603	358,952
General and administrative expenses	47,486	137,035	204,401
Contract fulfillment costs	13,402	30,014	67,266
Selling and marketing expenses	17,076	27,413	40,427
Adjustments:			
Add: Intangible assets acquired from third parties and capitalized	1,148	2,567	3,027
Less: Amortization expenses of capitalized intangible assets included in R&D expenditure	(844)	(738)	(3,018)
Annual total operating expenditure	**161,805**	**408,894**	**671,055**
Total operating expenditure for the three financial years prior to [REDACTED]			**1,241,754**

The table below sets forth our annual R&D expenditure ratio and total R&D expenditure ratio for the periods indicated:

	Year ended December 31,		
	2020	**2021**	**2022**
Annual R&D expenditure ratio[(1)]	**51.8%**	**52.4%**	**53.5%**
Total R&D expenditure ratio[(2)]			**52.9%**

Notes:

(1) Calculated by dividing annual R&D expenditure by annual total operating expenditure.

(2) Calculated by dividing total R&D expenditure for the three financial years prior to [**REDACTED**] by total operating expenditure for the three financial years prior to [**REDACTED**].

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

We regularly incur capital expenditures to expand our operations and upgrade our facilities. Our capital expenditures during the Track Record Period primarily consisted of expenditures on property, plant and equipment, and intangible assets. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we incurred capital expenditures of RMB6.6 million, RMB185.8 million, RMB195.4 million, RMB92.4 million and RMB41.6 million, respectively.

Historically, we have funded our capital expenditures mainly through cash generated from our operations, equity financing, capital injections and bank borrowings. We expect to incur capital expenditures of approximately RMB81.1 million for the year ending December 31, 2023, primarily related to (i) RMB72.9 million in purchase of property, plant and equipment, and (ii) RMB8.2 million in purchase of intangible assets. We intend to fund our planned capital expenditures through cash generated from operations, bank borrowings and [**REDACTED**] from the [**REDACTED**]. For details, see "Future Plans and Use of [**REDACTED**]."

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us and changes in the regulatory environment in the PRC. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

Capital Commitments

Our capital commitments represented capital expenditure in respect of short-term lease commitment. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had capital commitments related to capital expenditure in respect of the leasehold improvements of RMB0.5 million, RMB0.6 million, RMB7.4 million and RMB3.0 million, respectively. The significant increase in our capital commitments were mainly due to the increasing lease payments related to our office premises and laboratories.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our related parties from time to time. These transactions primarily include (i) revenue from an associate, mainly including the provision of intelligent automation solutions, (ii) procurement of cloud computing services from a company controlled by one of our shareholders, (iii) amounts receivable from the related parties for our services provided, (iv) trade payables to the related party for our procurement of service, and (v) amount payables of unpaid capital to an associate. See Note 39 to the Accountant's Report in Appendix I to this document for details regarding our related party transactions.

It is the view of our Directors that our transactions with related parties during the Track Record Period were conducted on an arm's length basis and with normal commercial terms. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitment or like arrangements.

FINANCIAL RISKS DISCLOSURE

Market Risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our entities' functional currency. Our functional currency is USD. Our primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage our exposure against U.S. dollar and to mitigate the impact on exchange rate fluctuations. During the Track Record Period, we had entered into certain forward foreign currency contracts. For further details, see Note 3.1(a)(i) to the Accountant's Report in Appendix I to this document.

Cash flow and fair value interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates and we have no significant interest-bearing assets except for cash and cash equivalents, term deposits and borrowings from bank. The details of our cash and cash equivalents, term deposits and borrowings from bank have been disclosed in Note 26, Note 25 and Note 29 to the Accountant's Report in Appendix I to this document, respectively.

Price risk

We are exposed to price risk in respect of our investments in wealth management products and equity designated as financial assets at FVTPL. We are generally not exposed to commodity price risk. See Note 3.3 to the Accountant's Report in Appendix I to this document for details regarding the sensitivity analysis of our investments in wealth management products.

Credit Risk

Credit risk mainly arises from cash and cash equivalent, restricted cash, term deposits, as well as credit exposures on amounts receivables and other receivables. The carrying amount of each class of these financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets. For further details, see Note 3.1(b) to the Accountant's Report in Appendix I to this document. For further details on our credit risk, please see "Risk Factors—Risks Related to Our Financial Prospects and Need for Additional Capital—We may be exposed to credit risk associated with our trade receivables."

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of our underlying business, we maintain flexibility in funding by maintaining adequate cash and cash equivalents.

Cash flow forecasting is performed by our management. Our management monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet our operational needs as well as our liabilities to other parties. For further details, see Note 3.1(c) to the Accountant's Report in Appendix I to this document.

DIVIDENDS

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will be subject to our constitutional documents and the Cayman Companies Act, pursuant to which a company may declare and pay a dividend out of either profits or share premium account. Any dividends we pay will be determined at the recommendation of our Board at its absolute discretion, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend has been proposed, paid or declared by our Company during the Track Record Period. Currently, we do not have a formal dividend policy or a fixed dividend payout ratio.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the estimated [**REDACTED**] from the [**REDACTED**] and other financial resources available to us, including cash flow from operating activities, cash and cash equivalents, term deposits, restricted cash, the current portion of financial assets at FVTPL, and bank borrowings, we have sufficient working capital to cover 125% of our costs, including R&D expenses, selling and marketing expenses, general and administrative expenses and other operating costs, for the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly aggregate amount of (i) net cash used in operating activities, (ii) capital expenditures, and (iii) lease payment. Our historical monthly average cash burn rate was RMB15.2 million, RMB37.8 million, RMB53.3 million and RMB60.7 million in 2020, 2021, 2022 and six months ended June 30, 2023, respectively. We had cash and cash equivalents, current portion of term deposits, current portion of financial assets at FVTPL and restricted cash of RMB3,211.1 million in aggregate as of June 30, 2023. We estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] million after deducting the [**REDACTED**] expenses payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] in this document.

Assuming that the average cash burn rate going forward will be similar to the cash burn rate level in the six months ended June 30, 2023, we estimate that our cash and cash equivalents, current portion of term deposits, current portion of financial assets at FVTPL and restricted cash as of June 30, 2023 will be able to maintain our financial viability for approximately 53 months or, if we take into account 10% of the estimated [**REDACTED**] from the [**REDACTED**] (namely, the portion allocated for our working capital and other general purposes), approximately [**REDACTED**] months or, if we take into account 100% of the estimated [**REDACTED**] (based on the mid-point of the indicative [**REDACTED**]) from the [**REDACTED**], for approximately [**REDACTED**] months. Our Directors and our management will continue to monitor our working capital, cash flows, and our business development status. We have no immediate plan for future financing in the next 12 months after the [**REDACTED**].

DISTRIBUTABLE RESERVES

As of June 30, 2023, our Company did not have any distributable reserves.

SUBSEQUENT EVENTS

On September 25, 2023, we entered into a convertible loan agreement with a target company which is an independent third party, pursuant to which we agreed to extend a convertible loan in the principal amount of up to US$10 million (equivalent to approximately RMB71.8 million) at a simple interest rate of 8% per annum. The loan shall mature at the earlier of (i) 18 months from the payment date of the loan and (ii) the closing date of the conversion of all of the principal outstanding under the loan, and we shall have the right to convert all of the principal outstanding under the loan into certain number of preferred shares of the target company subject to certain condition. Up to the date of this document, US$3.0 million (equivalent to approximately RMB21.5 million) had been draw down by the target company.

On September 30, 2023 and November 24, 2023, we granted an aggregate of 14,190,000 and 83,973,759 share options under the [**REDACTED**] ESOP respectively to eligible directors and employees of our Group, with the exercise price ranges from US$0.18 to US$0.48 under the vesting period of three or four years. We are in the process of assessing the fair value of the options as at the respective grant dates and expect to recognize a share-based payment expenses over its vesting period.

[REDACTED] EXPENSES

Based on the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] per Share, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] are RMB[**REDACTED**] million (HK$[**REDACTED**] million), assuming the [**REDACTED**] is not exercised, which constitute approximately [**REDACTED**]% of the gross [**REDACTED**]. Our total estimated [**REDACTED**] expenses consist of (i) [**REDACTED**]-related expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), and (ii) non-[**REDACTED**]-related expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), including (a) fees payable to our legal advisors and Reporting Accountant of RMB[**REDACTED**] million (HK$[**REDACTED**] million) and (b) other fees and expenses, including fees payable to the

sponsor and the fees of other professional parties, of RMB[**REDACTED**] million (HK$[**REDACTED**] million). We did not incur any [**REDACTED**] expenses during the Track Record Period. Subsequent to the Track Record Period, RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be recognized as expenses in our consolidated statements of profit or loss, and RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be accounted for as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[**REDACTED**] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For the [**REDACTED**] statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules for illustrating the effect of the [**REDACTED**] on the consolidated net tangible assets of our Group attributable to the owners of the Company as at June 30, 2023 as if the [**REDACTED**] were completed on June 30, 2023, please refer to Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since June 30, 2023, being the end date of our latest audited financial statements, up to the date of this document, and there had been no event since June 30, 2023 up to the date of this document that would materially affect the information shown in the Accountant's Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm 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

See "Business—Our Growth Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] stated in this document), after deducting the [**REDACTED**] commissions and estimated expenses paid or payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised.

In line with our strategies, we intend to apply the [**REDACTED**] from the [**REDACTED**], in the next five years, for the following purposes and in the amounts set forth below:

- **approximately [REDACTED] of the [REDACTED], or HK$[REDACTED] million, will be used to continuously enhance our R&D capabilities and solutions provision, including:**

  (1) approximately [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, to be used in upgrading and optimizing our quantum physics-based closed-loop integrated technology platform. Quantum physics computing capabilities form the foundation of our technology platform, and we plan to further upgrade our quantum physics-based computation techniques, in particular, XFF, Xpose and XFEP, to provide efficient and accurate exploration and development of critical chemical spaces. We will also continue to invest in generative AI technologies (e.g., LLM, ProteinGPT) and integrate AI capabilities with automation capabilities to further improve efficiency and productivity. For details, please see "Business—Our Technologies and Closed-loop Integrated Technology Platform."

  To achieve the plans above, we plan to recruit approximately 10 to 20 related technical talents each year, in particular, AI and automation field engineers, data scientists, system developers as well as other research and development staff. Qualified candidates are normally expected to possess a Master's degree or above with sufficient experience in the areas including but not limited to (i) pre-training, contrastive learning, multi-task learning, reinforcement learning, transfer learning, knowledge graph, probabilistic graphical model and other machine learning and deep learning, (ii) design of non-standard automation core equipment, or non-standard equipment for precision transmission devices such as precision machining equipment, and (iii) robotics. We expect to allocate approximately [**REDACTED**] of the [**REDACTED**] or HK$[**REDACTED**] million in this regard.

In addition, we plan to build about 20 to 30 automated workstations, 8 to 12 centrifuges and other ancillary equipment each year to further increase our R&D capacity and capabilities, which can help us to reach the goal of replacing traditional labor-intensive methods in automatic raw material addition, intelligent raw material proportioning, and automated chemical synthesis. These devices can help us increase throughput, streamline and reduce human error, reduce operating costs, and improve stability for high-quality data and results. In order to improve the efficiency of our algorithm process, data security and information management, we also plan to purchase cloud computing services from reputable cloud service providers, as well as further upgrading and improving our smart cloud resources allocation system powered by our AI and machine learning technologies to further improve resource utilization, reduce cloud computing costs, and enhance the reliability and flexibility of cloud infrastructure. We expect to allocate approximately [**REDACTED**] of the [**REDACTED**] or HK$[**REDACTED**] million in this regard;

(2) approximately [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, will be used to enhance our ability to develop solutions in the biotechnology, pharmaceutical, materials science (including agritech, energy and new chemicals, and cosmetics). With our proprietary in-house technologies and expertise in the drug discovery and intelligent automation solutions, we can expand the diverse product needs of other different industries. For additional information, please see in "Business—Our Growth Strategies."

To achieve the plans above, we plan to recruit approximately 10 to 20 related technical talents each year. Qualified candidates are expected to be high-level professionals with solid academic and industry backgrounds, with a master's degree or above in relevant fields, and sufficient industry work experience. We will generally consider candidates who possess the following capabilities, including but not limited to (i) candidates who are familiar with platform technologies in the antibody discovery stage, including but not limited to immunology, hybridoma, molecular cloning and expression purification, and SPR/BLI assays, and (ii) candidates who have medical-related training in clinical trial operations, biostatistics training in data management, chemistry training in laboratory services, and (iii) experienced personnel in the fields of biology, nutrition, and health care. We expect to allocate approximately [**REDACTED**] of the [**REDACTED**] or HK$[**REDACTED**] million in this regard.

In addition, we plan to purchase about 6 to 10 sets of protein chromatography purification instruments, 3 to 5 sets of flow cytometers, 3 to 5 sets of microbial clone screening systems and some other equipment each year to improve the ability of protein/peptide separation, purification, and automatic analysis, etc. We expect to allocate approximately [**REDACTED**] of the [**REDACTED**] or HK$[**REDACTED**] million in this regard; and

(3) approximately [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, will be used to set up new R&D centers in Shanghai, Shenzhen or other relevant cities in China to further enhance R&D capabilities and attract local professionals. We plan to lease new laboratory and office space with a total construction area of approximately 5,000 square meters. Under the management of our local headquarters, these new R&D centers will work with our headquarters and jointly carry out R&D activities to support our expanding R&D activities;

- **approximately [REDACTED] of the [REDACTED], or HK$[REDACTED] million, will be used to improve our commercialization capability, including:**

  (1) approximately [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, to be used in expanding our business development and marketing team with a focus on development of relationship with potential customers that are famous pharmaceutical/CRO/CDMO companies in and beyond China. We expect such candidates to be business development and marketing talents with knowledge in the industry and at least two years of business development and marketing experience with our potential target customer group. We aim to expand our sales and service network in domestic and foreign regions, and improve our customer service quality to maintain and deepen existing customer relationships; and

  (2) approximately [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, to be used in business development activities overseas. For instance, we plan to lease properties in Hong Kong and/or other regions, especially the U.S. and Europe, to support local business development and marketing activities. We also expect to launch promotion campaigns and participate in exhibitions and forums overseas to further enhance our brand awareness worldwide;

- **approximately [REDACTED] of the [REDACTED], or HK$[REDACTED] million, will be used for working capital and general corporate purposes.**

In the event that the [**REDACTED**] is set at the high-end or low-end of the proposed [**REDACTED**] and the [**REDACTED**] is not exercised, the [**REDACTED**] to be received by us will be increased or decreased by approximately HK$[**REDACTED**] million, respectively. To the extent our [**REDACTED**] are either more or less than expected, we will adjust our allocation of the [**REDACTED**] for the above purposes on a pro rata basis.

If the [**REDACTED**] is fully exercised, we will receive additional [**REDACTED**] of approximately HK$[**REDACTED**] million (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] stated in this document). In the event that the [**REDACTED**] is exercised, we intend to apply the additional [**REDACTED**] to the above purposes 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.

If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the [**REDACTED**] from the [**REDACTED**]. We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

To the extent that the [**REDACTED**] of the [**REDACTED**] are not immediately used for the purposes described above, and to the extent permitted by the relevant laws and regulations, we intend to deposit the [**REDACTED**] in short-term interest-bearing deposits with licensed commercial banks or financial institutions in the PRC or Hong Kong (as defined under SFO or applicable laws and regulations in the PRC).

[**REDACTED**]

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The following is the text of a report set out on pages [I-1] to [I-3], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] ***[Draft]***

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF QUANTUMPHARM INC. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of QuantumPharm Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-84], which comprises the consolidated balance sheets as at December 31, 2020, 2021 and 2022 and June 30, 2023, the balance sheets of the Company as at December 31, 2020, 2021 and 2022 and June 30, 2023, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4] to [I-84] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*date*] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 ("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 accountant's 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 accountant considers 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 sets out in Note 2.1 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, 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.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and 2022 and June 30, 2023 and the consolidated financial position of the Group as at December 31, 2020, 2021 and 2022 and June 30, 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on

our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid by QuantumPharm Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
[●]

I 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 accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenues	*5*	35,636	62,799	133,353	42,915	79,967
Research and development expenses	*6*	(83,537)	(212,603)	(358,952)	(159,678)	(234,421)
General and administrative expenses	*6*	(47,486)	(137,035)	(204,401)	(87,833)	(101,165)
Contract fulfillment costs	*6*	(13,402)	(30,014)	(67,266)	(23,303)	(58,254)
Selling and marketing expenses	*6*	(17,076)	(27,413)	(40,427)	(18,374)	(29,640)
Impairment losses on financial assets	*3.1(b)*	(2,828)	(673)	(874)	–	(104)
Other income	*7*	5,807	8,625	21,367	8,452	7,736
Other (losses)/gains, net	*8*	(3,435)	36,882	(8,114)	(8,136)	(99,109)
Operating loss		(126,321)	(299,432)	(525,314)	(245,957)	(434,990)
Finance income		5,772	14,055	50,478	5,323	50,716
Finance expenses		(747)	(3,575)	(5,746)	(2,943)	(3,846)
Finance income, net	*9*	5,025	10,480	44,732	2,380	46,870
Changes in fair value of convertible redeemable preferred shares and other financial liabilities	*32*	(607,847)	(1,843,883)	(957,799)	(99,875)	(231,164)
Impairment losses of investments accounted for using equity method	*19*	(3,602)	–	–	–	–
Share of net losses of investments accounted for using equity method	*19*	(1,613)	(4,497)	(236)	(119)	(1,013)
Loss before income tax		(734,358)	(2,137,332)	(1,438,617)	(343,571)	(620,297)
Income tax expense	*10*	–	–	–	–	–
Loss for the year/period		(734,358)	(2,137,332)	(1,438,617)	(343,571)	(620,297)
Loss for the year/period attributable to:						
Equity holders of the Company		(734,108)	(2,137,288)	(1,438,507)	(343,531)	(613,006)
Non-controlling interest		(250)	(44)	(110)	(40)	(7,291)
		(734,358)	(2,137,332)	(1,438,617)	(343,571)	(620,297)
Loss per share for loss attributable to equity holders of the Company *(expressed in RMB per share)*	*11*					
Basic loss per share		(1.53)	(4.43)	(2.97)	(0.71)	(1.27)
Diluted loss per share		(1.53)	(4.43)	(2.97)	(0.71)	(1.27)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss for the year/period	(734,358)	(2,137,332)	(1,438,617)	(343,571)	(620,297)
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss					
– Changes in fair value of convertible redeemable preferred shares due to own credit risk	(10,671)	(45,150)	80,500	(7,012)	(37,163)
– Currency translation differences	49,778	49,479	(315,047)	(160,944)	(168,444)
Items that may be subsequently reclassified to profit or loss					
– Currency translation differences	15,286	11,310	(141,715)	(70,157)	(58,111)
Other comprehensive income/(loss) for the year/period, net of tax	54,393	15,639	(376,262)	(238,113)	(263,718)
Total comprehensive loss for the year/period, net of tax	(679,965)	(2,121,693)	(1,814,879)	(581,684)	(884,015)
Total comprehensive loss for the year/period attributable to:					
Equity holders of the Company	(680,633)	(2,121,876)	(1,814,220)	(581,412)	(890,961)
Non-controlling interest	668	183	(659)	(272)	6,946

CONSOLIDATED BALANCE SHEETS

		As at December 31,			As at June 30,
		2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property, plant and equipment	*15*	9,538	176,929	317,640	320,673
Right-of-use assets	*16*	6,142	93,636	77,989	245,838
Intangible assets	*17*	3,113	5,118	6,684	9,856
Investments accounted for using the equity method	*19*	4,356	213	18,706	20,151
Financial assets at fair value through profit or loss	*20*	63,065	170,258	284,529	249,348
Prepayments	*23*	25	16,053	13,893	37,425
Term deposits	*25*	–	–	–	20,000
		86,239	462,207	719,441	903,291
Current assets					
Contract costs	*5(a)*	1,365	17,051	33,280	45,054
Trade receivables	*22*	11,203	30,717	37,936	43,688
Prepayments, deposits and other receivables	*23*	50,246	30,090	51,734	63,087
Financial assets at fair value through profit or loss	*20*	–	–	356,361	270,397
Restricted cash	*24*	32,627	12,751	5,432	3,058
Term deposits	*25*	481,139	305,308	2,537,703	1,895,926
Cash and cash equivalents	*26*	1,430,913	3,523,647	574,219	1,041,727
		2,007,493	3,919,564	3,596,665	3,362,937
Total assets		2,093,732	4,381,771	4,316,106	4,266,228
Equity					
Equity attributable to equity holders of the Company					
Share capital	*33*	44	50	50	50
Other reserves	*34*	36,364	74,618	(201,756)	(434,208)
Accumulated losses		(1,546,736)	(3,684,024)	(5,125,965)	(5,738,971)
		(1,510,328)	(3,609,356)	(5,327,671)	(6,173,129)
Non-controlling interests		5,571	5,388	17,878	10,932
Total deficits		(1,504,757)	(3,603,968)	(5,309,793)	(6,162,197)

		As at December 31,			As at June 30,
		2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities					
Non-current liabilities					
Long term bank borrowings	*29*	14,480	11,000	–	–
Lease liabilities	*16*	2,994	81,669	69,206	215,970
Convertible redeemable preferred shares	*32(a)*	3,308,549	7,701,279	9,320,782	9,948,578
Deferred government grants	*30*	31,500	30,643	29,628	45,572
Other payables and accruals	*28*	280	280	8,638	8,951
		3,357,803	7,824,871	9,428,254	10,219,071
Current liabilities					
Trade payables	*27*	3,173	10,573	13,979	5,841
Other payables and accruals	*28*	21,982	98,077	104,250	85,868
Short term bank borrowings	*29*	15,000	22,280	36,000	34,000
Other financial liabilities	*32(b)*	190,679	–	–	–
Derivative financial instruments	*31*	378	811	2,531	1,261
Deferred government grants	*30*	1,500	1,959	1,118	2,996
Contract liabilities	*5(b)*	4,838	9,871	15,519	35,835
Lease liabilities	*16*	3,136	17,297	24,248	43,553
		240,686	160,868	197,645	209,354
Total liabilities		3,598,489	7,985,739	9,625,899	10,428,425
Total deficits and liabilities		2,093,732	4,381,771	4,316,106	4,266,228

BALANCE SHEETS OF THE COMPANY

		As at December 31,			As at June 30,
		2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Investment in subsidiaries		1,896,965	4,150,022	5,055,757	5,240,590
Investment in an associate		5,572	5,445	–	–
Financial assets at fair value through profit or loss	*20*	3,232	31,245	85,136	74,872
		1,905,769	4,186,712	5,140,893	5,315,462
Current assets					
Prepayments, deposits and other receivables	*23*	202,272	–	45	124
Cash and cash equivalents	*26*	189,560	492,362	2,018	3,605
		391,832	492,362	2,063	3,729
Total assets		2,297,601	4,679,074	5,142,956	5,319,191
Equity					
Share capital	*33*	44	50	50	50
Other reserves	*34*	26,752	53,563	(137,600)	(311,596)
Accumulated losses		(1,236,631)	(3,095,070)	(4,049,992)	(4,326,562)
Total deficits		(1,209,835)	(3,041,457)	(4,187,542)	(4,638,108)
Liabilities					
Non-current liabilities					
Convertible redeemable preferred shares	*32(a)*	3,308,549	7,701,279	9,320,782	9,948,578
Other payables and accruals		–	–	8,358	8,671
		3,308,549	7,701,279	9,329,140	9,957,249
Current liabilities					
Other financial liabilities	*32(b)*	190,679	–	–	–
Other payables and accruals		8,208	19,252	1,358	50
		198,887	19,252	1,358	50
Total liabilities		3,507,436	7,720,531	9,330,498	9,957,299
Total deficits and liabilities		2,297,601	4,679,074	5,142,956	5,319,191

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Equity attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity/ (deficits) RMB'000
Balance at January 1, 2020		44	(23,038)	(812,628)	(835,622)	6,239	(829,383)
Loss for the year		–	–	(734,108)	(734,108)	(250)	(734,358)
Other comprehensive income/(loss):							
Changes in fair value of convertible redeemable preferred shares due to own credit risk	*34*	–	(10,671)	–	(10,671)	–	(10,671)
Currency translation differences	*34*	–	65,482	–	65,482	(418)	65,064
Total comprehensive income/(loss) for the year		–	54,811	(734,108)	(679,297)	(668)	(679,965)
Transactions with equity holders							
Equity-settled share-based compensation	*35*	–	4,591	–	4,591	–	4,591
Repurchases and issuance of ordinary share		–	–	–	–	–	–
Total transactions with equity holders		–	4,591	–	4,591	–	4,591
Balance at December 31, 2020		44	36,364	(1,546,736)	(1,510,328)	5,571	(1,504,757)
Balance at January 1, 2021		44	36,364	(1,546,736)	(1,510,328)	5,571	(1,504,757)
Loss for the year		–	–	(2,137,288)	(2,137,288)	(44)	(2,137,332)
Other comprehensive income/(loss):							
Changes in fair value of convertible redeemable preferred shares due to own credit risk	*34*	–	(45,150)	–	(45,150)	–	(45,150)
Currency translation differences	*34*	–	60,928	–	60,928	(139)	60,789
Total comprehensive income/(loss) for the year		–	15,778	(2,137,288)	(2,121,510)	(183)	(2,121,693)
Transactions with equity holders							
Issuance of ordinary shares		6	(6)	–	–	–	–
Equity-settled share-based compensation	*35*	–	22,482	–	22,482	–	22,482
Total transactions with equity holders		6	22,476	–	22,482	–	22,482
Balance at December 31, 2021		50	74,618	(3,684,024)	(3,609,356)	5,388	(3,603,968)

	Note	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Equity attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity/ (deficits) RMB'000
Balance at January 1, 2022		50	74,618	(3,684,024)	(3,609,356)	5,388	(3,603,968)
Loss for the year		–	–	(1,438,507)	(1,438,507)	(110)	(1,438,617)
Other comprehensive income/(loss):							
Changes in fair value of convertible redeemable preferred shares due to own credit risk	*34*	–	80,500	–	80,500	–	80,500
Currency translation differences	*34*	–	(457,531)	–	(457,531)	769	(456,762)
Total comprehensive (loss)/income for the year		–	(377,031)	(1,438,507)	(1,815,538)	659	(1,814,879)
Transactions with equity holders							
Capital injection by non-controlling interests		–	57,273	–	57,273	10,935	68,208
Acquisition of non-controlling interests		–	–	(3,434)	(3,434)	896	(2,538)
Equity-settled share-based compensation	*35*	–	43,384	–	43,384	–	43,384
Total transactions with equity holders		–	100,657	(3,434)	97,223	11,831	109,054
Balance at December 31, 2022		50	(201,756)	(5,125,965)	(5,327,671)	17,878	(5,309,793)

	Note	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Equity attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity/ (deficits) RMB'000
Balance at January 1, 2023		50	(201,756)	(5,125,965)	(5,327,671)	17,878	(5,309,793)
Loss for the year		–	–	(613,006)	(613,006)	(7,291)	(620,297)
Other comprehensive income/(loss):							
Changes in fair value of convertible redeemable preferred shares due to own credit risk	*34*	–	(37,163)	–	(37,163)	–	(37,163)
Currency translation differences	*34*	–	(226,900)	–	(226,900)	345	(226,555)
Total comprehensive loss for the period		–	(264,063)	(613,006)	(877,069)	(6,946)	(884,015)
Transactions with equity holders							
Equity-settled share-based compensation	*35*	–	31,611	–	31,611	–	31,611
Total transactions with equity holders		–	31,611	–	31,611	–	31,611
Balance at June 30, 2023		50	(434,208)	(5,738,971)	(6,173,129)	10,932	(6,162,197)
(Unaudited)							
Balance at January 1, 2022		50	74,618	(3,684,024)	(3,609,356)	5,388	(3,603,968)
Loss for the year		–	–	(343,531)	(343,531)	(40)	(343,571)
Other comprehensive income/(loss):							
Changes in fair value of convertible redeemable preferred shares due to own credit risk	*33*	–	(7,012)	–	(7,012)	–	(7,012)
Currency translation differences	*33*	–	(231,413)	–	(231,413)	312	(231,101)
Total comprehensive (loss)/income for the period		–	(238,425)	(343,531)	(581,956)	272	(581,684)
Transactions with equity holders							
Equity-settled share-based compensation	*35*	–	19,646	–	19,646	–	19,646
Total transactions with equity holders		–	19,646	–	19,646	–	19,646
Balance at June 30, 2022		50	(144,161)	(4,027,555)	(4,171,666)	5,660	(4,166,006)

CONSOLIDATED STATEMENTS OF CASH FLOW

	Note	Year ended December 31, 2020 RMB'000	2021 RMB'000	2022 RMB'000	Six months ended June 30, 2022 RMB'000 (Unaudited)	2023 RMB'000
Cash flows from operating activities						
Net cash used in operating activities	*36(a)*	(167,281)	(253,746)	(429,104)	(211,041)	(298,988)
Cash flows from investing activities						
Interest received from term deposits		2,862	16,784	22,849	6,045	64,688
Purchase of property, plant and equipment		(5,002)	(160,578)	(193,416)	(89,045)	(42,682)
Proceeds from disposals of property, plant and equipment		1	3,878	1,492	554	41
Purchase of intangible assets		(1,549)	(3,100)	(5,314)	(3,316)	(5,860)
Proceeds from disposals of intangible assets		24	–	120	21	–
Additions of investments accounted for using equity method	*19*	(6,284)	(13)	(19,220)	(410)	–
Additions for investments in financial assets at fair value through profit or loss	*20*	(3,289)	(85,900)	(2,376,415)	(746,612)	(1,737,062)
Proceeds from disposal of financial assets at fair value through profit or loss		–	–	1,911,754	250,571	1,823,938
Placement of term deposits		(591,412)	(779,396)	(8,302,216)	(1,486,508)	(2,075,773)
Proceeds from maturity of term deposits		215,767	945,731	6,183,441	329,181	2,733,546
Changes in restricted cash		–	(12,672)	7,319	11,409	2,374
Proceeds from government grants		33,000	4,800	11,820	4,440	24,820
Net cash (used in)/generated from investing activities		(355,882)	(70,466)	(2,757,786)	(1,723,670)	788,030
Cash flows from financing activities						
Interest paid for borrowing		(575)	(1,682)	(1,613)	(828)	(665)
Payments of lease liabilities		(6,801)	(6,200)	(11,327)	(5,178)	(17,429)
Proceeds from bank borrowings		29,480	20,000	25,000	–	–
Repayment of short-term bank borrowings		–	(16,200)	(22,280)	(6,280)	(2,000)
Capital injection from non-controlling interest		–	–	68,208	–	–
Proceeds from issuance of ordinary shares		–	6	–	–	–
Proceeds from issuance of other financial liabilities		184,650	–	–	–	–
Proceeds from issuance of convertible redeemable preferred shares		1,790,424	2,480,089	–	–	–
Net cash generated from/(used in) financing activities		1,997,178	2,476,013	57,988	(12,286)	(20,094)
Net increase/(decrease) in cash and cash equivalents		1,474,015	2,151,801	(3,128,902)	(1,946,997)	468,948
Cash and cash equivalents at beginning of the year/period	*26*	38,715	1,430,913	3,523,647	3,523,647	574,219
Effects of exchange rate changes on cash and cash equivalents		(81,817)	(59,067)	179,474	151,342	(1,440)
Cash and cash equivalents at end of the year/period	*26*	1,430,913	3,523,647	574,219	1,727,992	1,041,727

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND HISTORY OF THE GROUP

1.1 General information

QuantumPharm Inc. (the "Company") was incorporated in the Cayman Islands on April 28, 2017 as an exempted company with limited liabilities. The address of its registered office is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including the former structured entity as mentioned below (collectively, the "Group"), are principally engaged in the provision of drug discovery solutions and intelligent automation solutions.

This Historical Financial Information is presented in thousands of unit of Renminbi (RMB'000), unless otherwise stated.

1.2 History of the Group

Prior to July 12, 2021, the Group mainly operates its business in the Mainland of the People's Republic of China (the "PRC") through certain PRC domestic companies, including Shenzhen Jingtai Technology Co., Ltd. ("Shenzhen Jingtai"), a limited liability company established in the PRC and its subsidiaries (together, "Shenzhen Jingtai Group"), whose equity interests were held by certain management members of the Group and early investors ("Nominee Shareholders"). The Company obtained controlling financial interest over Shenzhen Jingtai Group since November 2017 by entering into a series of contractual arrangements with Shenzhen Jingtai and its Nominee Shareholders. These contractual agreements ("Contractual Agreements") include Exclusive Business Cooperation Agreement, Exclusive Call Option Agreement, Voting Rights Proxy Agreements, and Equity Interest Pledge Agreement, which enable the Group to exercise power over Shenzhen Jingtai, receive variable returns from its involvement in Shenzhen Jingtai and have the ability to affect those returns through its power over Shenzhen Jingtai. Therefore, management concluded that the Group controls Shenzhen Jingtai and regards Shenzhen Jingtai as a controlled structured entity, of which the Company is the ultimate primary beneficiary. As such, the Group consolidated the financial results of Shenzhen Jingtai Group.

In 2021, QuantumPharm Limited, a wholly owned subsidiary of the Company, acquired the entire equity interest in Shenzhen Jingtai from its Nominee Shareholders. The equity transfer was completed on July 12, 2021, and the Exclusive Business Cooperation Agreement, Voting Rights Proxy Agreement, Equity Interest Pledge Agreement and Exclusive Call Option Agreement were terminated accordingly ("Restructuring Transaction"). The equity transfer of the Restructuring Transaction does not have any impact on the consolidated financial statements of the Group as the effect of the equity transfer resulted in Shenzhen Jingtai Group changing from being consolidated structured entity and the structured entity's subsidiaries into being directly-owned consolidated subsidiaries of the Company. This change had no change in economic ownership.

Details of the Group's subsidiaries for the Track Record Period and as at the date of this report are disclosed in Note 18.

2 SUMMARY OF ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared on a historical cost basis, except for certain financial assets and financial liabilities, which are measured at fair value.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretation, mandatory for the financial year beginning on January 1, 2023, are consistently applied to the Group for the Track Record Period.

As at June 30, 2023, the Group had a net liability of approximately RMB6.2 billion as the Group is still in the early stages of developing its services, solutions and technological platform and the Group's convertible redeemable preferred shares were being reported as financial liabilities and measured at their fair values of RMB9.9 billion. These convertible redeemable preferred shares were not contractually redeemable within the 12 months from June 30, 2023.

In preparing this Historical Financial Information, the directors have taken into account the projected cash flow covering a period of not less than 12 months from June 30, 2023 and available financial resources during the projection period, and concluded that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for not less than next twelve months from June 30, 2023. Consequently, the Historical Financial Information has been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

Amendments to standards not yet adopted

Amendments to standards that have been issued but are not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

		Effective for accounting periods beginning on or after
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Company's directors have performed an assessment on these amendments to standards and have concluded on a preliminary basis that the adoption of these amendments to standards is not expected to have a significant impact on the Group's financial performance and position, except for Amendments to IAS 1 where the convertible redeemable preferred shares of the Company and of the Company's subsidiaries, which are convertible by the holders at any time, will be reclassified to current liabilities upon adoption of Amendments to IAS 1.

2.2 Summary of material accounting policies

2.2.1 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Subsidiaries controlled through Contractual Arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its business operations within these areas in the PRC through a series of contractual arrangements entered into among the Company, its wholly-owned subsidiaries, and certain domestic entities ("Structured entities") that legally owned by certain management members of the Group ("Registered Shareholders") authorised by the Group (collectively, the "Contractual Arrangements").

The Contractual Arrangements include Cooperation Agreements and Operation Agreements, Exclusive Purchases Option Agreement, Equity Pledge Agreements, Shareholders' Voting Rights Trust Agreements and Powers of Attorney, which enable the Group to:

- govern the financial and operating policies of the Structured entities;
- receive substantially all of the economic interest returns generated by the Structured entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the Structured entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer, and any residual interests in the Structured Entities shall be remitted to the Group immediately. In addition, the equity holders are not allowed to sell, assign, transfer, or otherwise disposed of or create encumbrance over their interests in any of the Structured Entities directly or indirectly without prior written consent of the WFOEs;
- obtain a pledge over all of the Controlled Structured Entities equity interests from its respective Registered Shareholders as collateral for all of the Controlled Structured Entities' payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements;
- exercise equity holder voting rights of the Structured entities; and
- exercise effective financial and operational control over of Structured Entities.

Accordingly, the Group has rights to control these entities and they are accounted for as entities controlled by the Group.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from equity-accounted investments are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its equity-accounted investments are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.2.5.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and certain of its overseas subsidiaries is United States Dollars ("US$"). The functional currency of the Group's PRC subsidiaries is RMB. The Historical Financial Information is presented in RMB, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other (losses)/gains.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Construction in progress mainly represents leasehold improvements and lab equipment under construction, which is stated at actual construction cost less accumulated impairment losses. Construction in progress is transferred to appropriate categories of property and equipment upon the completion of their respective construction and depreciated over their respective estimated useful lives.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term, as follows:

Computer and office equipment	3 to 5 years
Lab equipment	5 or 10 years
Leasehold improvements	shorter of estimated useful lives and remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.2.5).

The gains or losses on disposals of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and are recognised in profit or loss.

2.2.4 Intangible assets

(a) System software licenses

Acquired system software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using straight-line method over their estimated useful lives of three to ten years.

(b) Research and development

Costs incurred on development projects are capitalised as intangible assets when recognition criteria are met, including:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the intangible asset include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

There were no development costs meeting these criteria and capitalised as intangible assets as of December 31, 2020, 2021 and 2022 and June 30, 2023.

2.2.5 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amounts by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.2.6 Investment and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurements

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of profit or loss.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income ("OCI") is reclassified from equity to profit or loss and recognised in "other (losses)/gains, net". Interest income

from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains, net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive (loss)/income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within "other (losses)/gains, net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss ("FVTPL") are recognised in "other (loss)/gains, net" in the consolidated statements of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets, it is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.2.7 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting year. Changes in fair value of derivative financial instruments are recognised in profit or loss.

2.2.8 Contract fulfillment costs/contract costs

Costs to fulfill a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract.

The asset recognised from capitalising the costs to obtain or fulfill a contract is amortised on a systematic basis consistent with the pattern of the transfer of the goods or services to which the asset relates. Capitalised costs might relate to an entire contract, or could relate only to specific performance obligations within a contract. Impairment loss are recognised to the extent that the carrying amount of an asset exceeds the remaining amount of consideration that the entity expects to receive, less the costs that relate directly to providing those goods or services that have not been recognised as expenses.

2.2.9 Trade receivables

Trade receivables are amounts due from customers for the sale of goods or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or any in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b) for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.2.10 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.2.11 Convertible redeemable preferred shares

Convertible redeemable preferred shares ("CRPS") issued by the Company are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an [**REDACTED**] (the "[**REDACTED**]") of the Company, see Note 32 for details.

The Group designated the CRPS as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss. Fair value changes relating to market risk are recognised in profit or loss, the component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realised.

The CRPS were classified as non-current liabilities unless the holders of the relevant CRPS can demand the Company to redeem the CRPS in cash within 12 months after the end of the reporting period.

2.2.12 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2.2.13 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.2.14 Share-based payments

The Group operates an equity-settled share-based compensation plan (i.e. share option scheme), under which the Group receives services from employees, as consideration for equity instruments of the Company. Share options granted to the grantees of the Group are measured at the grant date based on the fair value of equity instruments and are recognised as an employee benefit expenses over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity as "equity-settled share-based compensation reserve".

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability and remaining as an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

2.2.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.2.16 Revenue recognition

The Group provides (a) drug discovery solutions and (b) intelligence automation solutions to customers.

(a) Revenue from drug discovery solutions

The drug discovery solutions generally cover developmental stages from early hit generation to investigational new drugs ("IND") enabling studies for the initiation of Phase I clinical trials. The Group customises generation of millions of hit molecules for a given target and utilises multi-dimensional screening to optimise drug properties to ensure novelty and patentability of molecules, narrowing down to a list of dozens of compounds from thousands of compounds.

(b) Revenue from intelligent automation solutions

The intelligent experimental automation solutions include solid-state R&D services and automated chemical synthesis services and others.

(i) Solid-state R&D services

The solid-state R&D services include high-precision computational services and wet lab experimental services. The computational services include crystal structure prediction ("CSP"), morphology prediction, as well as screenings performed on conformers and carriers for crystallisation. The experimental services encompass critical aspects of crystallisation process development and crystal structure determination.

(ii) Automated chemical synthesis services and others

The application of automated chemical synthesis services can shorten the time required to synthesize new molecules, enable efficient discovery of molecules with desired properties, provide insights of chemical reactions for large-scale production, and reduce human errors. The Group also provides various other services to customers mainly includes provision of artificial experimental services.

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities and is recorded net of value-added tax ("VAT"). Revenue is shown, net of discounts and after eliminating sales between the Group companies.

For the revenue from drug discovery solutions and solid-state R&D services, the Group recognises the relevant revenue when it transfers control of the relevant research results to a customer. For the revenue from automated chemical synthesis services, the Group generally recognises its revenue over time as the customer simultaneously receives and consumes the services when the Group performing its promised obligation of such services.

The Group accounts for revenue from contracts with customers, which includes the identification and assessment of the services promised within a contract to evaluate which promises are distinct from each other. Contracts with customers may include multiple performance obligations which are separately identifiable with standalone selling prices of the services being provided to the customers. Services offered to different customers varies according to customers' needs. The transaction price generally includes fixed fees due at contract inception as well as fixed fees payable at end of different services performed.

The Group generally determines standalone-selling prices for each individual distinct performance obligation identified based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information, and considering the Group's pricing policies and market practices in making pricing decisions. Assumptions and estimations have been made in estimating the relative stand-alone selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may affect the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Contract liabilities represent the cash collected upfront from the customers for purchase of services while the underlying services have not yet been rendered to the customers. The contract liabilities are recognised as revenues when the underlying services have been rendered to the customers.

(c) Non-cash transactions

In addition, the Group has been engaged in certain revenue transactions, in which the Group offers services in exchange of non-cash consideration in term of equity interests of the counterparties. The Group recognises revenue when it provides the services to the counterparties.

Any non-cash consideration received from a customer needs to be included when determining the transaction price. Non-cash consideration is measured at fair value. If the Group cannot reasonably estimate the fair value of the non-cash consideration, the Group measure the consideration indirectly by reference to the stand-alone selling price of the goods or services promised to the customer (or class of customer) in exchange for the consideration.

The Group measures the non-cash consideration at contract inception date at fair value based on related fair value of the equity interests received or receivable the counterparties.

For the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, the Group recognised RMB12,081,000, RMB17,568,000, nil, nil and nil, respectively revenue from non-cash transactions.

2.2.17 Leases

The Group mainly leases offices as lessee. Lease terms are negotiated on an individual basis and contain various terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.3 Summary of other accounting policies

2.3.1 Separate financial statements

Investments in subsidiaries and associate are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries and associate is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (the "CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Co-founders that make strategic decisions.

The Group has principally engaged in the business relating to drug discovery solutions (including one-stop drug discovery solutions and automated chemical synthesis services) and intelligent automation services.

The CODM reviews the consolidated result of operations when making decisions about allocating resources and assess performance of the Group as a whole. The CODM assesses the performance of the operating segments mainly based on revenue of each operating segment. Thus, segment result would present revenues for each segment only, which is in line with the CODM's performance review. For the purpose of internal reporting and management's operation review, the CODM considered that the Group's business are operated and managed as one single segment and no separate segment information was presented for the Track Record Period.

2.3.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.3.4 Restricted cash

Cash that restricted from withdrawal, use or pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows. The Group's restricted cash mainly represents security deposits held in designated bank accounts as security deposits for derivative financial instruments.

2.3.5 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Convertible redeemable preferred shares are classified as liabilities, see Note 2.2.11.

2.3.6 Provisions

Provisions for legal claims and service warranties are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.3.7 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- The loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares.
- By the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.3.8 Interest income

Interest income from FVTPL is included in "other (losses)/gains, net".

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income from term deposits is included in finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, primarily the market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Company's functional currency is US$. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against US$ and to mitigate the impact on exchange rate fluctuations. During the Track Record Period, the Group had entered into certain forward foreign currency contracts, details of which are further presented in Note 31.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the carrying amounts of the Group's foreign currency denominated monetary assets presented in RMB are as follows:

Functional currency	Foreign currency	As at December 31, 2020	2021	2022	As at June 30, 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	RMB	1,050	3,475	196,550	111,883
RMB	US$	75	186,010	69,106	72,444

The Group is primarily exposed to changes in RMB/US$ exchange rates in its subsidiaries whose functional currency is RMB or US$. If RMB had strengthened/weakened by 5% against US$ with all other variables held constant, the post-tax loss would have been RMB39,000 lower/higher, RMB6,838,000 higher/lower, RMB5,172,000 lower/higher and RMB1,703,000 lower/higher, for the years 2020, 2021 and 2022 and six months ended June 30, 2023, respectively.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets and liabilities except for cash and cash equivalents, term-deposits and borrowings from bank, and details of which have been disclosed in Note 26, Note 25 and Note 29, respectively.

The Group's cash and cash equivalents, term-deposits and borrowings were carried at fixed rates and expose the Group to fair value interest rate risk, therefore the changes in market interest rates will not result in any impact to the Group's income and operating cash flows.

(iii) Price risk

The Group's exposure to price risk arises from investments held by the Group and classified in the balance sheets at FVTPL, including equity that designated as FVTPL. The Group is generally not exposed to commodity price risk. The sensitivity analysis of these investments have been disclosed in Note 3.3.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalent, restricted cash, term deposits, as well as credit exposures on trade receivables and other receivables and deposits.

(i) Risk management

Credit risk is managed on a group basis. Cash and cash equivalent, restricted cash, term deposits and wealth management products are mainly placed with reputable financial institutions in the PRC, which management considers being of high credit quality. For trade and other receivables, the Group assesses the credit quality of the receivables by taking account of various factors, including past operational and financial performance and other factors.

(ii) Impairment of financial assets

The Group has following types of financial assets that are subject to the expected credit loss model:

- Trade receivables
- Term deposits
- Cash and cash equivalent
- Restricted cash
- Other receivables and deposits

Trade receivables

As at December 31, 2020, 2021 and 2022 and June 30, 2023, trade receivables were mainly due from customers. The credit quality of these counterparties are assessed on a regular basis, which takes into account their financial position, past experience and other factors.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Management considers the nature of business of its customers, the default rates given by external research over the expected lives of the debtors, repayment and default histories of different customers or industries to assess the credit risk characteristics and the likelihood of loss allowance of its customers. The Group uses probability of default (PD), exposure at default (EAD) and loss given default (LGD) to measure the credit risk and expected credit loss rates for its customers.

The historical loss rates are also adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the credit loss allowance as at December 31, 2020, 2021 and 2022 and June 30, 2023 was determined as follows for trade receivables:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
Provision on collective basis				
Expected credit loss rate	1.97%	2.84%	4.46%	3.91%
Gross carrying amount (RMB'000)	11,428	31,615	39,708	45,467
Credit loss allowance (RMB'000)	(225)	(898)	(1,772)	(1,779)

Impairment losses on trade receivables are presented as credit loss allowance within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item. Movements on the Group's credit loss allowance for trade receivables are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss allowance					
At beginning of the year/period	–	225	898	898	1,772
Increase in loss allowance recognised in the consolidated statements of profit or loss	225	673	874	–	7
At end of the year/period	225	898	1,772	898	1,779

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual.

(iii) Other financial assets at amortised cost

Credit risk also arises from term deposits, cash and cash equivalents and restricted cash, as well as credit exposures on other receivables. The carrying amount of each class of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

Other receivables and deposits mainly include deposits, loans to third parties and receivables from issue of convertible redeemable preferred shares. The management of the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. The Group measures credit risk using probability of default, exposure at default and loss given default. This is similar to the approach used for the purposes of measuring expected credit loss under IFRS 9.

For impairment on other receivables and deposits, it is measured as either 12-months expected credit losses or lifetime expected credit loss, depending on whether there has been significant increase in credit risk since initial recognition. Other financial assets that are not credit-impaired on initial recognition are classified in 'Stage 1' and the expected credit losses are measured as 12-month expected credit losses. If a significant increase in credit risk of other financial asset has occurred since initial recognition, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit losses are measured as lifetime expected credit loss. If any financial asset is credit-impaired, it is then moved to 'Stage 3' and the expected credit loss is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on these financial assets based on historical settlement records and past experience. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the recoverability of an amount due from an independent third party, amounted to RMB2,400,000 was uncertain and full impairment provision was made. The managements believed that there was no material credit risk in the remaining balances of other receivables and deposits and the expected credit loss is close to zero.

On that basis, movements on the Group's credit loss allowance for other receivables are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss allowance					
At beginning of the year/period	2,878	2,603	2,603	2,603	2,400
Increase in loss allowance recognised in the consolidated statements of profit or loss	2,603	–	–	–	97
Written off as uncollectible	(2,878)	–	(203)	(103)	–
At end of the year/period	2,603	2,603	2,400	2,500	2,497

Other receivables and deposits are written off when there is no reasonable expectation of recovery.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

Cash flow forecasting is performed by the finance department of the Group. The finance department of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs as well as the liabilities to other parties.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The financial liabilities at fair value through profit or loss are managed on a fair value basis rather than by maturing dates and not included in the following table.

Details of convertible redeemable preferred shares at fair value through profit or loss are presented in Note 32.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020					
Trade payables	3,173	–	–	–	3,173
Other payables and accruals (excluding non-financial liabilities)	1,732	280	–	–	2,012
Borrowings	15,407	15,435	–	–	30,842
Lease liabilities	3,333	3,054	–	–	6,387
Derivative financial instruments	378	–	–	–	378
	24,023	18,769	–	–	42,792

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at December 31, 2021					
Trade payables	10,573	–	–	–	10,573
Other payables and accruals (excluding non-financial liabilities)	47,000	280	–	–	47,280
Borrowings	23,453	11,217	–	–	34,670
Lease liabilities	21,362	16,053	31,192	50,556	119,163
Derivative financial instruments	811	–	–	–	811
	103,199	27,550	31,192	50,556	212,497
As at December 31, 2022					
Trade payables	13,979	–	–	–	13,979
Other payables and accruals (excluding non-financial liabilities)	30,415	8,638	–	–	39,053
Borrowings	36,848	–	–	–	36,848
Lease liabilities	27,697	11,326	30,364	40,221	109,608
Derivative financial instruments	2,531	–	–	–	2,531
	111,470	19,964	30,364	40,221	202,019
As at June 30, 2023					
Trade payables	5,841	–	–	–	5,841
Other payables and accruals (excluding non-financial liabilities)	24,805	8,951	–	–	33,756
Borrowings	34,716	–	–	–	34,716
Lease liabilities	54,257	44,186	134,128	66,184	298,755
Derivative financial instruments	1,261	–	–	–	1,261
	120,880	53,137	134,128	66,184	374,329

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners of the Group and to maintain an optimal capital structure to enhance owners' value in the long term.

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term. The Group monitors capital (including share capital, share premium and preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As part of this review, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the directors of the Company consider that the capital risk of the Group is minimal as the Group's capital structure is mainly financed by ordinary and preferred shares with net cash during the Track Record Period.

3.3 Fair value estimation

The Group's financial instruments carried at fair value at each balance sheet date are measured by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at December 31, 2020, 2021 and 2022 and June 30, 2023:

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
At December 31, 2020				
Financial assets				
Financial assets at fair value through profit or loss – Investment in the unlisted entities	–	–	63,065	63,065
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Other financial liabilities	–	–	190,679	190,679
– Derivative financial instruments	–	378	–	378
– Convertible redeemable preferred shares	–	–	3,308,549	3,308,549
	–	378	3,499,228	3,499,606
At December 31, 2021				
Financial assets				
Financial assets at fair value through profit or loss – Investment in the unlisted entities	–	–	170,258	170,258
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	811	–	811
– Convertible redeemable preferred shares	–	–	7,701,279	7,701,279
	–	811	7,701,279	7,702,090

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
At December 31, 2022				
Financial assets				
Financial assets at fair value through profit or loss				
– Investment in the unlisted entities	–	–	211,465	211,465
– Investment in a listed entity	69,814	–	–	69,814
– Wealth management products	–	–	356,361	356,361
– Investment in a convertible debt	–	–	3,250	3,250
	69,814	–	571,076	640,890
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	2,531	–	2,531
– Convertible redeemable preferred shares	–	–	9,320,782	9,320,782
	–	2,531	9,320,782	9,323,313
At June 30, 2023				
Financial assets				
Financial assets at fair value through profit or loss				
– Investment in the unlisted entities	–	–	187,123	187,123
– Wealth management products	–	–	270,397	270,397
– Investment in a listed entity	58,975	–	–	58,975
– Investment in a convertible debt	–	–	3,250	3,250
	58,975	–	460,770	519,745
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	1,261	–	1,261
– Convertible redeemable preferred shares	–	–	9,948,578	9,948,578
	–	1,261	9,948,578	9,949,839

Details of convertible redeemable preferred shares and other financial liabilities are disclosed in Note 32.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the Track Record Period.

(a) Financial instruments in Level 1 and Level 2

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprised investments in listed instruments classified as financial assets at FVTPL.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprised derivative financial instruments.

(b) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments,
- discounted cash flow analysis, and
- observable and unobservable inputs, including discount rate, risk-free interest rate, discount for lack of marketability ("DLOM"), and expected volatility, etc.

Level 3 instruments of the Group's assets and liabilities include investments in unlisted entities, wealth management products, convertible debt, other financial liabilities and convertible redeemable preferred shares at fair value through profit or loss.

The following table presents the changes in level 3 items including investments in unlisted companies, investments in wealth management products and investment in convertible debt at fair value through profit or loss for the Track Record Period:

	Investments in unlisted companies at fair value through profit or loss *RMB'000*	**Investments in wealth management products at fair value through profit or loss** *RMB'000*	**Investment in convertible debt at fair value through profit or loss** *RMB'000*
At January 1, 2020	67,607	–	–
Additions	3,289	–	–
Change in fair value through profit or loss	(3,907)	–	–
Currency translation differences	(3,924)	–	–
At December 31, 2020	63,065	–	–

	Investments in unlisted companies at fair value through profit or loss *RMB'000*	**Investments in wealth management products at fair value through profit or loss** *RMB'000*	**Investment in convertible debt at fair value through profit or loss** *RMB'000*
At December 31, 2020 and January 1, 2021	63,065	–	–
Additions	99,289	–	–
Change in fair value through profit or loss	10,360	–	–
Currency translation differences	(2,456)	–	–
At December 31, 2021 and January 1, 2022	170,258	–	–
Additions	31,645	2,273,473	3,250
Disposals	–	(1,911,754)	–
Change in fair value through profit or loss	(5,166)	(5,389)	–
Currency translation differences	14,728	31	–
At December 31, 2022 and January 1, 2023	211,465	356,361	3,250
Additions	3,000	1,734,062	–
Disposals	–	(1,823,938)	–
Change in fair value through profit or loss	(34,501)	3,902	–
Currency translation differences	7,159	10	–
At June 30, 2023	187,123	270,397	3,250

Description	Fair value at As at December 31, 2020	Fair value at As at December 31, 2021	Fair value at As at December 31, 2022	Fair value at As at June 30, 2023	Unobservable inputs	Range of inputs As at December 31, 2020	Range of inputs As at December 31, 2021	Range of inputs As at December 31, 2022	Range of inputs As at June 30, 2023	Relationship of unobservable inputs to fair value
Unlisted preferred shares	–	18,902	31,095	32,261	Risk-free rate and expected volatility	N/A	Risk-free rate: 1.45% Expected volatility: 75%	Risk-free rate: 1.45% Expected volatility: 75%	Risk-free rate: 1.45% Expected volatility: 75%	The higher the risk-free rate, the lower the fair value. The higher the expected volatility, the lower the fair value.
Unlisted preferred shares	–	18,398	19,935	20,682	Risk-free rate and expected volatility	N/A	Risk-free rate: 2.49% Expected volatility: 67%	Risk-free rate: 2.49% Expected volatility: 67%	Risk-free rate: 2.49% Expected volatility: 67%	The higher the risk-free rate, the lower the fair value. The higher the expected volatility, the lower the fair value.
Unlisted preferred shares	3,232	12,343	6,698	–	Risk-free rate and expected volatility	Risk-free rate: 0.41% Expected volatility: 58%	Risk-free rate: 1.22% Expected volatility: 69%	Risk-free rate: 1.59% Expected volatility: 67%	Risk-free rate: 1.59% Expected volatility: 67%	The higher the risk-free rate, the lower the fair value. The higher the expected volatility, the lower the fair value.
Unlisted preferred shares	59,833	120,615	153,737	134,180	Latest transaction price	N/A	N/A	N/A	N/A	The higher the recent transaction price, the higher the fair value.
Convertible bonds	–	–	3,250	3,250	Latest transaction price	N/A	N/A	N/A	N/A	The higher the recent transaction price, the higher the fair value.
Wealth management products	–	–	356,361	270,397	Expected rate of return	N/A	N/A	1.30%-3.05%	1.30%-3.05%	The higher the expected rate of return, the higher the fair value.

Key assumptions used in the valuation of the fair value of investments in unlisted entities include risk-free interest rate and expected volatility. Changes in fair value of investments in unlisted entities were recorded in "Other (losses)/gains, net".

The Group performed sensitivity test on risk-free interest rate and volatility, if the risk-free interest rate had increased/decreased by 10% with all other variables held constant, the estimated fair value for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 would have been approximately RMB6,000 lower/higher, RMB73,000 lower/higher, RMB135,000 lower/higher, RMB131,000 lower/higher and RMB140,000 lower/higher, respectively.

If the volatility had increased/decreased by 10% with all other variables held constant, the estimated fair value for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 would have been approximately RMB324,000 lower/higher, RMB1,456,000 lower/higher, RMB1,771,000 lower/higher, RMB1,708,000 lower/higher and RMB1,836,000 lower/higher, respectively.

Investments in wealth management products are measured at fair value through profit or loss. If the fair value had increased/decreased by 10%, the loss before income tax for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 would have been approximately nil, nil, RMB35,636,000 lower/higher, RMB46,406,000 lower/higher and RMB27,040,000 lower/higher, respectively.

Details of the movements and significant observable inputs used in convertible redeemable preferred shares and other financial liabilities are set out in Note 32.

(c) Financial instruments at amortised cost

The carrying amounts of the Group's other financial assets measured at amortised costs, including term deposits, cash and cash equivalents, restricted cash, trade receivables, other receivables and deposits and the Group's financial liabilities, including trade payables, other payables and accruals, approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgments is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Impairment assessment of non-financial assets

Non-financial assets, mainly including property, plant and equipment, right-of-use assets, intangible assets and investments accounted for using equity method, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to disposal. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statements of profit or loss.

(b) Fair value measurement of financial assets and liabilities at fair value through profit or loss

As disclosed in Note 2.2.6, Note 2.2.7, Note 2.2.11, the Group recognised the financial assets and liabilities at fair value at recognition date as well as at each subsequent recording date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial instruments.

(c) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Deferred tax liabilities relating to temporary differences between the carrying amount and tax bases of investments in foreign operations are not recognised where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets/liabilities and taxation charges in the period in which such estimate is changed.

(d) Share-based compensation arrangements

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is estimated using a model which requires the determination of the appropriate inputs. In addition, the Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the options in order to determine the amount of share-based compensation expenses charged to the consolidated statement of profit or loss. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 35.

The Group estimate the expected forfeiture rate at the end of vesting periods ("Forfeiture Rate") of the share options granted in order to determine the amount of share-based payment expenses charged to profit or loss. The Forfeiture Rate of the share options of the Group to grantees were assessed to be ranging from 1.7% to 12.5% during the Track Record Period.

(e) Contractual arrangements

As disclosed in Note 1, the Group exercises control over certain Structured Entities and has the right to recognise and receive substantially all the economic benefits from them through the Contractual Arrangements. The Directors consider that the Group controls these Structured Entities notwithstanding that it does not have direct or indirect legal ownership in equity of these entities as the Group has power over the financial and operating policies of these entities and receives substantially all the economic interest returns generated from the business activities of these entities through these Contractual Arrangements. Accordingly, all these Structured Entities are accounted for as controlled structured entities and their financial statements have also been consolidated by the Company throughout the period before July 12, 2021.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Structured entities. Uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Structured entities. Significant judgment is involved in determining whether the Group is able to control these entities through these Contractual Arrangements. The Directors of the Company, after taking into account of the advice from its external legal advisors, consider that the Contractual Arrangements entered into by the Group are in compliance with the relevant PRC laws and regulations and are therefore legally binding and enforceable.

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue disaggregated by revenue source as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Drug discovery solutions	12,666	39,346	87,666	26,415	36,096
Intelligent automation solutions	22,970	23,453	45,687	16,500	43,871
	35,636	62,799	133,353	42,915	79,967
Timing of revenue recognition:					
A point in time	35,636	62,799	116,906	39,511	61,892
Over time	–	–	16,447	3,404	18,075
	35,636	62,799	133,353	42,915	79,967

Revenue disaggregated by geography, based on the billing address of the customers is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PRC	3,176	45,769	101,404	30,013	53,166
United States	30,775	13,525	25,817	12,032	21,416
Other regions	1,685	3,505	6,132	870	5,385
	35,636	62,799	133,353	42,915	79,967

Revenue from external customers contributing over 10% to the total revenue of the Group during the Track Record Periods is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Customer A	N/A*	N/A*	33,019	N/A*	N/A*
Customer B	N/A*	15,094	N/A*	N/A*	N/A*
Customer C	N/A*	12,696	N/A*	N/A*	N/A*
Customer D	15,928	N/A*	N/A*	5,813	14,536
Customer E	8,974	N/A*	N/A*	N/A*	N/A*
Customer F	N/A*	N/A*	N/A*	9,434	N/A*
Customer G	N/A*	N/A*	N/A*	4,590	N/A*
Customer H	N/A*	N/A*	N/A*	4,717	N/A*

* Less than 10% of the total revenue of the Group in the respective year/period.

(a) Contracts costs recognised from costs to fulfill contracts

The balance represents the costs recognised to fulfill several research and development service contracts. The movement of the balance is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
At beginning of the year/period	802	1,365	17,051	17,051	33,280
Costs incurred to fulfill contracts	1,438	29,309	61,731	28,871	49,922
Amortisation as contract fulfillment costs	(875)	(13,623)	(45,502)	(19,302)	(38,148)
At end of the year/period	1,365	17,051	33,280	26,620	45,054

(b) Contract liabilities related to contracts with customers

Contract liabilities have increased due to the negotiation of larger prepayments and an increase in numbers of contract signed.

During the Track Record Period, revenue recognised in relation to contract liabilities that was included in the contract liabilities at the beginning of the year/period is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue recognised that was included in the contract liabilities at the beginning of the year/period	637	4,838	9,871	1,639	10,016

The unsatisfied performance obligations arising from the contract with customers, mainly fixed-price contracts, is as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4,838	9,871	15,519	35,835

6 EXPENSE BY NATURE

Expenses included in research and development expenses, general and administrative expenses, contract fulfillment costs and selling and marketing expenses are analysed as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Employee benefit expenses *(Note 12)*	102,443	224,213	420,575	193,241	275,993
Network and cloud service expenses	19,467	33,808	38,708	17,326	21,715
Short-term rental and utilities	2,902	7,180	5,379	3,114	7,242
Office expense	3,822	13,098	13,596	4,560	4,774
Sample material costs	1,797	14,493	51,948	17,206	26,179
Professional service fees	12,656	66,126	34,433	10,467	16,948
Auditor's remuneration	278	5,823	4,306	2,147	–
Depreciation of property, plant and equipment *(Note 15)*	3,144	12,396	47,974	19,978	32,674
Depreciation of right-of-use assets *(Note 16)*	6,578	9,657	17,365	8,596	12,458
Property management fees	2,249	7,227	15,271	6,020	9,804
Amortisation of intangible assets *(Note 17)*	1,045	1,080	3,706	1,544	2,711
Others	5,120	11,964	17,785	4,989	12,982
	161,501	407,065	671,046	289,188	423,480

7 OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government grants	5,807	8,625	21,367	8,452	7,736

The Group received certain financial subsidies from local government authorities with certain specified conditions.

8 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net foreign exchange gains/(losses)	698	9,426	5,911	6,308	(55,889)
Gains/(losses) on derivative financial instruments	704	19,026	(5,159)	(13,540)	376
Net fair value changes on financial assets measured at FVTPL *(Note 20)*	(3,907)	10,360	(9,623)	(1,278)	(43,576)
Others	(930)	(1,930)	757	374	(20)
	(3,435)	36,882	(8,114)	(8,136)	(99,109)

9 FINANCE INCOME, NET

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance income					
– Interest income from bank deposits	5,772	14,055	50,478	5,323	50,716
Finance expenses					
– Interest expenses on lease liabilities	(186)	(1,885)	(4,347)	(2,137)	(3,191)
– Interest expenses on bank borrowings	(561)	(1,690)	(1,399)	(806)	(655)
	(747)	(3,575)	(5,746)	(2,943)	(3,846)
Finance income, net	5,025	10,480	44,732	2,380	46,870

10 INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax	–	–	–	–	–
Deferred income tax	–	–	–	–	–
	–	–	–	–	–

(a) Income tax expense

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

The Company and subsidiaries were incorporated in the Cayman Islands as exempted companies with limited liability under the Companies Law of the Cayman Islands and are not subject to the Cayman Islands income tax pursuant to the current laws of the Cayman Islands.

Hong Kong

The subsidiaries in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5% during the Track Record Periods.

United States

The subsidiaries in the United States are subject to Federal Tax at a rate of 21% and State Tax at a rate of 8.00% during the Track Record Period.

PRC

The Group's subsidiaries established in the PRC are generally subject to Corporate Income Tax ("CIT") at a rate of 25% on the estimated assessable profit in accordance with relevant PRC income tax laws, subject to preferential tax treatments available to certain qualified enterprises during the Track Record Periods.

Shenzhen Jingtai and Beijing Jingtai were approved as "High and New Technology Enterprise" and entitled to a preferential income tax rate of 15% during the Track Record Period. Certain subsidiaries of the Group in the PRC have been granted certain tax concessions for small scale entities by tax authorities in the PRC and enjoy reduced tax rates.

The reconciliation between the Group's income tax expenses and the amount which is calculated based on the statutory income tax rate of 25% in the PRC is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss before income tax	(734,358)	(2,137,332)	(1,438,617)	(343,571)	(620,297)
Tax calculated at tax rate of 25%	(183,590)	(534,333)	(359,654)	(85,893)	(155,074)
Effect of different tax rates applicable to different companies within the Group	155,215	466,213	264,433	35,614	24,882
Effect of preferential income tax rate of a subsidiaries	8,921	20,465	18,643	9,906	34,823
Super deduction for research and development expenses	(7,701)	(18,314)	(40,184)	(17,721)	(29,636)
Income not subject to tax	(3,596)	(6,188)	(6,786)	(611)	(1,659)
Items not deductible for tax purposes	1,033	4,359	17,995	7,784	1,345
Temporary differences for which no deferred assets were recognised	5,602	1,144	2,275	723	1,646
Tax losses for which no deferred tax assets was recognised	24,116	66,654	105,982	50,959	123,673
Utilization of tax losses	–	–	(2,704)	(761)	–
	–	–	–	–	–

The Group only recognises deferred tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilise those tax losses. Management will continue to assess the recognition of deferred tax assets in future reporting periods.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to RMB395,367,000, RMB789,189,000, RMB1,345,414,000 and RMB2,033,509,000 respectively. These unrecognised tax losses will mainly expire within 5 to 10 years. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the potential deferred tax assets in respect of the above unrecognised tax losses amounted to RMB70,223,000, RMB136,877,000, RMB240,152,000 and RMB370,090,000, respectively.

11 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the years ended December 31, 2020, 2021 and 2022 and six months ended 2022 and 2023 are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective year/period.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Loss attributable to equity holders of the Company (RMB'000)	734,108	2,137,288	1,438,507	343,531	613,006
Weighted average number of ordinary shares in issue (thousand shares)	480,783	482,272	483,979	483,979	483,979
Basic loss per share (expressed in RMB per share)	(1.53)	(4.43)	(2.97)	(0.71)	(1.27)

(b) Diluted loss per share

During the Track Record Period, the Company's dilutive potential ordinary shares included CRPS and other financial liabilities (Note 32) and share options (Note 35).

Diluted loss per share presented is the same as the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive.

12 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonuses	84,042	163,075	303,454	144,613	198,653
Pensions costs and housing benefits	9,297	26,356	59,948	25,955	40,547
Share-based compensation expenses *(Note 35)*	4,591	22,482	43,384	19,646	31,611
Other employee benefits	5,131	19,290	21,152	8,254	14,230
	103,061	231,203	427,938	198,468	285,041
Less: employee benefit expenses capitalised as cost to fulfill revenue contracts	(618)	(6,990)	(7,363)	(5,227)	(9,045)
	102,443	224,213	420,575	193,241	275,996

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Charged to:					
Research and development expenses	54,123	112,563	209,706	100,424	140,799
General and administrative expenses	31,520	73,635	132,990	60,289	75,432
Contract fulfillment costs	5,253	18,206	47,856	17,248	38,517
Selling and marketing expenses	11,547	19,809	30,023	15,280	21,245
	102,443	224,213	420,575	193,241	275,993

Pensions costs, housing benefits and other employee benefits

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes certain percentage of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group also contributes certain percentage of such relevant income, subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

Due to the impact of COVID-19 in 2020, a number of policies including the relief of social insurance have been promulgated by the PRC government since February 2020 to expedite resumption of economic activities, which resulted in the decrease of certain contributions to defined contribution scheme during the year ended December 31, 2020.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 including four directors, two directors, three directors, three directors and three directors, respectively whose emoluments are reflected in the analysis shown in Note 13. The emoluments paid and payables to the remaining individuals during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonuses	1,364	6,331	7,123	3,608	3,137
Pensions costs and housing benefits	38	195	237	114	16
Share-based compensation expenses	–	2,304	6,151	2,570	2,178
	1,402	8,830	13,511	6,292	5,331

The remunerations of the highest paid non-director individuals during the Track Record Period fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Emolument band (in HK$)					
HKD1,500,001 to HKD2,000,000	1	–	–	–	1
HKD2,000,001 to HKD2,500,000	–	–	–	1	–
HKD3,500,001 to HKD4,000,000	–	1	–	–	–
HKD4,000,001 to HKD4,500,000	–	–	–	1	1
HKD5,000,001 to HKD5,500,000	–	–	1	–	–
HKD6,000,001 to HKD6,500,000	–	1	–	–	
HKD10,000,001 to HKD10,500,000	–	–	1	–	–
	1	2	2	2	2

During the Track Record Period, no emoluments have been paid to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13 DIRECTORS' EMOLUMENTS

The emoluments of each director during the Track Record Period are as follows:

	Director's fee	Salaries	Discretionary bonuses	Pension costs – defined contribution plans	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2020						
Directors						
Mr. WEN Shuhao *(Note (i))*	–	2,398	550	282	–	3,230
Mr. MA Jian *(Note (ii))*	–	1,216	420	38	–	1,674
Mr. LAI Lipeng	–	1,350	420	38	–	1,808
Mr. JIANG Yide Alan	–	1,547	486	220	–	2,253
Mr. CHEN Joseph *(Note (iii))*	–	–	–	–	–	–
Mr. MU Yifei *(Note (iv))*	–	–	–	–	–	–
Ms. GU Cuiping	–	–	–	–	–	–
Mr. HUANG Xiaolu	–	–	–	–	–	–
Mr. XIAO Hongda *(Note (v))*	–	–	–	–	–	–
Mr. LIU Qin *(Note (vi))*	–	–	–	–	–	–
Ms. XU Juan *(Note (vi))*	–	–	–	–	–	–
Ms. SHU Wanting *(Note (vi))*	–	–	–	–	–	–
	–	6,511	1,876	578	–	8,965

	Director's fee	Salaries	Discretionary bonuses	Pension costs – defined contribution plans	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2021						
Directors						
Mr. WEN Shuhao *(Note (i))*	–	2,791	1,311	115	7,063	11,280
Mr. MA Jian *(Note (ii))*	–	1,793	694	88	5,262	7,837
Mr. LAI Lipeng	–	1,775	694	88	3,759	6,316
Mr. JIANG Yide Alan	–	1,613	500	374	8	2,495
Ms. GU Cuiping	–	–	–	–	–	–
Mr. HUANG Xiaolu	–	–	–	–	–	–
Mr. XIAO Hongda	–	–	–	–	–	–
Mr. LIU Qin	–	–	–	–	–	–
Ms. XU Juan *(Note (vii))*	–	–	–	–	–	–
Ms. SHU Wanting	–	–	–	–	–	–
	–	7,972	3,199	665	16,092	27,928

The emoluments of each director during the Track Record Period are as follows:

	Director's fee	Salaries	Discretionary bonuses	Pension costs – defined contribution plans	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2022						
Directors						
Mr. WEN Shuhao *(Note (i))*	–	3,044	989	123	12,612	16,768
Mr. MA Jian *(Note (ii))*	–	2,518	989	123	9,396	13,026
Mr. LAI lipeng	–	2,686	889	120	6,713	10,408
Mr. JIANG Yide Alan	–	1,854	433	425	8	2,720
Mr. HUANG Xiaolu *(Note (viii))*	–	1,416	758	64	–	2,238
Ms. GU Cuiping	–	–	–	–	–	–
Mr. XIAO Hongda *(Note (ix))*	–	–	–	–	–	–
Mr. LIU Qin	–	–	–	–	–	–
Ms. SHU Wanting	–	–	–	–	–	–
Mr. HAO Rui *(Note (x))*	–	–	–	–	–	–
Mr. LIU Yang *(Note (xi)(xiii))*	–	817	239	50	70	1,176
Mr. LU Hai *(Note (xii))*	–	–	–	–	–	–
	–	12,335	4,297	905	28,799	46,336
(Unaudited)						
Six months ended June 30, 2022						
Directors						
Mr. WEN Shuhao *(Note (i))*	–	1,387	196	59	5,997	7,639
Mr. MA Jian *(Note (ii))*	–	1,113	196	51	4,468	5,828
Mr. LAI Lipeng	–	1,385	177	58	3,192	4,812
Mr. JIANG Yide Alan	–	1,034	38	213	4	1,289
Mr. HUANG Xiaolu	–	476	201	21	–	698
Ms. GU Cuiping	–	–	–	–	–	–
Mr. XIAO Hongda *(Note (ix))*	–	–	–	–	–	–
Mr. LIU Qin	–	–	–	–	–	–
Ms. SHU Wanting	–	–	–	–	–	–
Mr. HAO Rui *(Note (x))*	–	–	–	–	–	–
Mr. LIU Yang *(Note (xi))*	–	302	48	18	26	394
	–	5,697	856	420	13,687	20,660

The emoluments of each director during the Track Record Period are as follows:

	Director's fee	Salaries	Discretionary bonuses	Pension costs – defined contribution plans	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2023						
Directors						
Mr. WEN Shuhao *(Note (i))*	–	1,479	250	64	7,062	8,855
Mr. MA Jian *(Note (ii))*	–	1,205	250	56	5,261	6,772
Mr. LAI Lipeng	–	1,475	250	63	3,759	5,547
Mr. JIANG Yide Alan	–	923	138	94	4	1,159
Ms. GU Cuiping	–	–	–	–	–	–
Mr. LIU Qin	–	–	–	–	–	
Ms. SHU Wanting	–	–	–	–	–	–
Mr. HAO Rui	–	–	–	–	–	–
Mr. LU Hai	–	–	–	–	–	–
	–	5,082	888	277	16,086	22,333

Notes:

(i) Chairman of the Board.

(ii) Chief Executive Officer of the Group.

(iii) Resigned since September 2020.

(iv) Resigned since May 2020.

(v) Appointed as director since May 2020.

(vi) Appointed as director since September 2020.

(vii) Resigned since July 2021.

(viii) Resigned since April 2022.

(ix) Resigned since March 2022.

(x) Appointed as director since March 2022.

(xi) Appointed as director since April 2022.

(xii) Appointed as director since October 2022.

(xiii) Resigned since October 2022.

There was no remuneration for loss of office received by the directors during the Track Record Period.

There was no arrangement under which a director has waived or agreed to waive any remuneration during the Track Record Period.

There were no remunerations paid to or receivable by directors in respect of accepting office as Directors during the Track Record Period.

Directors' retirement and termination benefits

None of the directors received or will receive any retirement and termination benefits during the Track Record Period.

Consideration provided to third parties for making available directors' services

During the Track Record Period, no consideration was provided to or receivable by any third parties for making available directors' services.

Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 39(c), no other loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled bodies corporate by and connected entities with such directors subsisted at the end of each of the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 or at any time during the Track Record Period.

Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 or at any time during the Track Record Period.

14 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023.

15 PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment *RMB'000*	Leasehold improvements *RMB'000*	Lab equipment *RMB'000*	Construction In Progress *RMB'000*	Total *RMB'000*
At January 1, 2020					
Cost	2,899	2,919	5,667	71	11,556
Accumulated depreciation	(907)	(1,122)	(1,833)	–	(3,862)
Net book amount	1,992	1,797	3,834	71	7,694
Year ended December 31, 2020					
Opening net book amount	1,992	1,797	3,834	71	7,694
Additions	817	–	3,134	1,051	5,002
Disposals	(1)	–	–	–	(1)
Transfer	–	–	117	(117)	–
Depreciation charge *(Note 6)*	(824)	(751)	(1,569)	–	(3,144)
Currency translation adjustment	(13)	–	–	–	(13)
Closing net book amount	1,971	1,046	5,516	1,005	9,538
At December 31, 2020					
Cost	3,699	2,919	8,918	1,005	16,541
Accumulated depreciation	(1,728)	(1,873)	(3,402)	–	(7,003)
Net book amount	1,971	1,046	5,516	1,005	9,538

	Computer and office equipment *RMB'000*	Leasehold improvements *RMB'000*	Lab equipment *RMB'000*	Construction In Progress *RMB'000*	Total *RMB'000*
Year ended December 31, 2021					
Opening net book amount	1,971	1,046	5,516	1,005	9,538
Additions	6,681	2,375	54,877	118,734	182,667
Disposals	(487)	–	(2,413)	–	(2,900)
Transfer	–	64,308	3,254	(67,562)	–
Depreciation charge *(Note 6)*	(1,391)	(7,288)	(3,717)	–	(12,396)
Currency translation adjustment	20	–	–	–	20
Closing net book amount	6,794	60,441	57,517	52,177	176,929
At December 31, 2021					
Cost	9,596	69,602	63,639	52,177	195,014
Accumulated depreciation	(2,802)	(9,161)	(6,122)	–	(18,085)
Net book amount	6,794	60,441	57,517	52,177	176,929
Year ended December 31, 2022					
Opening net book amount	6,794	60,441	57,517	52,177	176,929
Additions	2,159	1,608	25,094	161,187	190,048
Disposals	(538)	–	(836)	–	(1,374)
Transfer	4,496	6,328	81,656	(92,480)	–
Depreciation charge *(Note 6)*	(3,335)	(25,382)	(19,257)	–	(47,974)
Currency translation adjustment	11	–	–	–	11
Closing net book amount	9,587	42,995	144,174	120,884	317,640
At December 31, 2022					
Cost	15,010	77,538	167,549	120,884	380,981
Accumulated depreciation	(5,423)	(34,543)	(23,375)	–	(63,341)
Net book amount	9,587	42,995	144,174	120,884	317,640
Six months ended June 30, 2023					
Opening net book amount	9,587	42,995	144,174	120,884	317,640
Additions	209	215	5,091	30,225	35,740
Transfer	3,333	–	43,275	(46,608)	–
Disposals	(17)	–	(24)	–	(41)
Depreciation charge *(Note 6)*	(2,191)	(13,609)	(16,874)	–	(32,674)
Currency translation adjustment	8	–	–	–	8
Closing net book amount	10,929	29,601	175,642	104,501	320,673
At June 30, 2023					
Cost	18,403	77,753	215,413	104,501	416,070
Accumulated depreciation	(7,474)	(48,152)	(39,771)	–	(95,397)
Net book amount	10,929	29,601	175,642	104,501	320,673

	Computer and office equipment *RMB'000*	Leasehold improvements *RMB'000*	Lab equipment *RMB'000*	Construction In Progress *RMB'000*	Total *RMB'000*
(Unaudited)					
Six months ended June 30, 2022					
Opening net book amount	6,794	60,441	57,517	52,177	176,929
Additions	1,453	1,805	20,400	65,387	89,045
Transfer	1,334	–	32,374	(33,708)	–
Disposals	(349)	–	(76)	–	(425)
Depreciation charge *(Note 6)*	(1,437)	(11,771)	(6,770)	–	(19,978)
Currency translation adjustment	5	–	–	–	5
Closing net book amount	7,800	50,475	103,445	83,856	245,576
At June 30, 2022					
Cost	11,503	71,407	114,865	83,856	281,631
Accumulated depreciation	(3,703)	(20,932)	(11,420)	–	(36,055)
Net book amount	7,800	50,475	103,445	83,856	245,576

During the Track Record Period, depreciation of property, plant and equipment has been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,			Six months ended June 30,	
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2022 *RMB'000* (Unaudited)	2023 *RMB'000*
Research and development expenses	1,814	7,965	37,320	14,366	29,985
General and administrative expenses	1,322	4,388	10,173	5,337	2,402
Selling and marketing expenses	8	43	481	275	287
	3,144	12,396	47,974	19,978	32,674

16 LEASES

Right-of-use assets of the Group represent the leased offices and labs buildings:

	As at December 31,			As at June 30,
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Right-of-use assets				
Offices and Lab buildings	6,142	93,636	77,989	245,838
Lease liabilities				
Current	3,136	17,297	24,248	43,553
Non-current	2,994	81,669	69,206	215,970
	6,130	98,966	93,454	259,523

During the Track Record Period, depreciation of right-of-use assets has been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Research and development expenses	5,412	5,276	12,448	6,060	6,238
General and administrative expenses	1,103	4,161	4,437	2,291	5,996
Selling and marketing expenses	63	220	480	245	224
	6,578	9,657	17,365	8,596	12,458

The Group obtains rights to control the use of offices and labs building for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 3 to 10 years.

The total cash outflow for leases was RMB8,014,000, RMB13,744,000, RMB14,893,000, RMB7,039,000, RMB23,837,000 for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, respectively.

17 INTANGIBLE ASSETS

The Group's intangible assets represent the system software licenses purchased:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
At beginning of the year					
Cost	3,014	4,525	7,609	7,609	12,918
Accumulated amortisation	(378)	(1,412)	(2,491)	(2,491)	(6,234)
	2,636	3,113	5,118	5,118	6,684
Year ended December 31,					
Opening net book amount	2,636	3,113	5,118	5,118	6,684
Additions	1,549	3,100	5,314	3,316	5,860
Disposal	(24)	–	(120)	(21)	–
Amortisation charge *(Note 6)*	(1,045)	(1,080)	(3,706)	(1,544)	(2,711)
Exchange differences	(3)	(15)	78	48	23
Closing net book amount	3,113	5,118	6,684	6,917	9,856
At end of the year					
Cost	4,525	7,609	12,918	10,998	18,883
Accumulated amortisation	(1,412)	(2,491)	(6,234)	(4,081)	(9,027)
	3,113	5,118	6,684	6,917	9,856

During the Track Record Period, amortisation of intangible assets has been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Research and development expenses	844	738	3,018	1,220	2,207
General and administrative expenses	185	70	461	198	462
Selling and marketing expenses	16	272	227	126	42
	1,045	1,080	3,706	1,544	2,711

18 SUBSIDIARIES

The Group's principal subsidiaries (including structured entities) during the Track Record Period are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interest held equals the voting rights held by the Group. The place of incorporation or registration is also their principal place of business.

Name of entity	Date of incorporation	Place of incorporation	Principal activities	Particulars of issued/ Registered/ paid-in capital	Effective interest held				Note
					As of December 31,			As of June 30,	
					2020	2021	2022	2023	
Directly held:									
XtalPi Inc.	February 29, 2016	United States	Provision of pharmaceutical solid-state R&D, drug discovery service and other services	US$1	100%	100%	100%	100%	*(i)*
QuantumPharm Limited	May 19, 2017	Hong Kong	Investment holdings	US$1,289	100%	100%	100%	100%	*(ii)*
XtalPi Investment Inc.	December 30, 2021	Cayman Islands	Investment holdings	US$10,000,000	N/A	100%	87.69%	87.69%	*(i)*
XTALPI PTE. LTD	January 12, 2023	Singapore	Dormant	Singapore Dollar ("SGD") 4,000,000	N/A	N/A	N/A	100%	*(i)*
Indirectly held:									
Shenzhen Jingtai Technology Co., Ltd.	September 11, 2015	PRC	Provision of pharmaceutical solid-state R&D, drug discovery service and other services	US$200,000,000	100%	100%	100%	100%	*(iii), (iv)*
Beijing JingTai Technology Co., Ltd.	March 14, 2016	PRC	Provision of drug discovery service and other services	RMB200,000,000	100%	100%	100%	100%	*(v), (vi)*
Shenzhen Zhiyao Technology Co., Ltd.	July 5, 2017	PRC	Investment holdings	US$25,000,000	100%	100%	100%	100%	*(vii)*

Name of entity	Date of incorporation	Place of incorporation	Principal activities	Particulars of issued/ Registered/ paid-in capital	Effective interest held					Note
					As of December 31,				As of June 30,	
					2020	2021	2022	2023	2023	
Shanghai Zhiyao Technology Co., Ltd.	December 2, 2019	PRC	Provision of pharmaceutical solid-state R&D, drug discovery service and other services	RMB300,000,000	100%	100%	100%	100%		*(viii)*
XtalPi Investment Limited	January 4, 2022	Hong Kong	Investment holdings	–	N/A	N/A	87.69%	87.69%		*(ii)*
NeoGeode Inc.	March 10, 2023	Cayman Islands	Developing tumour immunotherapy drugs for multiple cancer types	US$1,800,000	N/A	N/A	N/A	57%		*(i)*

Notes:

(i) No audited financial statements were issued for these subsidiaries as it is not required to issue audited financial statements under the local statutory requirements of their respective places of incorporation.

(ii) The statutory financial statements for the years ended December 31, 2020 and 2021, were audited by WOS CPA Limited.

(iii) The financial statements for the year ended December 31, 2020 was audited by Shenzhen Huaqi Certified Public Accountants (General Partnership) and the financial statements for the years ended December 31, 2021 and 2022 were audited by Shenzhen Mingshen Certified Public Accountants (General Partnership).

(iv) Prior to July 12, 2021, the Company did not have direct or indirect legal ownership in equity of the former structure entity. Nevertheless, under certain Contractual Arrangements entered into with the former structure entity and its registered owners, the Company and its other legally owned subsidiaries had rights to exercise power over the Company, receive variable returns from its involvement in the former structure entity, and had the ability to affect those returns through its power over the former structure entity. As a result, it was presented as structured entity of the Group as at December 31, 2020. On July 12, 2021, a wholly owned subsidiary of the Company acquired the entire interest in the former structure entity from its Nominee Shareholders. This change had no change in economic ownership.

(v) The financial statements for the years ended December 31, 2020 and 2021, were audited by Beijing Dongshen Dingli International Certified Public Accountants Co., Ltd. and the financial statements for the year ended December 31, 2022 were audited by Beijing Dongshen Certified Public Accountants (Special General Partnership).

(vi) Formerly known as Beijing JingPai Technology Co., Ltd.

(vii) The financial statements for the years ended December 31, 2020, 2021 and 2022, were audited by Shenzhen Mingshen Certified Public Accountants (General Partnership).

(viii) The financial statements for the years ended December 31, 2020 and 2022 were audited by Beijing Dongshen Certified Public Accountants (Special General Partnership) and the financial statements for the year ended December 31, 2021 were audited by Daxin Certified Public Accountants (Special General Partnership).

Material non-controlling interests

On August 12, 2022, XtalPi Investment Inc., a subsidiary of the Company, entered into a share purchase agreement with certain individual third parties ("Non-controlling shareholders") for issuance of 10,000,000 Series A Preferred Shares at an aggregate cash consideration of US$10 million (equivalent to approximately RMB68.2 million), which accounted for 12.31% of XtalPi Investment Inc.'s interest. Based on the relevant terms of the share purchase agreement, the preferred shares subscribed by the Non-controlling shareholders are accounted for as equity and this transaction is accounted for as transaction with non-controlling interest with a gain of approximately RMB57.3 million recognized in the equity directly (Note 34).

Set out below is summarised financial information of XtalPi Investment Inc., a subsidiary with non-controlling interest that are considered material to the Group. The amounts disclosed are before inter-company eliminations.

	As at December 31, 2022	As at June 30, 2023
	RMB'000	*RMB'000*
Summarised balance sheets		
Non-current assets	18,706	20,151
Current assets	260,390	257,735
Current liabilities	(194,484)	(194,634)
Net assets	84,612	83,252
Balance of non-controlling interest	10,416	10,248

	Year ended December 31, 2022 *RMB'000*	Six months ended June 30, 2023 *RMB'000*
Summarised statements of profit or loss and comprehensive income		
Loss for the year/period	(2,328)	4,172
Other comprehensive loss	(1,888)	(2,966)
Total comprehensive loss	(4,216)	1,206
Attributable to non-controlling interest	(519)	148
Summarised cash flows		
Cash flows from operating activities	(1,013)	(30)
Cash flows from investing activities	(150,435)	(1,855)
Cash flows from financing activities	157,973	–
Net increase/(decrease) in cash and cash equivalents	6,525	(1,885)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movements of the Group's investments in associates that accounted for using the equity method is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020 *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*	**2022** *RMB'000* *(Unaudited)*	**2023** *RMB'000*
At beginning of the year/period	3,823	4,356	213	213	18,706
Additions	6,084	400	18,733	–	2,000
Share of results	(1,613)	(4,497)	(236)	(119)	(1,013)
Impairment	(3,602)	–	–	–	–
Currency translation differences	(336)	(46)	(4)	(1)	458
At end of the year/period	4,356	213	18,706	93	20,151

As at December 31, 2020, 2021 and 2022 and June 30, 2023, none of the associates of the Group is considered as material.

Individually immaterial associates

	For the year ended December 31,			Six months ended June 30,	
	2020 *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*	**2022** *RMB'000* *(Unaudited)*	**2023** *RMB'000*
Aggregate carrying amount of individually immaterial associates	4,356	213	18,706	93	20,151
Aggregate amounts of the Group's share of:					
Loss from continuing operations	1,613	4,497	236	119	1,013

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Investments in financial assets at fair value through profit or loss included in non-current assets:				
A listed entity	–	–	69,814	58,975
Unlisted entities	63,065	170,258	211,465	187,123
A convertible debt	–	–	3,250	3,250
	63,065	170,258	284,529	249,348
Investments in financial assets at fair value through profit or loss included in current assets:				
Wealth management products	–	–	356,361	270,397
Company				
Investments in financial assets at fair value through profit or loss included in non-current assets:				
A listed entity	–	–	69,814	58,975
Unlisted entities	3,232	31,245	15,322	15,897
	3,232	31,245	85,136	74,872

Movements in the Group's financial assets measured at fair value through profit or loss during the Track Record Period are disclosed in Note 3.3.

21 DEFERRED INCOME TAX

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The deferred tax asset comprises temporary differences attributable to:				
Lease liabilities	921	22,018	18,811	61,087
Set-off of deferred tax liabilities in relation to right-of-use assets	(921)	(22,018)	(18,811)	(61,087)
Net deferred tax assets	–	–	–	–

The movement in deferred tax assets and liabilities in relation to lease liabilities and right-of-use assets are as follows:

	Deferred tax assets *RMB'000*	Deferred tax liabilities *RMB'000*	Total *RMB'000*
At January 1, 2020	1,440	(1,440)	–
(Charged)/credited to profit or loss	(519)	519	–
As at December 31, 2020 and January 1, 2021	921	(921)	–
(Charged)/credited to profit or loss	21,097	(21,097)	–
As at December 31, 2021 and January 1, 2022	22,018	(22,018)	–
(Charged)/credited to profit or loss	(3,207)	3,207	–
As at December 31, 2022 and January 1, 2023	18,811	(18,811)	–
(Charged)/credited to profit or loss	42,276	(42,276)	–
As at June 30, 2023	61,087	(61,087)	–
(Unaudited)			
At January 1, 2022	22,018	(22,018)	–
(Charged)/credited to profit or loss	1,387	(1,387)	–
As at June 30, 2022	23,405	(23,405)	–

22 TRADE RECEIVABLES

	As at December 31,			As at June 30,
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Trade receivables	11,428	31,615	39,708	45,467
Loss: credit loss allowance	(225)	(898)	(1,772)	(1,779)
	11,203	30,717	37,936	43,688

The credit period granted to the Group's customers is usually 30-60 days. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the aging analysis of trade receivables based on invoice dates is as follows:

	As at December 31,			As at June 30,
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
0 to 90 days	11,428	31,487	33,584	39,051
91 to 180 days	–	128	–	288
181 to 365 days	–	–	5,406	–
Over 1 year	–	–	718	6,128
	11,428	31,615	39,708	45,467

The carrying amounts of trade receivables approximate their fair values and are denominated in the following currencies:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	545	28,642	31,274	27,197
US$	10,883	2,973	8,434	18,270
	11,428	31,615	39,708	45,467

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Non-current				
Prepayment for equipment	25	16,053	13,893	37,425
Current				
Receivables from issue of convertible redeemable preferred shares	26,100	–	–	–
Prepayments	14,890	5,043	14,533	15,556
Deposits	6,898	8,785	14,248	14,672
Value-added tax recoverables	2,353	15,858	23,326	33,383
Others	2,608	3,007	2,027	1,973
	52,849	32,693	54,134	65,584
Less: loss allowance	(2,603)	(2,603)	(2,400)	(2,497)
	50,246	30,090	51,734	63,087
Company				
Amounts due from a subsidiary	202,272	–	–	–
Others	–	–	45	124
	202,272	–	45	124

As at December 31, 2020, included in the balance of prepayments was a non-cash consideration of RMB8,482,000 which arose from services rendered by the Group to the counterparty. The consideration was regarded as prepayment for investment and will be settled by the equivalent fair value of equity interests of that counterparty, of which the consideration of investment was determined as at the service agreement inception date.

The carrying amounts of deposits and other receivables approximate their fair values and are mainly dominated in RMB. The recoverability was assessed with reference to the credit status of the recipients and, as there is no significant increase in credit risk since initial recognition, the 12-month expected credit loss is considered minimal.

24 RESTRICTED CASH

As at December 31, 2020, 2021 and 2022 and June 30, 2023, all the restricted deposits were denominated in US$ and held in designated bank accounts mainly as security deposits for derivative financial instruments.

25 TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in non-current assets:				
RMB term deposits	–	–	–	20,000
Included in current assets:				
US$ term deposits	481,139	300,308	2,357,105	1,745,394
RMB term deposits	–	5,000	180,598	150,532
	481,139	305,308	2,537,703	1,895,926
	481,139	305,308	2,537,703	1,915,926

The weighted average effective interest rate on the Group's term deposits with initial terms of over three months as at December 31, 2020, 2021 and 2022 and June 30, 2023 was 1.38%, 0.99%, 3.83% and 5.36% per annum, respectively.

26 CASH AND CASH EQUIVALENTS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Cash at banks	1,430,913	3,268,619	532,431	1,009,727
Term deposits with initial terms of within three months	–	255,028	41,788	32,000
	1,430,913	3,523,647	574,219	1,041,727
Denominated in:				
US$	861,808	3,361,463	153,296	310,255
RMB	568,986	162,046	420,767	730,706
HKD	119	138	156	766
	1,430,913	3,523,647	574,219	1,041,727
Company				
Cash at banks	189,560	492,362	2,018	3,605

The weighted average effective interest rate on bank deposits of the Group with initial within three months as at December 31, 2020, 2021 and 2022 and June 30, 2023 was nil, 0.30%, 3.09% and 3.86% per annum, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Cash and cash equivalents of the Company were mainly denominated in US$ as at December 31, 2020, 2021 and 2022 and June 30, 2023.

27 TRADE PAYABLES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	3,173	10,573	13,979	5,841

Trade payables were mainly denominated in RMB as at December 31, 2020, 2021 and 2022 and June 30, 2023. The credit periods granted by suppliers generally range from 30 to 180 days. The aging analysis of trade payables, based on invoice date, is as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	3,173	10,573	13,979	5,171
90 to 180 days	–	–	–	670
	3,173	10,573	13,979	5,841

28 OTHER PAYABLES AND ACCRUALS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-Current				
Investment payables	280	280	8,638	8,951
Current				
Accrued salaries and staff benefits	17,426	48,589	69,354	58,771
Accrual for acquiring property, plant, and equipment	560	22,649	19,281	12,730
Investment payable	100	13,876	–	2,510
Other tax payables	2,824	2,488	4,481	2,292
Rental payables	7	62	554	2,029
Others	1,065	10,413	10,580	7,536
	21,982	98,077	104,250	85,868

The carrying amounts of other payables and accruals are mainly dominated in RMB.

29 BANK BORROWINGS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in non-current liabilities:				
Bank borrowings	14,480	11,000	–	–
Included in current liabilities:				
Bank borrowings	15,000	22,280	36,000	34,000
	29,480	33,280	36,000	34,000

All of the Group's bank borrowings are denominated in RMB.

As at December 31, 2020, the bank borrowings bore average interest rate of 4.45% per annum, and were guaranteed by Mr. Wen Shuhao, director of the Company and Shenzhen Zhiyao Technology Co., Ltd. ("Shenzhen Zhiyao"), a wholly owned subsidiary of the Company.

As at December 31, 2021, the bank borrowings bore average interest rate of 5.18% per annum, out of which RMB13,280,000 were guaranteed by Mr. Wen Shuhao, director of the Company and Shenzhen Zhiyao, a wholly owned subsidiary of the Company, and the remaining were guaranteed by Mr. Wen Shuhao and Shenzhen Jingtai Technology Co., Ltd. ("Shenzhen Jingtai") and Shenzhen Zhiyao, the two wholly owned subsidiaries of the Company.

As at December 31, 2022, the bank borrowings bore average interest rate of 4.17% per annum, out of which RMB11,000,000 were guaranteed by Mr. Wen Shuhao, director of the Company, and Shenzhen Jingtai and Shenzhen Zhiyao, wholly owned subsidiaries of the Company, and RMB10,000,000 were guaranteed by Mr. Wen Shuhao. The remaining bank borrowings were guaranteed by Mr. Wen Shuhao and Shenzhen Jingtai.

As at June 30, 2023, the bank borrowings bore average interest rate of 3.74% per annum, out of which RMB4,000,000 were guaranteed by Mr. Wen Shuhao, director of the Company and Shenzhen Jingtai and Shenzhen Zhiyao, wholly owned subsidiaries. The remaining bank borrowings were guaranteed by Mr. Wen Shuhao and Shenzhen Jingtai.

The fair values of the Group's bank borrowings approximate their carrying amounts.

30 DEFERRED GOVERNMENT GRANTS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred government grants	33,000	32,602	30,746	48,568
Less: Amounts include under current liabilities	(1,500)	(1,959)	(1,118)	(2,996)
Amounts include under non-current liabilities	31,500	30,643	29,628	45,572

The government grants were received from the local government as subsidies to the Group's purchase of property, plant and equipment. They were recognised in profit or loss on a straight-line basis over the expected useful lives of the related assets.

31 DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value of derivatives not under hedge accounting:				
Forward foreign exchange contracts	378	811	–	–
Cross currency swaps	–	–	2,531	1,261
	378	811	2,531	1,261

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the maturities of the derivative financial instruments are all within one year.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES AND OTHER FINANCIAL LIABILITIES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares ("CRPS")	3,308,549	7,701,279	9,320,782	9,948,578
Other financial liabilities	190,679	–	–	–

Since the date of incorporation and during the Track Record Period, the Company has completed several rounds of financing by issuing convertible redeemable preferred shares to investors.

The details of the issuance are set out in the table below:

	Date of issuance	Number of shares	Subscription price per share	Total consideration	
				US$'000	*RMB'000*
Preferred shares					
Series pre-A	September 23, 2015	145,221,000	[**REDACTED**]	–	2,000
Series A-1	November 26, 2015	250,001,000	[**REDACTED**]	–	24,470
Series A-2	June 16, 2016, July 2016 and September 15, 2017	56,338,300	[**REDACTED**]	1,069	7,436
Series B	September 16, 2017	301,810,900	[**REDACTED**]	14,286	96,318
Series B+	September 5, 2018	208,946,000	[**REDACTED**]	30,000	199,014
Series B+	October 26, 2018	55,718,900	[**REDACTED**]	8,000	53,070
Series B++	August 9, 2019	29,305,077	[**REDACTED**]	6,550	45,158
Series C	September 28, 2020	696,568,031	[**REDACTED**]	261,800	1,790,424
Series C	June 18, 2021	71,838,567	[**REDACTED**]	27,000	184,650
Series D	August 5, 2021	621,632,043	[**REDACTED**]	380,000	2,458,258

(a) Convertible redeemable preferred shares

The key terms of convertible redeemable preferred shares are summarised as follows:

(i) Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders (after satisfaction of all claims that may be preferred by applicable law) shall be distributed to the shareholders as follows: except for series C and series D preference shares holders, the holder of each series of convertible redeemable preferred shares shall be entitled to receive, on parity with each other, an amount equal to 100% of the each series preferred shares issue price, plus a simple annual return of 8% calculating from the date the Company received the respective applicable issue price to the actual payment date of the settlement, plus all declared but unpaid dividends on such respective series preferred shares (collectively, the "Series preference Amount"). For series C preference shares holders, the amount to be received would be the higher of 125% of the series C issue price plus all declared but unpaid dividends on such series C preferred shares and the Series preference Amount as defined above. For series D preference shares holders, the amount to be received would be the higher of 125% of the series D issue price plus all declared but unpaid dividends on such series D preferred shares and the Series preference Amount as defined above.

If the assets and funds available for distribution are insufficient to permit the payment to the holders of the preference shares, the liquidation preference amount will be paid to the holders of preferred shares and ordinary shares in the following order: (1) Series D; (2) Series C; (3) Series B++; (4) Series B+; (5) Series B; (6) Series A-2; (7) Series A-1; (8) Series pre-A and (9) all shareholders (including ordinary shareholders). After distributing or paying in full the liquidation preference amount to all of the holders of preferred shares and ordinary shares, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of the preferred shares and ordinary shares on a pro rata basis, based on the number of ordinary shares then held by each holder on an as-converted basis.

(ii) Dividend rights

(a) subject to (ii)(b) below, no dividend or distribution, whether in cash, in property, or in any other equity securities of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless all accrued but unpaid dividends on the convertible redeemable preferred shares have been paid in full.

(b) If a dividend or other distribution is declared, paid or set aside, subject to (ii)(a) above, it shall be distributed rateably among all shareholder according to the relative number of shares held by such shareholder on an as-converted basis. No dividends shall be distributed to any shareholder unless and until such distribution has been approved unanimously by the board of directors.

(iii) Conversion feature

The convertible redeemable preferred shares shall be converted into Class A Ordinary Shares at the option of the holders any time, or automatically be converted into Class A Ordinary Shares at the then-effective applicable conversion price, without the payment of any additional consideration, upon the earlier of (i) the qualified [**REDACTED**]; or (ii) the date specified by written consent of agreement of the holders representing at least 51% of each series preferred shares.

The conversion ratio, which shall initially be determined based on the issue price of the convertible redeemable preferred shares, shall be adjusted from time to time for (i) share split and combinations, (ii) Ordinary Class A Shares dividends and distributions, (iii) reorganisations, mergers, consolidations, reclassifications exchanges and substitutions, and (iv) dilutive insurance.

(iv) Redemption feature

At any time after the earlier of the occurrence of the following event: (i) the Company fails to complete the qualified [**REDACTED**] upon the third anniversary of the date of the Series D Closing Date and further modified to March 31, 2025 in November 2023 by the holders of preferred shares; (ii) any material adverse change in the regulatory environment that will cause the arrangement under the control documents in valid or unenforceable; (iii) any material breach of the transaction documents by any group company or the wilful fraud on the part of founders or founder vehicles which cause the material breach of the transaction documents, or the material violation of applicable law by any group company; (iv) the State Administration of Foreign Exchange of the PRC ("SAFE") refrains the domestic company from receiving overseas funds, directly or indirectly, from the Company, which has a material adverse effect on the Company's principal business; or (v) any preferred shareholder requests the Company to redeem all or part of the outstanding preferred shares because of the aforementioned events, an holder of any other series preferred shares may give a written notice by hand or letter mail or courier service to the Company at its principal executive offices at any time requesting redemption of all or part of the outstanding series preferred shares held by such initiating series holders, in which case the Company shall promptly pay to the initiating series holders and other holders who elect to participate in such redemption for each redeeming preferred share at an amount equivalent to the series issue price with a 8% per annum simple return rate calculating from the date the Company received the series issue price pursuant to the purchase agreements to the series redemption price payment date, deducting any paid dividend on each redeeming preferred share, plus any declared but unpaid dividends on each redeeming preferred share or pro rata for a partial year for each year such series preferred share was outstanding but any event within ninety days of the date of the redemption notice (collectively, "the Series Redemption Price").

Specially, for each redeeming series C preferred shares, the redemption price is equal to the higher of 125% of the Series C Issue Price plus any declared but unpaid dividends on each Redeeming C Preferred Share or pro rata for a partial year for each year such series C preferred share was outstanding but in any event within ninety (90) days of the date of the series C redemption notice or the Series Redemption Price as defined as above. For each redeeming series D preferred shares, the redemption price is equal to the higher of 125% of the Series D Issue Price plus any declared but unpaid dividends on each Redeeming D Preferred Share or pro rata for a partial year for each year such series D preferred share was outstanding but in any event within ninety (90) days of the date of the series D redemption notice or the Series Redemption Price as defined as above.

The movements of the CRPS during the Track Record Period are set out as below:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
At beginning of the year/period	1,092,061	3,308,549	7,701,279	7,701,279	9,320,782
Issuance during the year	1,790,424	2,726,556	–	–	–
Change in fair value through profit or loss	601,818	1,760,235	957,799	99,875	231,164
Change in fair value through other comprehensive income	10,671	45,150	(80,500)	7,012	37,163
Currency translation differences	(186,425)	(139,211)	742,204	409,190	359,469
At end of the year/period	3,308,549	7,701,279	9,320,782	8,217,356	9,948,578

The Group has used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the CRPS at the end of each reporting period.

Key valuation assumptions used to determine the fair value of CRPS are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Discount rate	17.0%	16.0%	17.0%	16.0%	17.0%
Risk-free interest rate	0.8%	1.6%	4.5%	3.6%	5.4%
Discount for lack of control ("DLOC")	10.0%	10.0%	10.0%	10.0%	10.0%
Volatility	48.5%	50.9%	75.0%	58.4%	68.0%

Discount rate (post-tax) was estimated by weighted average cost of capital as of each valuation date. The Group estimated the risk-free interest rate based on the yield of China government bond with maturity close to the [**REDACTED**] timing as of valuation date. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the respective valuation date and with similar span as time to expiration.

Changes in fair value of preferred shares were recorded in "Changes in fair value of convertible redeemable preferred shares and other financial liabilities". And the fair value changes in the convertible redeemable preferred shares that are attributable to changes of own credit risk of this liability are recorded in other comprehensive income.

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of the CRPS. The changes in unobservable inputs including discount rate, risk-free interest rate and volatility will result in a significantly higher or lower fair value measurement. The increase in the fair value of the CRPS would increase the loss of fair value changes in the consolidated statements of profit or loss. When performing the sensitivity test, management applied an increase or decrease to each unobservable input, which represents management's assessment of reasonably possible change to these unobservable inputs. If the Company's key valuation assumptions used to determine the fair value of the CRPS had increased/decreased by 10% with all other variables held constant, the estimated fair value changes from carrying amount are listed in below table (assuming the change of key factor would not have significant impact on fair value changes attributable to credit risk):

	Discount rate	Risk-free interest rate	Volatility
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2020			
Increase 10%	(528,035)	(195)	(2,509)
Decrease 10%	710,250	195	145,853
As at December 31, 2021			
Increase 10%	(1,561,199)	(550)	(350,456)
Decrease 10%	2,145,820	552	3,053
As at December 31, 2022			
Increase 10%	(1,450,530)	(2,450)	(13,678)
Decrease 10%	1,941,570	2,461	12,389
(Unaudited)			
As at June 30, 2022			
Increase 10%	(1,647,796)	(1,040)	(3,612)
Decrease 10%	2,249,938	1,046	388,050
As at June 30, 2023			
Increase 10%	(1,493,302)	(2,654)	(6,865)
Decrease 10%	1,988,614	2,665	5,003

(b) Other financial liabilities

The other financial liabilities represent the warrant liabilities issued by the Group. On September 28, 2020, the Company issued warrants to certain investors for a right to subscribe for its Series C CRPS. On June 18, 2021, the holders of warrants obtained all necessary approvals from the PRC authority and issued a form of notices of exercise to the Company to exercise their right to subscribe Series C CRPS pursuant to the term of such warrants and the Company issued 71,838,567 Series C preferred shares, valued at an aggregate conversion consideration of RMB184.65 million. The entire transaction was completed on June 18, 2021 upon then the warrant liabilities were extinguished.

The warrants do not qualify for hedging accounting and the changes in fair values are recognised in profit or loss.

The movements of the warrants are set out as below:

	RMB'000
As at January 1, 2020	–
Issuance of warrants to Series C CRPS investors	184,650
Change in fair value through profit or loss	6,029
At December 31, 2020 and January 1, 2021	190,679
Change in fair value through profit or loss	83,648
Currency translation differences	(1,760)
Exercise of warrants	(272,567)
At December 31, 2021, 2022 and June 30, 2023	–

The Group used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the warrants at the end of each reporting period.

Key valuation assumptions used to determine the fair value of the warrants as at December 31, 2020 are as follows:

Discount rate	17.0%
Risk-free interest rate	0.8%
DLOM	25.0%
Volatility	48.5%

Discount rate (post-tax) was estimated by weighted average cost of capital as of each valuation date. The Group estimated the risk-free interest rate based on the yield of China government bond with maturity close to the [**REDACTED**] timing as of valuation date DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the DLOM. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the respective valuation date and with similar span as time to expiration.

33 SHARE CAPITAL

Authorised:

	Number of Class A ordinary shares	Number of Class B ordinary shares	Total number of ordinary shares	Nominal value of ordinary shares	Number of Preferred Shares	Nominal value of Preferred Shares	Total number of Shares	Total nominal value of Shares
At January 1, 2020	3,516,194,123	436,464,700	3,952,658,823	39,527	1,047,341,177	10,473	5,000,000,000	50,000
Issuance/cancellation of:								
Class A ordinary shares	(761,595,238)	–	(761,595,238)	(7,616)	–	–	(761,595,238)	(7,616)
Class B ordinary shares	–	(6,811,360)	(6,811,360)	(68)	–	–	(6,811,360)	(68)
Series C preferred shares	–	–	–	–	768,406,598	7,684	768,406,598	7,684
At December 31, 2020 and January 1, 2021	2,754,598,885	429,653,340	3,184,252,225	31,843	1,815,747,775	18,157	5,000,000,000	50,000
Issuance/cancellation of:								
Class A ordinary shares	(621,632,043)	–	(621,632,043)	(6,216)	–	–	(621,632,043)	(6,216)
Series D preferred shares	–	–	–	–	621,632,043	6,216	621,632,043	6,216
At December 31, 2021, January 1, 2022 and June 30, 2023	2,132,966,842	429,653,340	2,562,620,182	25,627	2,437,379,818	24,373	5,000,000,000	50,000

Issued:

	Number of Class A ordinary shares *'000*	Number of Class B ordinary shares *'000*	Total number of ordinary shares *'000*	Nominal value of ordinary shares *RMB'000*
At January 1, 2020	242,445,400	436,464,700	678,910,100	44
Issuance/cancellation of:				
Class A ordinary shares	6,811,360	–	6,811,360	–*
Class B ordinary shares	–	(6,811,360)	(6,811,360)	–*
At December 31, 2020 and January 1, 2021	249,256,760	429,653,340	678,910,100	44
Issuance of:				
Class A ordinary shares	103,109,843	–	103,109,843	6
At December 31, 2021, January 1, 2022 and June 30, 2023	352,366,603	429,653,340	782,019,943	50
Issued and fully paid:				
At January 1, 2020	242,445,400	436,464,700	678,910,100	44
Issuance/cancellation of:				
Class A ordinary shares *(Note (ii))*	6,811,360	–	6,811,360	–*
Class B ordinary shares *(Note (ii))*	–	(6,811,360)	(6,811,360)	–*

* the amount is less than RMB1,000

	Number of Class A ordinary shares *'000*	Number of Class B ordinary shares *'000*	Total number of ordinary shares *'000*	Nominal value of ordinary shares *RMB'000*
At December 31, 2020 and January 1, 2021	249,256,760	429,653,340	678,910,100	44
Issuance of:				
Class A ordinary shares *(Note (iii))*	99,914,143	–	99,914,143	6
Exercise of share options *(Note (iv))*	3,195,700	–	3,195,700	–*
At December 31, 2021, January 1, 2022 and June 30, 2023	352,366,603	429,653,340	782,019,943	50

* the amount is less than RMB1,000

(i) The Company adopted a dual voting structure on its shares and the Company's ordinary shares were divided into Class A and Class B ordinary shares, accordingly. Holders of Class A ordinary shares and Class B ordinary shares have the same rights, except for voting rights. Holders of Class A ordinary shares are entitled to one vote per share in all shareholders' meetings, while holders of Class B ordinary shares are entitled to ten votes per share.

(ii) On September 28, 2020, the Company repurchased 6,811,360 Class B ordinary shares from a co-founder for a consideration of US$2,560,000. As the repurchase consideration is higher than the fair value of the ordinary shares of approximately RMB4,591,000, the excess amount was regarded as share-based compensation expense and recognised within general and administrative expenses in the statements of comprehensive loss for the year ended December 31, 2020. At the same time of the repurchase, the Company issued the same number of Class A ordinary shares to an investor at the same consideration for cash.

(iii) In August 2019 and August 2021, the Company issued 198,127,000 and 99,914,143 Class A ordinary shares, respectively, to QuantumPharm Roc Holdings Limited for nominal consideration for the purpose of holding Class A ordinary shares underlying share awards to be granted from time to time under the 2021 Plan (Note 35).

These shares were carried at their nominal amounts and recorded as treasury shares. These ordinary shares are not included in the number of outstanding shares of the Company.

(iv) In July 2021, 3,195,700 Class A ordinary shares were issued to QuantumPharm Holdings Limited upon exercise of share options.

(v) Upon the completion of the [**REDACTED**] of the Company's shares, the Company's dual class of ordinary share structure will be unwound and each of the Class A ordinary share and Class B ordinary share will be re-designated to one ordinary share.

34 OTHER RESERVES

Group

	Share premium *RMB'000*	Treasury Shares *RMB'000*	Exchange reserves *RMB'000*	Share-based payment reserves *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at January 1, 2020	–	(13)	(23,025)	–	–	(23,038)
Equity-settled share-based compensation	–	–	–	4,591	–	4,591
Issuance of ordinary shares in connection with the exercise of options *(Note 33 (ii))*	4,591	–	–	(4,591)	–	–
Changes in fair value of convertible redeemable preferred shares due to own credit risk	–	–	–	–	(10,671)	(10,671)
Currency translation difference	–	–	65,482	–	–	65,482
As at December 31, 2020	4,591	(13)	42,457	–	(10,671)	36,364
Issuance of ordinary shares	–	(6)	–	–	–	(6)
Equity-settled share-based compensation	–	–	–	22,482	–	22,482
Changes in fair value of convertible redeemable preferred shares due to own credit risk	–	–	–	–	(45,150)	(45,150)
Currency translation difference	–	–	60,928	–	–	60,928
As at December 31, 2021	4,591	(19)	103,385	22,482	(55,821)	74,618
Equity-settled share-based compensation	–	–	–	43,384	–	43,384
Changes in fair value of convertible redeemable preferred shares due to own credit risk	–	–	–	–	80,500	80,500
Transaction with non-controlling interest *(Note 18)*	–	–	–	–	57,273	57,273
Currency translation difference	–	–	(457,531)	–	–	(457,531)
As at December 31, 2022	4,591	(19)	(354,146)	65,866	81,952	(201,756)
Equity-settled share-based compensation	–	–	–	31,611	–	31,611
Changes in fair value of convertible redeemable preferred shares due to own credit risk	–	–	–	–	(37,163)	(37,163)
Currency translation difference	–	–	(226,900)	–	–	(226,900)
As at June 30, 2023	4,591	(19)	(581,046)	97,477	44,789	(434,208)

Company

	Share premium *RMB'000*	Treasury Shares *RMB'000*	Exchange reserves *RMB'000*	Share-based payment reserves *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at January 1, 2020	–	(13)	(16,933)	–	–	(16,946)
Equity-settled share-based compensation	–	–	–	4,591	–	4,591
Issuance of ordinary shares in connection with the exercise of options *(Note 33 (ii))*	4,591	–	–	(4,591)	–	–
Changes in fair value of convertible redeemable preferred shares due to own credit risk	–	–	–	–	(10,671)	(10,671)
Currency translation difference	–	–	49,778	–	–	49,778
As at December 31, 2020	4,591	(13)	32,845	–	(10,671)	26,752
Issuance of ordinary shares	–	(6)	–	–	–	(6)
Equity-settled share-based compensation	–	–	–	22,482	–	22,482
Changes in fair value of convertible redeemable preferred shares due to own credit risk	–	–	–	–	(45,150)	(45,150)
Currency translation difference	–	–	49,485	–	–	49,485
As at December 31, 2021	4,591	(19)	82,330	22,482	(55,821)	53,563
Equity-settled share-based compensation	–	–	–	43,384	–	43,384
Changes in fair value of convertible redeemable preferred shares due to own credit risk	–	–	–	–	80,500	80,500
Currency translation difference	–	–	(315,047)	–	–	(315,047)
As at December 31, 2022	4,591	(19)	(232,717)	65,866	24,679	(137,600)
Equity-settled share-based compensation	–	–	–	31,611	–	31,611
Changes in fair value of convertible redeemable preferred shares due to own credit risk	–	–	–	–	(37,163)	(37,163)
Currency translation difference	–	–	(168,444)	–	–	(168,444)
As at June 30, 2023	4,591	(19)	(401,161)	97,477	(12,484)	(311,596)

35 SHARE-BASED PAYMENTS

Employee Share Option Plan

The Group grants share options of the Company to its employees from time to time in order to provide them with long-term incentives under its effective share incentive scheme. On November 17, 2017, the Company adopted an employee share option plan (the "2017 ESOP") and as of January 1, 2020, 3,195,700 vested options remained outstanding which is currently exercisable. These vested options under 2017 ESOP were exercised in 2021.

On August 9, 2019, the Company adopted QuantumPharm Inc. Share Option Plan (the "2019 Share Option Plan") to replace 2017 ESOP. At the 2021 shareholders meeting, the Group's 2021 Omnibus Incentive Plan (the "2021 Share Option Plan") was approved by shareholders to amend and restate the 2019 Share Option Plan, the unvested awards previously under 2019 Share Option Plan will be completely replaced by the 2021 Share Option Plan without any modification.

According to the 2021 Share Option Plan, 198,127,000 Class A ordinary shares have been reserved to any qualified participants. Under the 2021 Share Option plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The exercise price of options is based on fix price in the agreement with employees.

In August 2021, the Company issued 99,914,143 additional Class A ordinary shares to QuantumPharm Roc Holdings Limited for nominal consideration for the purpose of holding Class A ordinary shares underlying share awards to be granted from time to time under the 2021 Share Option Plan, which are issued but deemed to be not outstanding for the sole participants under the 2021 Share Option Plan. As a result, 298,041,143 Class A ordinary shares have been reserved to be issued to any qualified participants (excluding the vested options stated above).

The exercise price of options is based on a fixed price in the agreement with employees. The term of the Option shall expire at close of the principal stock market or exchange on which the Shares are quoted or traded on the tenth (10th) anniversary of the Grant Date, unless terminated earlier in accordance herewith. In no event may any portion of the Option be exercised after it has expired.

(i) Movements in share options

Set out below are summaries of options granted under the plan:

	Number of options		Weighted average exercise price per share option
	2017 ESOP (vested option)	**2021 Share Option Plan (unvested option)**	*US$*
Outstanding as at January 1, 2020	3,195,700	86,038,849	0.01
Granted during the year	–	3,180,000	0.14
Outstanding as at December 31, 2020	3,195,700	89,218,849	0.02
Vested and exercisable at December 31, 2020	3,195,700	–	*

	Number of options		Weighted average exercise price per share option
	2017 ESOP (vested option)	2021 Share Option Plan (unvested option)	
			US$
Outstanding as at January 1, 2021	3,195,700	89,218,849	0.02
Granted during the year	–	100,381,532	0.24
Exercised during the year *(Note 33 (iv))*	(3,195,700)	–	*
Forfeited during the year	–	(580,000)	(0.14)
Outstanding as at December 31, 2021	–	189,020,381	0.14
Vested and exercisable at December 31, 2021	–	–	–
Outstanding as at January 1, 2022	–	189,020,381	0.14
Granted during the year	–	19,611,004	0.31
Forfeited during the year	–	(1,940,000)	(0.08)
Outstanding as at December 31, 2022	–	206,691,385	0.15
Vested and exercisable at December 31, 2022	–	–	–
(Unaudited)			
Outstanding as at January 1, 2022	–	189,020,381	0.14
Granted during the period	–	3,541,004	0.32
Forfeited during the period	–	(1,380,000)	0.08
Outstanding as at June 30, 2022	–	191,181,385	0.14
Vested and exercisable at June 30, 2022	–	–	–
Outstanding as at January 1, 2023	–	206,691,385	0.15
Granted during the period	–	890,000	0.31
Forfeited during the period	–	(2,170,000)	0.17
Outstanding as at June 30, 2023	–	205,411,385	0.15
Vested and exercisable at June 30, 2023	–	–	–

* The amount is less than US$0.01.

(ii) Outstanding share options

Share options under 2021 Share Option Plan outstanding at the end of the year/period have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price *US$*	Vesting year*	Year ended December 31, 2020	2021	2022	Six months ended June 30, 2022	2023
							(Unaudited)	
October 1, 2015	October 1, 2025	0.00001	4 years from grant date	22,837,200	22,837,200	22,837,200	22,837,200	22,837,200
October 1, 2015	October 1, 2025	0.00082	4 years from grant date	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
November 26, 2015	November 26, 2025	0.00032	4 years from grant date	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000
March 1, 2016	March 1, 2026	0.00032	4 years from grant date	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
March 1, 2016	March 1, 2026	0.00150	4 years from grant date	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
March 1, 2016	March 1, 2026	0.00284	4 years from grant date	200,000	200,000	200,000	200,000	200,000
February 1, 2017	February 1, 2027	0.00150	4 years from grant date	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
February 1, 2017	February 1, 2027	0.00284	4 years from grant date	1,570,000	1,570,000	1,290,000	1,570,000	1,290,000
February 1, 2017	February 1, 2027	0.01733	4 years from grant date	80,000	80,000	80,000	80,000	80,000
March 1, 2017	March 1, 2027	0.00150	4 years from grant date	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
June 1, 2017	June 1, 2027	0.00284	4 years from grant date	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
September 16, 2017	September 16, 2027	0.00284	4 years from grant date	3,945,000	3,945,000	3,945,000	3,945,000	3,945,000
September 16, 2017	September 16, 2027	0.02160	4 years from grant date	700,000	700,000	700,000	700,000	700,000
August 1, 2018	August 1, 2028	0.00284	4 years from grant date	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
August 1, 2018	August 1, 2028	0.00710	4 years from grant date	4,130,000	4,130,000	4,130,000	4,130,000	4,130,000
August 1, 2018	August 1, 2028	0.07352	4 years from grant date	670,000	670,000	670,000	670,000	670,000
March 1, 2019	March 1, 2029	0.00710	4 years from grant date	2,590,000	2,590,000	2,590,000	2,590,000	2,590,000
March 1, 2019	March 1, 2029	0.09421	4 years from grant date	6,024,500	6,024,500	5,224,500	5,224,500	4,224,500
September 3, 2019	September 3, 2029	0.00284	4 years from grant date	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
September 3, 2019	September 3, 2029	0.02872	4 years from grant date	2,840,000	2,660,000	2,270,000	2,350,000	1,970,000
September 3, 2019	September 3, 2029	0.14303	4 years from grant date	250,000	250,000	250,000	250,000	250,000
September 3, 2019	September 3, 2029	0.26309	4 years from grant date	532,149	532,149	532,149	532,149	532,149
September 3, 2019	September 3, 2029	0.06705	4 years from grant date	120,000	120,000	–	–	–
March 1, 2020	March 1, 2030	0.06705	4 years from grant date	1,250,000	1,250,000	1,130,000	1,130,000	1,130,000
March 1, 2020	March 1, 2030	0.17441	4 years from grant date	1,000,000	1,000,000	1,000,000	1,000,000	900,000
September 28, 2020	September 28, 2030	0.18792	4 years from grant date	930,000	930,000	930,000	930,000	880,000
January 1, 2021	January 1, 2031	0.00284	4 years from grant date	–	2,600,000	2,600,000	2,600,000	2,600,000

Grant date	Expiry date	Exercise price *US$*	Vesting year*	Year ended December 31, 2020	2021	2022	Six months ended June 30, 2022	2023
							(Unaudited)	
January 1, 2021	January 1, 2031	0.18792	4 years from grant date	–	12,060,000	12,030,000	12,030,000	12,030,000
January 1, 2021	January 1, 2031	0.27533	4 years from grant date	–	100,000	100,000	100,000	100,000
April 15, 2021	April 15, 2031	0.00284	4 years from grant date	–	2,665,925	2,665,925	2,665,925	2,665,925
April 15, 2021	April 15, 2031	0.18792	4 years from grant date	–	39,172,018	38,972,018	39,172,018	38,972,018
April 15, 2021	April 15, 2031	0.33876	4 years from grant date	–	42,983,589	42,983,589	42,983,589	42,983,589
October 1, 2021	October 1, 2031	0.18792	4 years from grant date	–	350,000	350,000	350,000	350,000
November 26, 2021	November 26, 2031	0.30565	4 years from grant date	–	50,000	50,000	50,000	50,000
January 1, 2022	January 1, 2032	0.30565	4 years from grant date	–	–	2,100,000	2,100,000	2,100,000
January 11, 2022	January 11, 2032	0.18792	4 years from grant date	–	–	300,000	300,000	300,000
January 14, 2022	January 14, 2032	0.30565	4 years from grant date	–	–	100,000	100,000	100,000
March 31, 2022	March 31, 2032	0.18792	4 years from grant date	–	–	100,000	100,000	100,000
March 31, 2022	March 31, 2032	0.30565	4 years from grant date	–	–	170,000	170,000	170,000
June 30, 2022	June 30, 2032	0.30565	4 years from grant date	–	–	291,004	291,004	291,004
June 30, 2022	June 30, 2032	0.52234	4 years from grant date	–	–	480,000	480,000	380,000
September 30, 2022	September 30, 2032	0.30565	4 years from grant date	–	–	2,820,000	–	2,200,000
December 31, 2022	December 31, 2032	0.30565	4 years from grant date	–	–	13,250,000	–	13,250,000
March 31, 2023	March 31, 2033	0.30565	4 years from grant date	–	–	–	–	620,000
June 30, 2023	June 30, 2023	0.30565	4 years from grant date	–	–	–	–	270,000
				89,218,849	189,020,381	206,691,385	191,181,385	205,411,385
Weighted average remaining contractual life of options outstanding at end of year/period				6.11	7.30	6.63	6.85	6.14

* The options granted under 2021 Share Option Plan shall only be vested at the later of the Company's completion of an [**REDACTED**] or the following schedule:

- one-fourth (1/4) of which shall vest after grant date and one-fourth (1/4) of which vest upon each anniversary thereafter;
- one-half (1/2) of which shall vest upon the second anniversary of the grant date and one-fourth (1/4) of which shall vest upon each anniversary thereafter.

The options may exercise of any time after the [**REDACTED**] of the Company provided the options have vested and subject to the term of the share option agreement.

The Group estimate the expected forfeiture rate at the end of vesting periods ("Forfeiture Rate") of the share options granted in order to determine the amount of share-based payment expenses charged to profit or loss. The Forfeiture Rate of the share options of the Group to grantees were assessed to be ranging from 1.7% to 12.5% during the Track Record Period.

(iii) Fair value of options

The directors of the Company have used the binomial model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period.

Other than the exercise price mentioned above, significant judgment on parameter such as risk free rate, dividend yield and expected volatility, are required to be made by the directors in applying the binomial model, which are summarised as below:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Fair value per share (in US$)	0.0721-0.1416	0.1165-0.3361	0.2438-0.3797	0.1165-0.3361	0.2438-0.3797
Exercise price (in US$)	0.0671-0.1879	0.0028-0.3388	0.01-0.5223	0.0028-0.3388	0.01-0.5223
Risk-free interest rate	1.36%-1.82%	1.62%-2.25%	1.16%-3.88%	1.62%-2.25%	1.16%-3.88%
Expected Life	10 years	10 years	10 years	10 years	10 years
Expected volatility	32%-33%	33%	33%-73%	33.00%	33%-73%
Dividend yield	–	–	–	–	–

(iv) Expenses arising from share-based payment transactions

During the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, share-based payment expenses of RMB4,591,000, RMB22,482,000, RMB43,384,000, RMB19,646,000 and RMB31,611,000 were recognised respectively.

36 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operation

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss before income tax	(734,358)	(2,137,332)	(1,438,617)	(343,571)	(620,297)
Adjustments for:					
– Depreciation of property and equipment	3,144	12,396	47,974	19,978	32,674
– Amortisation of intangible assets	1,045	1,080	3,706	1,544	2,711
– Amortisation of right-of-use assets	6,578	9,657	17,365	8,596	12,458
– Gain on disposals of property, plant and equipment	–	(978)	(118)	(129)	–
– Net fair value changes on FVTPL	4,285	(9,927)	11,343	545	42,307
– Changes in fair value of convertible redeemable preferred shares and other financial liabilities	607,847	1,843,883	957,799	99,875	231,164
– Impairment of investment in an associate	3,602	–	–	–	–
– Net impairment losses on financial assets	2,828	673	874	–	104
– Share-based compensation expenses	4,591	22,482	43,384	19,646	31,611
– Share of loss in equity method investments	1,613	4,497	236	119	1,013
– Foreign exchange (gains)/losses	(698)	(9,426)	(5,911)	(6,308)	55,889
– Finance income	(5,772)	(14,055)	(50,478)	(5,323)	(50,716)
– Finance expenses	747	3,575	5,746	2,943	3,846

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Changes in working capital:					
– Trade and other receivables	(44,068)	(44,590)	(24,937)	(173)	(21,728)
– Trade and other payables	10,245	47,622	26,787	1,803	(21,568)
– Contract costs	(563)	(15,686)	(16,229)	(9,569)	(11,774)
– Contract liabilities	4,201	5,033	5,648	4,824	20,316
– Restricted cash	(32,548)	32,548	–	–	–
– Deferred governments grant	–	(5,198)	(13,676)	(5,841)	(6,998)
Cash used in operations	(167,281)	(253,746)	(429,104)	(211,041)	(298,988)

(b) Net debt reconciliation

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the net debt of the Group is as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	1,430,913	3,523,647	574,219	1,041,727
Borrowings	(29,466)	(33,274)	(35,780)	(33,990)
Lease liabilities	(6,130)	(98,966)	(93,454)	(259,523)
Convertible redeemable preferred shares	(3,308,549)	(7,701,279)	(9,320,782)	(9,948,578)
Other financial liabilities	(190,679)	–	–	–
Net debt	(2,103,911)	(4,309,872)	(8,875,797)	(9,200,364)

An analysis of the movements in net debt during the Track Record Period is as follows:

	Cash and cash equivalents	Borrowings	Lease liabilities	Convertible redeemable preferred shares	Other financial liabilities	Net debt
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2020	38,715	–	(7,010)	(1,092,061)	–	(1,060,356)
Addition of right-of-use assets	–	–	(5,735)	–	–	(5,735)
Cash flows	1,473,992	(29,480)	6,615	(1,790,424)	(184,650)	(523,947)
Effect on exchange difference	(81,794)	–	–	186,425	–	104,631
Change in fair value through profit or loss	–	–	–	(601,818)	(6,029)	(607,847)
Change in fair value through other comprehensive income	–	–	–	(10,671)	–	(10,671)
Interest expense	–	(561)	(186)	–	–	(747)
Interest payments	–	575	186	–	–	761

	Cash and cash equivalents *RMB'000*	Borrowings *RMB'000*	Lease liabilities *RMB'000*	Convertible redeemable preferred shares *RMB'000*	Other financial liabilities *RMB'000*	Net debt *RMB'000*
As at December 31, 2020	1,430,913	(29,466)	(6,130)	(3,308,549)	(190,679)	(2,103,911)
Addition of right-of-use assets	–	–	(97,151)	–	–	(97,151)
Cash flows	2,156,075	(3,800)	4,315	(2,453,989)	–	(297,399)
Effect on exchange difference	(63,341)	–	–	139,211	1,760	77,630
Change in fair value through profit or loss	–	–	–	(1,760,235)	(83,648)	(1,843,883)
Change in fair value through other comprehensive income	–	–	–	(45,150)	–	(45,150)
Exercise of warrants	–	–	–	(272,567)	272,567	–
Interest expense	–	(1,690)	(1,885)	–	–	(3,575)
Interest payments	–	1,682	1,885	–	–	3,567
As at December 31, 2021	3,523,647	(33,274)	(98,966)	(7,701,279)	–	(4,309,872)
Addition of right-of-use assets	–	–	(1,718)	–	–	(1,718)
Cash flows	(3,128,902)	(2,720)	7,230	–	–	(3,124,392)
Effect on exchange difference	179,474	–	–	(742,204)	–	(562,730)
Change in fair value through profit or loss	–	–	–	(957,799)	–	(957,799)
Change in fair value through other comprehensive income	–	–	–	80,500	–	80,500
Interest expense	–	(1,399)	(4,097)	–	–	(5,496)
Interest payments	–	1,613	4,097	–	–	5,710
As at December 31, 2022	574,219	(35,780)	(93,454)	(9,320,782)	–	(8,875,797)
As at January 1, 2023	581,174	(36,000)	(93,454)	(9,320,782)	–	(8,869,062)
Addition of right-of-use assets	–	–	(180,307)	–	–	(180,307)
Cash flows	461,986	2,000	14,238	–	–	478,224
Effect on exchange difference	(1,433)	–	–	(359,469)	–	(360,902)
Change in fair value through profit or loss	–	–	–	(231,164)	–	(231,164)
Change in fair value through other comprehensive income	–	–	–	(37,163)	–	(37,163)
Interest expense	–	(655)	(3,191)	–	–	(3,846)
Interest payments	–	665	3,191	–	–	3,856
As at June 30, 2023	1,041,727	(33,990)	(259,523)	(9,948,578)	–	(9,200,364)

37 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Measured at amortised cost				
Trade receivables *(Note 22)*	11,203	30,717	37,936	43,688
Prepayments, deposit and other receivables *(Note 23)*	33,003	9,189	13,875	14,148
Restricted cash *(Note 24)*	32,627	12,751	5,432	3,058
Term deposit *(Note 25)*	481,139	305,308	2,537,703	1,895,926
Cash and cash equivalents *(Note 26)*	1,430,913	3,523,647	574,219	1,041,727
	1,988,885	3,881,612	3,169,165	2,998,547
Measured at fair value				
Financial assets at fair value through profit or loss *(Note 20)*	63,065	170,258	640,890	519,745
	2,051,950	4,051,870	3,810,055	3,518,292

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Measured at amortised cost				
Trade payables *(Note 27)*	3,173	10,573	13,979	5,841
Other payables and accruals *(Note 28)*	2,012	47,280	39,053	33,756
Lease liabilities *(Note 16)*	6,130	98,966	93,454	259,523
Short term bank borrowing *(Note 29)*	15,000	22,280	36,000	34,000
Long term bank borrowing *(Note 29)*	14,480	11,000	–	–
	40,795	190,099	182,486	333,120
Measured at fair value				
Other financial liabilities *(Note 3.3, 32)*	190,679	–	–	–
Derivative financial instruments *(Note 31)*	378	811	2,531	1,261
Convertible redeemable preferred shares *(Note 32)*	3,308,549	7,701,279	9,320,782	9,948,578
	3,499,606	7,702,090	9,323,313	9,949,839
	3,540,401	7,892,189	9,505,799	10,282,959

38 CAPITAL COMMITMENTS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not recognised:				
Short-term lease commitment	528	631	7,419	2,994

39 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Transactions with related parties

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue from services provided for associates	3,106	2,607	578	–	198
Services purchased from a shareholder (continuing transaction)	2,667	2,302	2,555	808	1,721

Revenue from services provided and services purchased were based on terms mutually agreed with related parties and in the ordinary course of business.

(b) Balances with related parties

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts receivable from associates	–	–	363	70
Amounts payable to related party				
Trade:				
A shareholder	302	78	445	231
An associate	2,636	–	–	177
Non-trade:				
An associate	–	400	–	–

The above balances with related parties are unsecured, interest-free and are repayable on demand.

(c) Key management personnel compensation

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonuses	12,281	36,141	50,683	20,935	26,182
Pensions costs, housing benefits and other employee benefits	695	2,217	2,672	1,178	1,348
Share-based compensation expenses	–	21,149	42,005	19,065	30,704
	12,976	59,507	95,360	41,178	58,234

40 CONTINGENT LIABILITIES

As at December 31, 2020, 2021 and 2022 and June 30, 2023, there were no material contingent liabilities to the Group.

41 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On September 25, 2023, the Group entered into a convertible loan agreement with a target company which is an independent third party, pursuant to which the Group agreed to provide a convertible loan in the principal amount of up to US$10 million (equivalent to approximately RMB71.8 million) at a simple interest rate of 8% per annum. The loan shall mature at the earlier of (i) 18 months from the payment date of the loan and (ii) the closing date of the conversion of all of the principal outstanding under the loan, and the Group shall have the right to convert all of the principal outstanding under the loan into certain number of preferred shares of the target company subject to certain condition. Up to the date of this report, US$3 million (equivalent to approximately RMB21.5 million) had been draw down by the target company.

On September 30, 2023 and November 24, 2023, the Group granted an aggregate of 14,190,000 and 83,973,759 share options under 2021 Share Option Plan respectively to eligible directors, employees of the Group and consultants providing similar services with employee to the Group, with the exercise price ranges from US$0.18 to US$0.48 under the vesting period of three or four years. The Company is in the process of assessing the fair value of the options as at the respective grant dates and expect to recognise a share based payment expenses over its vesting period.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2023 and up to the date of this report.

The information set forth in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this Document, and is included herein for illustrative purpose only. The [**REDACTED**] *financial information should be read in conjunction with the section headed "Financial Information" in this Document and the Accountant's Report set forth in Appendix I to this Document.*

A. [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following [**REDACTED**] statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the [**REDACTED**] on the net tangible assets of the Group attributable to the equity holders of the Company as of June 30, 2023 as if the [**REDACTED**] had taken place on June 30, 2023, assuming the [**REDACTED**] is not exercised.

The [**REDACTED**] statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at June 30, 2023 or at any future dates following the [**REDACTED**]. It is prepared based on the consolidated net liabilities of the Group as at June 30, 2023 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this Document, and adjusted as described below. The [**REDACTED**] statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible liabilities attributable to equity holders of the Company as at June 30, 2023[(1)]	**Estimated impact related to the conversion of Convertible redeemable preferred shares upon** [REDACTED][(2)]	**Estimated** [REDACTED] **from the** [REDACTED][(3)]	**[REDACTED] adjusted net tangible assets attributable to equity holders of the Company as at June 30, 2023**	**[REDACTED] adjusted net tangible assets per Share**[(4), (5)]	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	(6,182,985)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	(6,182,985)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited consolidated net tangible liabilities attributable to equity holders of the Company as at June 30, 2023 is extracted from the Accountant's Report as set out in Appendix I to this Document, which is based on the audited consolidated net liabilities of the Group attributable to equity holders of the Company as at June 30, 2023 of approximately RMB6,173,129,000 with an adjustment for the intangible assets attributable to equity holders of the Company as at June 30, 2023 of RMB9,856,000.

(2) [Upon the completion of the [**REDACTED**], all the convertible redeemable preferred shares will be automatically converted into ordinary shares of the Company. The convertible redeemable preferred shares which were accounted for as liabilities will be re-designated from liabilities to equity upon conversion. Accordingly, for the purpose of the [**REDACTED**] financial information, the [**REDACTED**] adjusted consolidated net tangible assets attributable to equity holders of the Company will be increased by RMB[**REDACTED**], being the carrying amounts of the convertible redeemable preferred shares as at June 30, 2023.]

(3) The estimated [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, respectively, after deduction of the [**REDACTED**] fees and other related expenses payable by the Company and takes no account of any shares which may be issued pursuant to the exercise of the [**REDACTED**], any Shares which may be issued under the [[**REDACTED**] Share Incentive Plan] or any Shares that may be issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this Document.

(4) The [**REDACTED**] adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] and the conversion of the convertible redeemable preferred shares to ordinary shares had been completed on June 30, 2023 but take no account of any shares which may fall to be issued upon the exercise of the [**REDACTED**], any Shares which may be issued under the [[**REDACTED**] Share Incentive Plan] or any Shares which may be issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this Document.

(5) For the purpose of this [**REDACTED**] adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.9199 to HK$1.00. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Except as disclosed above, no adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2023.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents on display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, 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 any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such 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 any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary 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 cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution—majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised 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 and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where 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.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the

requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which 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. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 April 2017 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a 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:

(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) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

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.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised 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 shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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 member of the company holding shares. 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act 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.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person 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, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is 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 shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 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 the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder

to show that the Grand 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 shareholders.

16 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, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents 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 he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands on April 28, 2017 under the Companies Act as an exempted company with limited liability. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company."

Our registered place of business in Hong Kong is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●]. Ms. Tse Chung Man of 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

As at the date of our incorporation, our authorized share capital was US$50,000, divided into 500,000,000 shares of US$0.0001 each.

The following alterations in the share capital of our Company have taken place within the two years immediately preceding the date of this document:

Pursuant to the resolutions passed by our Shareholders on [●], the authorized share capital of our Company was increased to US$[1,000,000] divided into (i) [97,132,966,842] Class A Ordinary Shares; (ii) 429,653,340 Class B Ordinary Shares; (iii) 145,221,000 Series Pre-A Preferred Shares; (iv) 250,001,000 Series A-1 Preferred Shares; (v) 56,338,300 Series A-2 Preferred Shares; (vi) 301,810,900 Series B Preferred Shares; (vii) 264,664,900 Series B+ Preferred Shares; (viii) 29,305,077 Series B++ Preferred Shares; (ix) 768,406,598 Series C Preferred Shares; and (x) 621,632,043 Series D Preferred Shares, by the creation of an additional [**REDACTED**] Class A Ordinary Shares, ranking *pari passu* in all respects with the existing Class A Ordinary Shares in issue.

Save as disclosed above, in "History, Development and Corporate Structure" and "—4. Resolutions of the Shareholders of our Company dated [●]" below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

Our Company's subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

(a) Cayman Islands

XtalPi Investment

On December 22, 2021, XtalPi Investment issued 9,999 ordinary shares to our Company.

On August 12, 2022, the authorized share capital of XtalPi Investment was re-designated and re-classified as US$50,000 divided into 500,000,000 shares of US$0.0001 each, consisting of 418,700,000 ordinary shares, and 81,300,000 series A preferred shares ; and (ii) our Company surrendered 10,000 issued ordinary shares of XtalPi Investment with no consideration and the surrendered shares were subsequently canceled by XtalPi Investment.

On the same date, XtalPi Investment issued (a) an aggregate of 10,000,000 series A preferred shares to 5Y Capital Evolution Fund II, L.P., 5Y Capital Evolution Fund II Co-Investment, L.P., Hero Grand Management Limited and Yael Evergreen Fund SPC—Yael Evergreen SP I at a total consideration of US$10,000,000 and (b) 71,300,000 series A preferred shares to our Company at a consideration that we transferred our equity interests in certain portfolio companies to XtalPi Investment or its subsidiaries.

CubeBio Inc.

On December 22, 2021, CubeBio Inc. issued 9,999 ordinary shares to our Company.

NeoGeode Inc.

On March 6, 2023, NeoGeode Inc. issued 969,229 ordinary shares to Jean Jing Zhao.

On June 12, 2023, the authorized share capital of NeoGeode Inc. was re-designated and re-classified as US$50,000 divided into 500,000,000 shares of US$0.0001 each, consisting of 498,200,000 ordinary shares and 1,800,000 series seed preferred shares of US$0.0001 each. On the same day, NeoGeode Inc. issued 1,800,000 series seed preferred shares to Xtalpi Investment Inc. at a consideration of US$1.8 million.

(b) PRC

Beijing Jingtai

On February 25, 2022, the registered capital of Beijing Jingtai increased from RMB2.0 million to RMB200.0 million.

Shanghai Zhiyao

On February 15, 2022, the registered capital of Shanghai Zhiyao increased from RMB50.0 million to RMB300.0 million.

Shenzhen Zhiyao

On April 25, 2023, the registered capital of Shenzhen Zhiyao reduced from US$200.0 million to US$25.0 million.

4. Resolutions of the Shareholders of our Company dated [●]

Pursuant to the resolutions passed by our Shareholders on [●], it was resolved, among others, that:

(a) each of the authorized issued and unissued Class A Ordinary Shares, Class B Ordinary Shares, Series Pre-A Preferred Shares, Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares, Series B++ Preferred Shares, Series C Preferred Shares and Series D Preferred Shares in the authorized share capital of our Company be and is hereby re-designated and re-classified as ordinary Shares with a par value of US$0.00001 each on a one for one basis upon and with effect from the [**REDACTED**]; and

(b) our Company conditionally approved and adopted the Memorandum and the Articles with effect from the [**REDACTED**];

(c) conditional on (1) the Stock Exchange granting the [**REDACTED**] of, and [**REDACTED**], the Shares in issue and to be issued as mentioned in this document including the Shares which may be issued under the ESOPs and such [**REDACTED**] and [**REDACTED**] not subsequently having been revoked prior to the commencement of [**REDACTED**] in the Shares on the Stock Exchange; (2) the [**REDACTED**] having been determined; (3) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise, in each case on or before such dates as may be specified in the [**REDACTED**]; and (4) the [**REDACTED**] having been duly executed by the [**REDACTED**] and our Company:

(i) the [**REDACTED**] was approved and our Directors were authorized to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**];

(ii) the grant of the [**REDACTED**] was approved and our Directors were authorized to allot and issue the Shares upon the exercise of the [**REDACTED**];

(iii) the rules of the [**REDACTED**] Share Option Scheme, the principal terms and conditions of which are set out in "—D. Share Incentive Schemes—2. [**REDACTED**] Share Option Scheme," were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the [**REDACTED**] Share Option Scheme;

(iv) the rules of the [**REDACTED**] RSU Scheme, the principal terms and conditions of which are set out in "—D. Share Incentive Schemes—3. [**REDACTED**] RSU Scheme," were approved and adopted and our Directors were authorized, at their absolute discretion, to grant RSUs thereunder and to allot, issue and deal with Shares pursuant to the grant, vesting and exercise of RSUs under the [**REDACTED**] RSU Scheme;

(v) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the [**REDACTED**] (but taking no account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or under the ESOPs), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(vi) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved 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 such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the [**REDACTED**] (but taking no account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or awards under the ESOPs), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (vi) above.

5. Repurchase of our Shares

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.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary [**REDACTED**] on the [**REDACTED**] to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid 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 its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions passed at duly convened general meeting of our Shareholders on [●], a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing them to exercise all powers of our Company to repurchase such number of Shares on the Stock Exchange or on any other approved 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 representing up to 10% of the total number of issued Shares in issue following the completion of the [**REDACTED**] (but taking no account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or under the ESOPs), at any time until the

conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the Listing Rules and the Cayman Companies Act. A listed company may not repurchase its own shares 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.

(iii) Core connected persons

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares on the Stock Exchange. Such a repurchase may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Act, out of capital. Subject to the Cayman Companies Act, a repurchase of Shares may also be paid out of capital.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might not have a material adverse effect on the working capital and/or the gearing position of our Group as compared to 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 the working capital requirements of the Company or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(d) Share capital

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately after the [**REDACTED**] (but not taking into account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or under the ESOPs), would result in up to [**REDACTED**] Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or

(iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to 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 Articles and the applicable laws of the Cayman Islands in force and as amended from time to time.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' (or Shareholders') interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

If the Repurchase Mandate is fully exercised immediately following completion of the [**REDACTED**] (but not taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or under the ESOPs), the total number of Shares which will be repurchased pursuant to the Repurchase Mandate will be [**REDACTED**] Shares, being 10% of the total number of Shares based on the aforesaid assumptions. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

(a) the amendment agreement dated November 27, 2023, entered into among our Company, QuantumPharm Limited, Shenzhen Zhiyao Technology Co., Ltd. (深圳智藥科技有限公司), Shenzhen Jingtai Technology Co., Ltd. (深圳晶泰科技有限公司), Shenzhen Rentai Pharmaceutical Technology Co., Ltd. (深圳仁泰醫藥科技有限公司), Beijing Jingtai Technology Co., Ltd. (北京晶泰科技有限公司), Shanghai Zhiyao Technology Co., Ltd. (上海智藥科技有限公司), Jingtai Zhiyao Technology (Shanghai) Co., Ltd. (晶泰智藥技術(上海)有限公司), XtalPi Inc., QuantumPharm Roc Holdings Limited, Dr. Wen, Dr. Ma, Dr. Lai, QuantumPharm Holdings Limited, SSBL Holdings Limited, Crete Helix Ltd., Jian Guo Pai Ltd., SeveningBAlpha Limited, Sevening B Holdings Limited, and various Shareholders, pursuant to which the parties have agreed to waive the observance of certain provisions and to amend and restate the fifth amended and restated shareholders agreement dated August 5, 2021; and

(b) the [**REDACTED**].

2. Our Material Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are or may be material to our business:

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
1	XtalPi	19372269	9	Shenzhen Jingtai	PRC	April 28, 2017	April 27, 2027
2	XtalPi	19372436	42	Shenzhen Jingtai	PRC	April 28, 2017	April 27, 2027
3	XtalPi	20754761	9	Shenzhen Jingtai	PRC	September 14, 2017	September 13, 2027
4	XtalPi	20755695	42	Shenzhen Jingtai	PRC	September 14, 2017	September 13, 2027
5	XTALPI	87356822/5286240	42	Shenzhen Jingtai	United States	September 12, 2017	September 12, 2027
6	XtalPi	87356827/ 5286241	42	Shenzhen Jingtai	United States	September 12, 2017	September 12, 2027
7	XtalPi	58443388	9	Shenzhen Jingtai	PRC	January 28, 2022	January 27, 2032
8	XtalPi	58450952	42	Shenzhen Jingtai	PRC	January 28, 2022	January 27, 2032
9	XtalPi	58458989	42	Shenzhen Jingtai	PRC	September 14, 2022	September 13, 2032
10	XtalPi	02227869	9	Shenzhen Jingtai	Taiwan	June 16, 2022	June 15, 2032
11	XtalPi	02233715	42	Shenzhen Jingtai	Taiwan	July 1, 2022	June 30, 2032
12	XtalPi	02227870	9	Shenzhen Jingtai	Taiwan	June 16, 2022	June 15, 2032
13	XtalPi	02233716	42	Shenzhen Jingtai	Taiwan	July 1, 2022	June 30, 2032
14	XtalPi	305799502	5, 7, 9, 42	Shenzhen Jingtai	Hong Kong	April 11, 2022	April 10, 2032
15	XtalPi	018600042	5, 7, 9, 42	Shenzhen Jingtai	European Union	February 24, 2022	November 11, 2031
16	XtalPi	018600044	5, 7, 9, 42	Shenzhen Jingtai	European Union	February 24, 2022	November 11, 2031

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
17	XtalPi	UK00003720807	5, 7, 9, 42	Shenzhen Jingtai	United Kingdom	February 4, 2022	November 11, 2031
18		UK00003720815	5, 7, 9, 42	Shenzhen Jingtai	United Kingdom	February 4, 2022	November 11, 2031
19		63737110	42	Shenzhen Jingtai	PRC	December 28, 2022	December 27, 2032
20	XcelDev	64304292	42	Shanghai Zhiyao	PRC	October 21, 2022	October 20, 2032
21	XupremAb	66453153	42	Shanghai Zhiyao	PRC	January 28, 2023	January 27, 2033
22	XtalCSP	67374093	42	Shenzhen Jingtai	PRC	May 14, 2023	May 13, 2033

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which, in the opinion of our Directors, are or may be material to our business:

No.	Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
1		306290857	7, 9 and 42	Shenzhen Jingtai	Hong Kong	July 10, 2023
2		305799511	5, 7, 9, 42	Shenzhen Jingtai	Hong Kong	November 12, 2021
3	XtalPi	97129282	7, 9	Shenzhen Jingtai	United States	November 17, 2021
4		97129396	7, 9	Shenzhen Jingtai	United States	November 17, 2021
5		68639453	42	Shanghai Zhiyao	PRC	November 30, 2022
6		68639412	42	Shanghai Zhiyao	PRC	November 30, 2022
7	ID4Inno	69077888	42	Shenzhen Jingtai	PRC	January 3, 2023
8	ID4Idea	69086108	42	Shenzhen Jingtai	PRC	January 3, 2023
9	ID4Gibbs	69079232	42	Shenzhen Jingtai	PRC	January 3, 2023
10	XtalComplete	69083334	9	Shenzhen Jingtai	PRC	January 3, 2023

No.	Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
11	XmartChem	69076428	9	Shenzhen Jingtai	PRC	January 3, 2023
12	Chemplus	69074964	9	Shenzhen Jingtai	PRC	January 3, 2023
13	XupremAb	97838863	42	Shenzhen Jingtai	United States	March 14, 2023
14	XcelDev	97838879	42	Shenzhen Jingtai	United States	March 14, 2023

(b) Patents

As of the Latest Practicable Date, our Group was the registered proprietor of the following patents which, in the opinion of our Directors, are or may be material to our business:

No.	Patent	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
1	Methods and applications for constructing polarization force fields, methods and systems for predicting drug crystal shapes (構建極化力場的方法及應用、預測藥物晶型的方法及系統)	ZL201610752376.7	Shenzhen Jingtai	PRC	August 29, 2016	August 29, 2036
2	Atom type definition system and atom type matching method thereof (原子類型定義系統及其原子類型匹配方法)	ZL201810420888.2	Shenzhen Jingtai, Shenzhen Zhiyao	PRC	May 4, 2018	May 4, 2038
3	Drug crystal structure landscape analysis system and landscape analysis method thereof (藥物晶體結構全景分析系統及其全景分析方法)	ZL201810437497.1	Shenzhen Jingtai	PRC	May 9, 2018	May 9, 2038
4	Automatic conformation analysis method for quasi-drug organic molecules (類藥有機分子的自動化構象分析方法)	ZL201810437477.4	Shenzhen Jingtai	PRC	May 9, 2018	May 9, 2038
5	Scientific computing process management system (科學計算流程管理系統)	ZL201810444674.9	Shenzhen Jingtai	PRC	May 10, 2018	May 10, 2038
6	An automatic and efficient DFTB repulsive potential fitting method (一種自動高效DFTB排斥勢擬合方法)	ZL201810450409.1	Shenzhen Jingtai	PRC	May 11, 2018	May 11, 2038

No.	Patent	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
7	A method for determining the association relationship between a drug and a drug target (一種確定藥物和藥物靶點關聯關係的方法)	ZL201811382264.2	Beijing Jingtai	PRC	November 20, 2018	November 20, 2038
8	Computational task management and analysis system for molecular force field parameter generation and method of operation thereof (分子力場參數生成的計算任務管理分析系統及其運行方法)	ZL201811572009.4	Shenzhen Jingtai, Shenzhen Zhiyao	PRC	December 21, 2018	December 21, 2038
9	Automated method for generating the full set of stereoisomers of organic molecules (有機分子的立體異構全集自動化生成方法)	ZL201811589905.1	Shenzhen Jingtai	PRC	December 25, 2018	December 25, 2038
10	Atom type definition system and atom type matching method thereof (原子類型定義系統及其原子類型匹配方法)	US11093685B2	Shenzhen Jingtai	United States	May 4, 2018	May 4, 2038
11	Drug crystal structure landscape analysis system and landscape analysis method thereof (藥物晶體結構全景分析系統及其全景分析方法)	US11562806B2	Shenzhen Jingtai	United States	May 9, 2018	May 9, 2038
12	Automatic conformation analysis method for quasi-drug organic molecules (類藥有機分子的自動化構象分析方法)	US11443834B2	Shenzhen Jingtai	United States	May 9, 2018	May 9, 2038
13	Scientific computing process management system (科學計算流程管理系統)	US10817532B2	Shenzhen Jingtai	United States	May 10, 2018	May 10, 2038
14	Method for automatically and efficiently fitting repulsive potentials through DFTB (一種自動高效DFTB排斥勢擬合方法)	US10978177B2	Shenzhen Jingtai	United States	May 11, 2018	May 11, 2038
15	Method for automatically generating universal set of stereoisomers of organic molecule (有機分子的立體異構全集自動化生成方法)	US11562809B2	Shenzhen Jingtai	United States	December 25, 2018	December 25, 2038
16	Computing task management and analysis system for molecular force field parameter building and operation method thereof (分子力場參數生成的計算任務管理分析系統及其運行方法)	US11609807B2	Shenzhen Jingtai	United States	December 21, 2018	December 21, 2038
17	A method, apparatus and computational device for the prediction of potentially active molecules (一種潛在活性分子的預測方法、裝置和計算設備)	ZL202010124320.3	Beijing Jingtai	PRC	February 27, 2020	February 27, 2040

No.	Patent	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
18	Potential energy surface scanning method and system for molecular conformational space analysis (用於分子構象空間分析的勢能面掃描方法及系統)	ZL202010153174.7	Shenzhen Jingtai	PRC	March 6, 2020	March 6, 2040
19	Drug research and development software repository and software package management system (藥物研發軟件倉庫及其軟件管理系統)	US11609758B2	Shenzhen Jingtai	United States	December 31, 2019	December 31, 2039
20	Potential energy surface scanning method and system for molecular conformational space analysis (用於分子構象空間分析的勢能面掃描方法及系統)	JP7116442B2	Shenzhen Jingtai	Japan	March 6, 2020	March 6, 2040
21	Drug research and development software repository and software package management system (藥物研發軟件倉庫及其軟件管理系統)	JP7138295B2	Shenzhen Jingtai	Japan	December 31, 2019	December 31, 2039
22	Method for processing and recognizing ring isomerization of organic molecules, method and apparatus for obtaining the conformation of a sample of organic molecules (有機分子環異構的處理方法及識別方法、獲得有機分子樣本構象的方法及裝置)	ZL202111468255.7	Shanghai Zhiyao	PRC	December 3, 2021	December 3, 2041
23	Molecular free energy calculations, stability analysis methods, devices, equipment and storage media (分子自由能計算、穩定性分析方法、裝置、設備及存儲介質)	ZL202111506789.4	Shanghai Zhiyao	PRC	December 10, 2021	December 10, 2041
24	Methods, apparatus and electronic devices for handling molecular docking (分子對接的處理方法、裝置及電子設備)	ZL202111590799.0	Shanghai Zhiyao	PRC	December 23, 2021	December 23, 2041
25	Inhibitor prediction method of protein kinase, model construction method and apparatus thereof (蛋白激酶的抑制劑預測方法、模型構建方法及其裝置)	ZL202210003673.7	Beijing Jingtai	PRC	January 5, 2022	January 5, 2042
26	Method for sequence design of proteins, method for structural design of proteins, apparatus and electronic device (蛋白質的序列設計方法、蛋白質的結構設計方法、裝置及電子設備)	ZL202210120554.X	Beijing Jingtai	PRC	February 9, 2022	February 9, 2042

No.	Patent	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
27	Cyclic peptide design methods, methods for generating complex structures, devices and electronic equipment (環肽設計方法、複合物結構的生成方法、裝置及電子設備)	ZL202210203337.7	Beijing Jingtai	PRC	March 3, 2022	March 3, 2042
28	Grippers and gripping devices with such grippers, mobile robots (夾爪及帶有該夾爪的夾取裝置、移動機器人)	ZL202221575344.1	Shanghai Zhiyao	PRC	June 22, 2022	June 22, 2032
29	A powder dispensing apparatus and a powder dispensing system (一種粉末分配設備及粉末分配系統)	ZL202221667048.4	Shenzhen Jingtai	PRC	June 29, 2022	June 29, 2032
30	Powder drums, powder drum units, powder dispensing equipment and powder dispensing systems (加粉桶、粉桶裝置、粉末分配設備及粉末分配系統)	ZL202221671231.1	Shenzhen Jingtai	PRC	June 29, 2022	June 29, 2032
31	Sample Preparation Workstation and Sample Preparation System (樣品製備工作站及樣品製備系統)	ZL202221841216.7	Shenzhen Jingtai	PRC	July 15, 2022	July 15, 2032
32	Method for constructing a toxicity prediction model and prediction model, prediction method and apparatus (毒性預測模型的構建方法及預測模型、預測方法及裝置)	ZL202211682054.1	Beijing Jingtai	PRC	December 27, 2022	December 27, 2042

(c) Copyrights

As of the Latest Practicable Date, we was the registered proprietor of the following copyrights which, in the opinion of our Directors, are or may be material to our business:

No.	Copyright	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
1	FACES Cloud Computing Resource Scheduling Platform V1.0 (FACES雲計算資源調度平台V1.0)	2016SR096169	Shenzhen Jingtai	PRC	May 6, 2016
2	FACES Cloud Platform Monitoring System V3.0 (FACES雲平台監控系統V3.0)	2017SR716780	Shenzhen Jingtai	PRC	December 21, 2017

No.	Copyright	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
3	XtalForce Universal Force Field Computing Platform V1.1 (XtalForce通用力場計算平台V1.1)	2019SR0105785	Shenzhen Jingtai	PRC	January 29, 2019
4	Molecular generation/IOV1.0 (分子生成/IOV1.0)	2019SR0990241	Beijing Jingtai	PRC	September 25, 2019
5	Hexagram Small Molecule Pharmacophore Screening Software V1.0 (Hexagram小分子藥效團圖篩選軟件V1.0)	2021SR1772999	Beijing Jingtai	PRC	November 17, 2021
6	Free Energy Perturbation Calculator V1.0.9 (自由能微擾計算軟件V1.0.9)	2022SR0000013	Shanghai Zhiyao	PRC	January 4, 2022
7	ID4 Drug Design Platform V1.0.0 (ID4藥物設計平台V1.0.0)	2022SR0008796	Shanghai Zhiyao	PRC	January 4, 2022
8	New Drug Development Process Data Management Information System V1.0 (新藥研發過程資料管理信息系統V1.0)	2022SR0493962	Shenzhen Jingtai	PRC	April 20, 2022

(d) Domain Names

As of the Latest Practicable Date, we owned the following domain names which, in the opinion of our Directors, are or may be material to our business:

No.	Domain name	Registrant	Date of registration	Expiry date
1	aiphis.com	Shenzhen Jingtai	August 9, 2017	August 9, 2024
2	jingtaikeji.com	Shenzhen Jingtai	August 26, 2017	August 26, 2024
3	xtalpi.xyz	Shenzhen Jingtai	August 9, 2017	August 9, 2024
4	xtalpi.com	Shenzhen Jingtai	July 13, 2014	July 13, 2024
5	renova.net.cn	Beijing Jingtai	March 12, 2019	March 12, 2024
6	nitrogen.fun	Beijing Jingtai	March 12, 2019	March 12, 2024

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

The following table sets out the interests and short positions of the Directors and chief executive of the Company immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs) in the 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 the Shares are [**REDACTED**]:

		Immediately following the completion of the [REDACTED]	
Name of Director/ Chief Executive	**Capacity/ nature of interest[(1)]**	**Number and Class of Shares**	**Shareholding**
Dr. Wen	Beneficial owner[(2)]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%
	Founder of trust[(3)]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%

Name of Director/ Chief Executive	Capacity/ nature of interest[1]	Immediately following the completion of the [REDACTED] Number and Class of Shares	Shareholding
	Interest in controlled corporation	[**REDACTED**] Ordinary Shares[4], [5]	[**REDACTED**]%
Dr. Ma	Beneficial owner[6]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%
	Founder of trust[7]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%
	Interest in controlled corporation[8]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%
Dr. Lai	Beneficial owner[9]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%
	Founder of trust[10]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%
Dr. Jiang Yide Alan	Founder of trust[11]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%
	Beneficiary of trust[12]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%
	Interest in controlled corporation[13]	[**REDACTED**] Ordinary Shares	[**REDACTED**]%

Notes:

(1) All interests stated are long positions.

(2) Representing [**REDACTED**] Ordinary Shares underlying the options granted to Dr. Wen under the [**REDACTED**] ESOP.

(3) QuantumPharm Holdings is held as to 99% by WSH Family Holdings, which is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the WSH Family Trust, a discretionary trust established by Dr. Wen as settlor. Under the SFO, each of Dr. Wen, WSH Family Holdings and TMF (Cayman) Ltd. is deemed to be interested in the [**REDACTED**] Ordinary Shares in which QuantumPharm Holdings is interested.

(4) QuantumPharm Roc, the shareholding platform for the [**REDACTED**] ESOP which holds the Shares underlying the options granted thereunder for the benefit of the grantees, is wholly owned by QuantumPharm Holdings. Under the SFO, each of Dr. Wen and QuantumPharm Holdings is deemed to be interested in the [**REDACTED**] Ordinary Shares in which QuantumPharm Roc is interested.

(5) Pursuant to the powers of attorney executed by (i) Dr. Ma and Crete Helix; and (ii) Dr. Lai and SeveningBAlpha in favor of Dr. Wen and QuantumPharm Holdings, QuantumPharm Holdings is authorized to exercise all the voting rights attached to the Shares held by Crete Helix and SeveningBAlpha. Under the SFO, each of Dr. Wen and QuantumPharm Holdings is deemed to be interested in the [**REDACTED**] Ordinary Shares in which CreteHelix is interested and the [**REDACTED**] Ordinary Shares in which SeveningBAlpha is interested.

(6) Representing [**REDACTED**] Ordinary Shares underlying the options granted to Dr. Ma under the [**REDACTED**] ESOP.

(7) Crete Helix is held as to 99% by MH International Holdings, which is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the MH Fund Trust, a discretionary trust established by Dr. Ma as settlor. Under the SFO, each of Dr. Ma, MH International Holdings and TMF (Cayman) Ltd. is deemed to be interested in the Shares in which Crete Helix is interested.

(8) Representing [**REDACTED**] Ordinary Shares underlying the options granted under the [**REDACTED**] ESOP held by QuantumPharm Employee Holdings Limited, a holding vehicle wholly owned by the trustee of the QuantumPharm Employee Benefit Trust for the benefit of 13 employees of our Group, to which Dr. Ma has the power to provide voting instructions in respect of the Shares underlying the options held by the QuantumPharm Employee Benefit Trust.

(9) Representing [**REDACTED**] Ordinary Shares underlying the options granted to Dr. Lai under the [**REDACTED**] ESOP.

(10) SeveningBAlpha is held as to 99% by LPHappy Holding, which is the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the LPHappy Family Trust, a discretionary trust established by Dr. Ma as settlor. Under the SFO, each of Dr. Lai, LPHappy Holding and TMF (Cayman) Ltd. is deemed to be interested in the Shares in which SeveningBAlpha is interested.

(11) Representing [**REDACTED**] Ordinary Shares underlying the options granted under the [**REDACTED**] ESOP which are held by a spousal lifetime access trust established by Dr. Jiang for the benefit of his spouse. Under the SFO, Dr. Jiang is deemed to be interested in the Shares in which the aforesaid trust is interested.

(12) Representing [**REDACTED**] Ordinary Shares underlying the options granted under the [**REDACTED**] ESOP which are held by a spousal lifetime access trust established by the spouse of Dr. Jiang for the benefit of Dr. Jiang. Under the SFO, Dr. Jiang is deemed to be interested in the Shares in which the aforesaid trust is interested.

(13) Representing [**REDACTED**] Ordinary Shares underlying the options granted under the [**REDACTED**] ESOP which are held by ASJX Envision LLC. ASJX Envision LLC is held as to 40% by a revocable trust established by Dr. Jiang, 40% by a revocable trust established by the spouse of Dr. Jiang and 20% by a family trust established by them. Under the SFO, Dr. Jiang is deemed to be interested in the Shares in which ASJX Envision LLC is interested.

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in "Substantial Shareholders," immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs), 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.

(c) Interests of the substantial shareholders of other members of our Group

So far as our Directors are aware, as at the Latest Practicable Date, the following person (other than our Directors or chief executive of our Company) was, 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 any other members of our Group.

Name of members of our Group	Name of Shareholder(s)	Approximate percentage of shareholding
NeoGeode Inc.	Jean Jing ZHAO	35%

2. Particulars of Directors' Service Contracts and Letters of Appointment

Each of our executive Directors [has entered] into a service agreement with our Company for a term of three years commencing from the [**REDACTED**], which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Director and independent non-executive Directors [has entered] into a letter of appointment with our Company for a term of three years commencing from the [**REDACTED**], which may be terminated by not less than three months' notice in writing served by either party on the other.

3. Remuneration of Directors

The aggregate amount of remuneration which was paid to our Directors for the three years ended December 31, 2022 and the six months ended June 30, 2023 was RMB9.0 million, RMB27.9 million, RMB45.2 million and RMB22.3 million, respectively.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individual (including both employees and Directors) for the three years ended December 31, 2022 and the six months ended June 30, 2023 was RMB10.4 million, RMB34.3 million, RMB53.7 million and RMB26.5 million, respectively.

None of our Directors or any past directors of any member of the Group has been paid any sum of money for the three years ended December 31, 2022 and the six months ended June 30, 2023 as (a) an inducement to join or upon joining the Company; or (b) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended December 31, 2022 and the six months ended June 30, 2023.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus and the amount of share-based compensation) of no more than RMB12.5 million in aggregate will be paid and granted to our Directors by us in respect of the year ending December 31, 2024 under arrangements in force at the date of this document.

4. Disclaimers

(a) Save as disclosed in "—C. Further information about our Directors and Substantial Shareholders—1. Directors," none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV 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 our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are [**REDACTED**].

(b) None of our Directors or experts referred to in "—E. Other Information—8. Qualifications of Experts" has any direct or indirect interest in the promotion of our Company, 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.

(c) None of our 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 our Group taken as a whole.

(d) None of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(e) Save as disclosed in "—C. Further information about our Directors and Substantial Shareholders—2. Substantial Shareholders", taking no account of Shares which may be taken up under the [**REDACTED**], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [**REDACTED**], have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group.

(f) None of the experts referred to in "—E. Other Information—8. Qualifications of Experts" has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

(g) Save as disclosed in "Business—Our Customers" and "Business—Our Suppliers," so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates or any Shareholder, which to the best knowledge of our Directors owns more than 5% of the total number of issued Shares, has any interests in the five largest customers or the five largest suppliers of our Group during the Track Record Period.

D. SHARE INCENTIVE SCHEMES

1. [REDACTED] ESOP

The following is a summary of the principal terms of the [**REDACTED**] ESOP as adopted by the Shareholders on July 14, 2021 and amended on August 5, 2021. No further awards will be granted under the [**REDACTED**] ESOP after the [**REDACTED**] and the terms of the [**REDACTED**] ESOP are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the [**REDACTED**] ESOP is to motivate and reward employees and other individuals to perform at the highest level and contribute significantly to the success of our Group, thereby furthering the best interests of our Company and the Shareholders.

(b) Eligibility

Any individuals (including officers) employed on a full-time basis by our Group, any non-employee directors of our Company and our subsidiaries, any individuals (including advisors) who are providing services to our Group, or any individuals who devote substantially all of their time and efforts to the business, management and operation of our Group (collectively, the "**Participants**") are eligible to receive awards under the [**REDACTED**] ESOP (the "**Awards**"), to the extent that an offer or receipt of an Award is permitted by applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

Holders of equity compensation awards granted by a company that is acquired by our Group (or whose business is acquired by our Group) or with which our Group combines are also eligible for grants of Awards under the [**REDACTED**] ESOP in assumption of, or in substitution for, an outstanding award previously granted by that company or business (the "**Substitute Awards**").

(c) Administration

The [**REDACTED**] ESOP is administered by the a committee authorized by the Board (the "**Committee**"), which has the full discretion and authority to:

(i) select the Participants and determine the types of Awards that they are to receive;

(ii) determine the number of Shares that are to be subject to the Awards and the terms and conditions of the Awards, including the price (if any) to be paid for the Awards and the vesting conditions (if applicable) of such Awards, and prescribe the form of each award agreement (the "**Award Agreement**");

(iii) determine whether, to what extent, under what circumstances and by which methods the Awards may be settled, exercised or deferred;

(iv) cancel, modify or waive our rights with respect to, or modify, discontinue, suspend or terminate any or all outstanding Awards, subject to any required consents;

(v) construe and interpret the terms of the [**REDACTED**] ESOP and any agreements relating to the [**REDACTED**] ESOP;

(vi) correct any defect, supply any omission and reconcile any inconsistency in the [**REDACTED**] ESOP or any Award;

(vii) accelerate or extend the vesting or exercisability or extend the term of any or all outstanding Awards subject to any required consent;

(viii) subject to the other provisions of the [**REDACTED**] ESOP, amend the terms and conditions of one or more outstanding Awards (including repricing the exercise or base price of any outstanding option or share appreciation right without shareholder approval) and authorize the termination, conversion, substitution or succession of the Awards;

(ix) establish, amend, suspend or waive such rules and regulations and appoint such agents, trustees, brokers, depositories and advisors and determine such terms of their engagement as it shall deem appropriate for the proper administration of the [**REDACTED**] ESOP and due compliance with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations;

(x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the [**REDACTED**] ESOP and due compliance with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations; and

(xi) grant awards to any person wholly owned by the trust established by the trust deed to hold such Awards solely for the benefit of the Participants.

(d) Shares Available for Awards

The maximum number of our Class A Ordinary Shares available for grant under the [**REDACTED**] ESOP Plan shall not exceed in the aggregate 318,392,443 Shares (the "[**REDACTED**] **ESOP Scheme Limit**"), which shall not be reduced by the Shares underlying Substitute Awards and Shares remaining available for grant under a plan of an acquired company or of a company with which our Group combines.

In the event that the Committee determines that, as a result of any dividend or other distribution (other than an ordinary dividend or distribution), recapitalization, stock split, reverse stock split, reorganization, merger, amalgamation, consolidation, separation, rights offering, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of our Company, issuance of warrants or other rights to acquire Shares or other securities of our Company, issuance of Shares pursuant to the anti-dilution provisions of securities of our Company, or other similar corporate transaction or event affecting the Shares, or of changes in applicable laws, regulations or accounting principles, an adjustment is necessary in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the [**REDACTED**] ESOP Plan, then the Committee shall, subject to the rules of the [**REDACTED**] ESOP Plan and applicable law, adjust equitably so as to ensure no undue enrichment or harm (including by payment of cash), among other things, the number and type of Shares (or other securities) which are available for grant under the [**REDACTED**] ESOP or subject to outstanding Awards.

A participant who is a non-employee director of our Company or our subsidiary may not receive compensation for any calendar year in excess of US$750,000 in the aggregate, including cash payments and Awards.

(e) Term

The [**REDACTED**] ESOP is effective on the date it has been adopted by the Board and approved by the Shareholders (the "**Effective Date**") and will expire on, and no Award may be granted pursuant to the [**REDACTED**] ESOP, after the 10-year anniversary of the Effective Date. Any Awards that are outstanding on the 10-year anniversary of the Effective Date shall remain in force according to the terms of the [**REDACTED**] ESOP and the applicable Award Agreement.

(f) Types of Awards

The Awards to be granted under the [**REDACTED**] ESOP may be in the form of:

(i) **Options**: options representing the right to purchase Shares from our Company (the "**Options**");

(ii) **Share Appreciation Rights** or **SARs**: rights to receive upon exercise or settlement, in cash, Shares or a combination thereof, the excess of (1) the Fair Market Value (as defined below) on the date of exercise or settlement over (2) the exercise or hurdle price of the right on the date of grant;

(iii) **Restricted Stock**: Shares which are subject to certain restrictions and forfeiture conditions;

(iv) **Restricted Share Units** or **RSUs**: rights to receive the value of one Share (or a percentage of such value) in cash, Shares or a combination thereof;

(v) **Performance Awards**: Awards denominated as a cash amount, number of Shares or units or a combination thereof which may be earned upon achievement or satisfaction of performance conditions specified by the Committee; and

(vi) Other cash-based awards and other stock-based awards as determined by the Committee.

For the purpose of the [**REDACTED**] ESOP, the "**Fair Market Value**" means (i) with respect to the Shares, the fair market value of a Share as determined by the Committee, and (ii) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(g) Options

(i) Exercise price

The exercise price per Share under an Option shall be determined by the Committee at the time of grant.

Subject to the terms of the [**REDACTED**] ESOP and applicable law, the Committee, from time to time and in its sole discretion, may provide for (1) the amendment of any outstanding Option to adjust the exercise price of the Option, (2) the cancellation, exchange, or surrender of an outstanding Option in exchange for

cash or other Awards (for the purpose of repricing the Option or otherwise), or (3) the cancellation, exchange, or surrender of an outstanding Option in exchange for an Option with an exercise price that is less than the exercise price of the original Option.

(ii) Time and conditions of exercise

The term of each Option shall be fixed by the Committee but shall not exceed 10 years from the date of grant of such Option. The Committee shall determine the time or times at which an Option becomes vested and exercisable in whole or in part.

(iii) Payment

The Committee shall determine the methods by which, and the forms in which payment of the exercise price with respect thereto may be made or deemed to have been made, including cash, Shares, other Awards, other property, net settlement (including broker-assisted cashless exercise) or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price.

(iv) Rights of grantee

An Option will not convey to a Participant the right to any Shares or the rights and privileges of a shareholder with respect to the Shares subject to such Option, such as the right to vote or the right to receive dividends, unless and until and to the extent a Share is issued to such Participant upon exercise of such Option.

(h) Effects of termination of employment or service

The Committee may provide, by rule or regulation or in any applicable Award Agreement, or may determine in any individual case, the circumstances in which, and the extent to which, an Award may be exercised, settled, vested, paid or forfeited in the event of a Participant's termination of service prior to the end of a performance period or vesting, exercise or settlement of such Award.

(i) Limits on Transfers

Except as may be permitted by the Committee or as specifically provided in an Award Agreement and subject to compliance with applicable securities laws, (i) no Award and no right under any Award shall be assignable, alienable, saleable, pledgeable or transferable by a Participant other than by will or pursuant to the terms of the [**REDACTED**] ESOP and (ii) during a Participant's lifetime, each Award, and each right under any Award, shall be exercisable only by such Participant or, if permissible under applicable law, by such Participant's guardian or legal representative.

(j) Adjustments

The number and type of Shares available under the [**REDACTED**] ESOP and any outstanding Awards, as well as the exercise or purchase prices of Awards, will be subject to equitable adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, share splits, share dividends or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the Shareholders.

(k) Amendment, termination and suspension

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the [**REDACTED**] ESOP, the Board may amend, alter, suspend, discontinue or terminate the [**REDACTED**] ESOP or any portion thereof at any time, provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) Shareholders' approval if such approval is required by applicable law or the rules of the stock market or exchange, if any, on which the Shares are principally quoted or traded or (ii) subject to the terms of the [**REDACTED**] ESOP, the consent of the affected Participant, if such action would materially adversely affect the rights of such Participant under any outstanding Award, except (1) to the extent any such amendment, alteration, suspension, discontinuance or termination is made to cause the [**REDACTED**] ESOP to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations or (2) to impose any "clawback" or recoupment provisions on any Awards (including any amounts or benefits arising from such Awards) in accordance with the terms of the [**REDACTED**] ESOP.

Notwithstanding anything to the contrary in the [**REDACTED**] ESOP, the Committee may amend the [**REDACTED**] ESOP, or create sub-plans, in such manner as may be necessary or desirable to enable the [**REDACTED**] ESOP to achieve its stated purposes in any jurisdiction in a tax-efficient manner and in compliance with local rules and regulations.

(l) Cancellation or "clawback" of Awards

The Committee may specify in an Award Agreement that a Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award.

(m) Outstanding Awards

None of the grantees were required to pay any consideration for the grant of the Awards. No further awards will be granted pursuant to the [**REDACTED**] ESOP, being the only subsisting share incentive scheme of our Company as of the Latest Practicable Date, after the [**REDACTED**].

As of the Latest Practicable Date, all of the Awards granted under the [**REDACTED**] ESOP were in the form of share options. A total of 318,392,443 options had been granted to eligible participants under the [**REDACTED**] ESOP, of which 20,351,300 options had been exercised and was settled with the issuance of 20,351,300 Class A Ordinary Shares. Accordingly, as of the Latest Practicable Date, our Company had outstanding options held by a total of 190 grantees to purchase an aggregate of 298,041,143 Shares, of which options to purchase 168,639,365 Shares were held by four Directors, options to purchase 46,837,200 Shares were held by three members of our senior management, options to purchase 532,149 Shares were held by two consultants and options to purchase 550,000 Shares were held by one ex-employee of our Group. The remaining options to purchase 81,482,429 Shares belonged to 180 other employees (who are not Directors, members of senior management, consultants or ex-employee to our Group). Among the total number of outstanding options, 59,103,125 were held by QuantumPharm Employee Holdings Limited, a holding vehicle wholly owned by TMF Trust (HK) Limited as trustee of the QuantumPharm Employee Benefit Trust, a discretionary trust established for the purposes of managing and administering the options on behalf of 13 employees of our Group (including Dr. Zhang Peiyu, a member of our senior management).

All of the 298,041,143 Shares underlying the outstanding options (including those vested and unvested), representing [**REDACTED**]% of the total number of issued Shares immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs), have been issued by our Company, the last of which took place in August 2021, and are held by QuantumPharm Roc, a company which is wholly owned by QuantumPharm Holdings and a shareholding platform for the [**REDACTED**] ESOP which holds such Shares for the benefit of the grantees. As a result, there will be no dilutive effect on the shareholdings immediately following completion of the [**REDACTED**] and no impact on the earnings per Share upon the exercise of any such outstanding options.

Details of the outstanding options granted under the [**REDACTED**] ESOP to our Directors, senior management and other connected persons are set out below:

Name of grantee	Position within the Group	Address	Grant date	Exercise price per Share	Vesting period[(1)]	Number of Shares underlying the outstanding Options as of the Latest Practicable Date	Shareholding immediately upon the completion of the [REDACTED][(2)]
Dr. Wen	Executive Director and chairman of our Board	Room 17D, Unit A, Block 4, Dachong City Garden, Nanshan District, Shenzhen, Guangdong, PRC	April 15, 2021	US$0.18792135	One-third is vested immediately on the grant date, and the remaining two-thirds will be vested in four equal tranches on the first, second, third and fourth anniversary date of the grant date[(3)]	38,183,588	[**REDACTED**]
			November 24, 2023	US$0.2467842	50% will be vested after 24 months commencing from the [**REDACTED**], 25% will be vested after 36 months commencing from the [**REDACTED**] and 25% will be vested after 48 months commencing from the [**REDACTED**]	42,909,774	[**REDACTED**]
Dr. Ma	Executive Director and Chief Executive Officer	Room 3511, Unit B, Block 6, Shenye Midtown, Futian District, Shenzhen, Guangdong, PRC	April 15, 2021	US$0.18792135	One-third is vested immediately on the grant date, and the remaining two-third is vested in four equal tranches with the vesting date on the first, second, third and fourth anniversary date of the grant date[(3)]	21,436,379	[**REDACTED**]
			November 24, 2023	US$0.2467842	50% will be vested after 24 months commencing from the [**REDACTED**], 25% will be vested after 36 months commencing from the [**REDACTED**] and 25% will be vested after 48 months commencing from the [**REDACTED**]	23,793,963	[**REDACTED**]

Name of grantee	Position within the Group	Address	Grant date	Exercise price per Share	Vesting period[1]	Number of Shares underlying the outstanding Options as of the Latest Practicable Date	Shareholding immediately upon the completion of the [REDACTED][2]
Dr. Lai	Executive Director and Chief Innovation Officer	Room 1302, Unit 3, Building 1, Yard 21 Baiwanzhuang Street, Xicheng District, Beijing, PRC	April 15, 2021	US$0.18792135	One-third is vested immediately on the grant date, and the remaining two-third is vested in four equal tranches with the vesting date on the first, second, third and fourth anniversary date of the grant date[3]	15,315,639	[**REDACTED**]
			November 24, 2023	US$0.2467842	50% will be vested after 24 months commencing from the [**REDACTED**], 25% will be vested after 36 months commencing from the [**REDACTED**] and 25% will be vested after 48 months commencing from the [**REDACTED**]	17,000,022	[**REDACTED**]
Dr. Jiang Yide Alan	Executive Director and Chief Strategic Officer	83 Bird Street, Needham, Massachusetts, USA	July 14, 2021	US$0.0008	Four equal tranches with the vesting date on the first, second, third and fourth anniversary date of the grant date	10,000,000[4]	[**REDACTED**]
Dr. Zhang Peiyu	Chief Scientific Officer	Room 110, No. 1, Xin 8 Lane, Dalang Street, Longhua District, Shenzhen, Guangdong, PRC	October 1, 2015	US$0.00001	Four equal tranches with the vesting date on the first, second, third and fourth anniversary date of the grant date	22,837,200[5]	[**REDACTED**]
Dr. Gu Liang	Chief Technology Officer	Biyun Pavilion, China Travel Plaza, Nanshan District, Shenzhen, Guangdong, PRC	December 31, 2022	US$0.30564705	50% at the second anniversary of the grant date, 25% at the third anniversary of the grant date, and at the fourth anniversary of the grant date	12,000,000	[**REDACTED**]
Mr. Tam Man Hong	Chief Financial Officer	Flat B, 4/F, Ho King View, 2 Braemar Hill Road, North Point, Hong Kong	January 1, 2021	US$0.18792135	50% at the second anniversary of the grant date, 25% at the third anniversary of the grant date, and at the fourth anniversary of the grant date[3]	12,000,000[4]	[**REDACTED**]

Notes:

(1) Notwithstanding the vesting schedule set forth in the respective Award Agreements in respect of the Options, the Participants acknowledge and agree that they shall not exercise the Options, even if such Options are vested, before our Company completes the [**REDACTED**].

(2) Assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs.

(3) All of the unvested share options will be fully vested and exercisable upon the [**REDACTED**].

(4) The voting rights of the Shares underlying the vested outstanding Options will be entrusted to Dr. Wen upon the [**REDACTED**].

(5) Representing the Shares held by QuantumPharm Roc underlying options held by QuantumPharm Employee Holdings Limited, a holding vehicle wholly owned by TMF Trust (HK) Limited as trustee of the QuantumPharm Employee Benefit Trust for the benefit of, among others, Dr. Zhang Peiyu. Dr. Ma has the power to provide voting instructions in respect of the Shares underlying the options held by the QuantumPharm Employee Benefit Trust.

The table sets forth below the information on the options granted to grantees who are consultants and ex-employee of our Group and other employees (who are not Directors, members of senior management, consultants or ex-employee of our Group) under the [**REDACTED**] ESOP as of the Latest Practicable Date. As of the date of this document, two grantees who are consultants, one grantee who is an ex-employee of our Group, and other employees (who are not Directors, members of senior management, consultants or ex-employee of our Group) held an aggregate of 1,082,149 Options.

Range of Shares underlying the Options granted	Total number of grantees	Grant date	Exercise price	Vesting period[(1)(2)]	Number of Shares underlying the outstanding Options as of the Latest Practicable Date	Shareholding immediately upon the completion of the [REDACTED][(3)]
0 to 499,999	152	November 26, 2015 to November 24, 2023	US$0.00032458 to US$0.52233818	A; B; C; D	19,754,153	[**REDACTED**]
500,000 to 999,999	15	February 1, 2017 to September 30, 2023	US$0.00283995 to US$0.48	A; B; C	10,230,000	[**REDACTED**]
1,000,000 to 4,999,999	13	November 26, 2015 to September 30, 2023	US$0.00032458 to US$0.33876	A; B; C	33,580,425	[**REDACTED**]
5,000,000 or above	3	March 1, 2016 to February 1, 2017	US$0.0015	A	20,000,000	[**REDACTED**]

Notes:

(1) Notwithstanding the vesting schedule set forth in the respective Award Agreements in respect of the Options, the Participants acknowledge and agree that they shall not exercise the Options, even if such Options are vested, before our Company completes the [**REDACTED**].

(2) Please refer to different categories of vesting schedules below:

Category	Vesting schedule
A	Four equal tranches with the vesting date on the first, second, third and fourth anniversary date of the grant date.
B	50% will be vested at the second anniversary of the grant date, 25% will be vested at the third anniversary of the grant date, and 25% will be vested at the fourth anniversary of the grant date.
C	25% is vested immediately on the grant date, and the remaining 75% will be vested in three equal tranches with the vesting date on the first, second and third anniversary date of the grant date.
D	50% is vested immediately on the grant date, and the remaining 50% will be vested in two equal tranches with vesting date on the first and second anniversary date of the grant date.

(3) Assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs.

Details of the outstanding options granted under the [**REDACTED**] ESOP to the three grantees (other than our Directors, senior management and other connected persons) who have been granted 5,000,000 Options or more as of the Latest Practicable Date are set out below:

Name of grantee	Position within the Group	Address	Grant date	Exercise price	Vesting period[1]	Number of Shares underlying the outstanding Options as of the Latest Practicable Date	Shareholding immediately upon the completion of the [REDACTED][2]
Liu Yang (劉陽)	Chief Technology Officer of automation innovation business department	Room D601, Building 1, A Southern District, Liu Xian Ju, Xili, Nanshan District, Shenzhen, Guangdong, PRC	March 1, 2016	US$0.00150	Four equal tranches with the vesting date on the first, second, third and fourth anniversary date of the grant date	8,000,000[3]	[**REDACTED**]
Shi Xuekun (師雪坤)	Chief Operational Officer	Room 17D, Building B, Run Da Yuan Ting, Longhua District, Shenzhen, Guangdong, PRC	February 1, 2017	US$0.00150	Four equal tranches with the vesting date on the first, second, third and fourth anniversary date of the grant date	7,000,000[3]	[**REDACTED**]
Yang Mingjun (楊明俊)	Head of computational R&D department	No. 6, Tongfa Road, Nanshan District, Shenzhen, Guangdong, PRC	March 1, 2017	US$0.00150	Four equal tranches with the vesting date on the first, second, third and fourth anniversary date of the grant date	5,000,000[3]	[**REDACTED**]

Notes:

(1) Notwithstanding the vesting schedule set forth in the respective Award Agreements in respect of the Options, the Participants acknowledge and agree that they shall not exercise the Options, even if such Options are vested, before our Company completes the [**REDACTED**].

(2) Assuming the [**REDACTED**] is not exercised and no Shares will be issued under the ESOPs.

(3) Representing the Shares held by QuantumPharm Roc underlying options held by QuantumPharm Employee Holdings Limited, a holding vehicle wholly owned by TMF Trust (HK) Limited as trustee of the QuantumPharm Employee Benefit Trust for the benefit of 13 employees of our Group. Dr. Ma has the power to provide voting instructions in respect of the Shares underlying the options held by the QuantumPharm Employee Benefit Trust.

We have applied 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 an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. For details, see "Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance."

2. [REDACTED] Share Option Scheme

The following is a summary of the principal terms of the [**REDACTED**] Share Option Scheme conditionally adopted by our Company pursuant to the resolutions of our then Shareholders passed on [●].

(a) Purpose of the [REDACTED] *Share Option Scheme*

The [**REDACTED**] Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The [**REDACTED**] Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible participants of the [REDACTED] *Share Option Scheme*

Our Board may, at its discretion, offer to grant an option to any director and employee of our Company or any of our subsidiaries (including persons who are granted options under the [**REDACTED**] Share Option Scheme as an inducement to enter into employment contracts with our Company and/or any of our subsidiaries but excluding the Co-founders) (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (f) below.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The vesting period of any options shall not be less than 12 months. Options may be subject to a shorter vesting period under any of the following circumstances:

(a) where the options are granted in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by our Company or any of our subsidiary or with which our Company or any of our subsidiary combines;

(b) where the Shares to be issued upon the exercise of such options are subject to a minimum holding period of not less than 12 months and are delivered to an Eligible Participant under his/her compensation arrangements with our Company, including Shares delivered to a non-employee director in respect of such non-employee director's annual retainer;

(c) where the options are sign-on or make-whole grants to new Eligible Participants;

(d) where the options are subject to performance-based vesting conditions;

(e) where the options are granted in batches for administrative or compliance reasons;

(f) where the options shall vest evenly over a period of 12 months or more;

(g) where the options are subject to a total vesting and holding period of more than 12 months; or

(h) in cases of retirement, separation, retention arrangements, death, disability or a change in control of our Company, our Board may accelerate the vesting of the options at its sole discretion.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options and awards may be granted under the [**REDACTED**] Share Option Scheme and under any other share schemes of our Company must not in aggregate exceed 6% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] (the "**Scheme Limit**"), being [**REDACTED**] Shares (assuming that the [**REDACTED**] is not exercised). As of the date on which such option is offered in writing to an Eligible Participant which must be a Business Day (the "**Offer Date**") of any proposed grant of options under the [**REDACTED**] Share Option Scheme, the maximum number of Shares in respect of which options may be granted is such number of Shares less the aggregate of the following:

(i) the number of Shares which would be issued on the exercise in full of the options under the [**REDACTED**] Share Option Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company but not cancelled or exercised;

(ii) the number of Shares which have been issued and allotted pursuant to the exercise of any options under the [**REDACTED**] Share Option Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company; and

(iii) the number of those Shares which were the subject of options or awards which had been granted and accepted under the [**REDACTED**] Share Option Scheme or under any other share schemes of our Company but subsequently canceled.

Subject to the approval of our Shareholders in general meeting in compliance with Rules 17.03C(1) and 17.03C(2) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time, our Board may refresh the Scheme Limit from time to time to 10% of the number of Shares in issue ("**New Scheme Limit**") as of the date of the approval by our Shareholders in general meeting ("**New Approval Date**"). Any refreshment within any three-year period from the date of our Shareholders' approval for the last refreshment (or the adoption of the [**REDACTED**] Share Option Scheme) must be approved by our Shareholders subject to the following provisions:

(i) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) abstaining from voting in favor of the relevant resolution at the general meeting of our Company; and

(ii) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules,

and thereafter, as of the date of grant of any options under the [**REDACTED**] Share Option Scheme, the maximum number of Shares in respect of which options may be granted is the New Scheme Limit less the aggregate of the following:

(i) the number of Shares which would be issued on the exercise in full of the options under the [**REDACTED**] Share Option Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company granted on or after the New Approval Date but not canceled or exercised;

(ii) the number of Shares which have been issued and allotted pursuant to the exercise of any options under the [**REDACTED**] Share Option Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company granted on or after the New Approval Date; and

(iii) the number of those Shares which were the subject of options or awards which had been granted on or after the New Approval Date and accepted under the [**REDACTED**] Share Option Scheme or under any other share schemes of our Company but subsequently canceled.

Subject to the approval of our Shareholders in general meeting in compliance with Rule 17.03C(3) of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time, our Board may grant options exceeding the Scheme Limit to Eligible Participants specifically identified by our Board.

The Scheme Limit shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company.

(e) Maximum number of options to any one individual

Our Board shall, subject to and in accordance with the provisions of the [**REDACTED**] Share Option Scheme and the Listing Rules, be entitled to but shall not be bound, at any time on any business day during the Option Scheme Period (as defined in paragraph (j) below) offer to grant an option to any Eligible Participant whom our Board may in its absolute discretion select and subject to such conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before an option can be exercised) as it may think fit.

If our Board determines to offer options under the [**REDACTED**] Share Option Scheme to an Eligible Participant which, when aggregated with any Shares issued or to be issued in respect of all options or awards granted to that person (excluding any options or awards lapsed in accordance with the terms of the relevant schemes) under the [**REDACTED**] Share Option Scheme and the other share schemes of our Company in any 12-month period up to and including the date of such offer, exceed 1% of the number of Shares in issue on the Offer Date:

(i) the grant shall be subject to (a) the issue of a circular by our Company to our Shareholders which shall comply with Rules 17.03D and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time; and (b) the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting; and

(ii) unless provided otherwise in the Listing Rules, the date of the Board meeting at which our Board resolves to grant the proposed options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares.

Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the Offer Date;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;

(gg) the date of expiry of the option as may be determined by our Board;

(hh) the method of acceptance of the option which shall, unless our Board otherwise determines, be as set out in paragraph (c); and

(ii) such other terms and conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of our Board are fair and reasonable but not being inconsistent with the [**REDACTED**] Share Option Scheme and the Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the [**REDACTED**] Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(g) Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued in respect of all options and awards granted to such person under the [**REDACTED**] Share Option Scheme or the other share schemes of our Company (excluding any options and awards lapsed in accordance with the terms of such schemes) in the 12-month period up to and including the Offer Date of representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the Offer Date, such further grant of options will be subject to, in addition to the abovementioned approval of the independent non-executive Directors, the approval of our Shareholders in general meeting in accordance with Rule 17.04(4) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time. Our Company must also send a circular to our Shareholders, which shall contain the following information:

(i) the details of the number and terms (including the information required under Rules 17.03(5) to 17.03(10) and Rule 17.03(19) of the Listing Rules) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting, and the Offer Date (which shall be the date of the Board meeting at which our Board proposes to grant the proposed options to that Eligible Participant);

(ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of our Company and our Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the time of grant of options

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our annual results or our results for half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of our annual results or our results for half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results for such year, half-year, quarterly or interim period (as the case may be) and where an option is granted to a Director, no options shall be granted:

(i) during the period of 60 days immediately preceding the publication date of our annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of our quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

Save for a transfer to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee (including for estate planning or tax planning purposes) that would continue to meet the purpose of the [**REDACTED**] Share Option Scheme and comply with other requirements of the Listing Rules, in which case a waiver must be obtained from the Stock Exchange, an option and offer to grant an option is personal to the grantee and shall not be transferrable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the [**REDACTED**] Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the [**REDACTED**] *Share Option Scheme*

An option may be exercised in accordance with the terms of the [**REDACTED**] Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of five years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than five years after it has been granted. No option may be granted more than five years after the [**REDACTED**]. Subject to earlier termination by our Company in general meeting or by our Board, the [**REDACTED**] Share Option Scheme shall be valid and effective for a period of five years from the [**REDACTED**] ("**Option Scheme Period**").

(k) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the [**REDACTED**] Share Option Scheme can be exercised. The performance targets shall be assessed in accordance with any one or more of the following corporate-wide or subsidiary, division, operating unit, line of business, project, geographical or individual performance measures ("**Performance Measures**") during a specified performance period: cash flow; earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; sales; revenue; Share price; total shareholder return; customer satisfaction metrics; and such other goals as our Board may determine from time to time. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of our Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, investments or to assets or net assets. Our Board may, in its sole discretion, amend or adjust the Performance Measures and establish any special rules and conditions to which the Performance Measures shall be subject at any time.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries:

(i) by any reason other than death, ill-health, injury, disability or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not; or

(ii) by reason of death, ill-health, injury or disability, his/her personal representative(s) may exercise the option within a period of 12 months from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised), failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries on the grounds that he/she has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and our members or creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable as if such compromise or arrangement had not been proposed by our Company.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares to be issued and allotted upon the exercise of options, subject to the provisions of the articles of association of our Company, will carry the same right in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. For the avoidance of doubt, Shares issued upon the exercise of an option shall not be entitled to any rights attaching to Shares by reference to a record date preceding the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an approved independent financial advisor shall at the request of our Company or any grantee, certify in writing either generally or as regards any particular grantee to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance issued by the Stock Exchange on November 6, 2020 and any further guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and/or such other requirement prescribed under the Listing Rules from time to time), rounded to the nearest whole Share, as that to which he/she was entitled to subscribe had he/she exercised all the options held by him/her immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment with our Company or any of our subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by our Board), or has been insolvent, bankrupt or has made compositions with his creditors generally or any other ground as determined by our Board that would warrant the termination of his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board or the board of our relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

Save as provided above in this paragraph (s), no options or shares issued upon the exercise of any options under the [**REDACTED**] Share Option Scheme are subject to any clawback mechanism.

(t) Alteration of the [**REDACTED**] *Share Option Scheme*

The [**REDACTED**] Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any change to the terms of options granted to a grantee must be approved by our Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) if the initial grant of the options was approved by our Board, the Remuneration Committee, the independent non- executive Directors and/or our Shareholders (as the case may be) (except any changes which take effect automatically under the terms of the [**REDACTED**] Share Option Scheme); and

(ii) any alterations to the terms and conditions of the [**REDACTED**] Share Option Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants or any change to the authority of the Directors or the administrators of the [**REDACTED**] Share Option Scheme to alter the terms of the [**REDACTED**] Share Option Scheme must be approved by our Shareholders in general meeting.

The amended terms of the [**REDACTED**] Share Option Scheme shall still comply with Chapter 17 of the Listing Rules.

(u) Cancelation of options

Subject to paragraph (i) above, any cancelation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is canceled pursuant to paragraph (m).

(v) Termination of the [**REDACTED**] *Share Option Scheme*

Our Company may by resolution in general meeting or our Board at any time terminate the [**REDACTED**] Share Option Scheme and in such event no further option shall be offered but the provisions of the [**REDACTED**] Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the [**REDACTED**] Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the [**REDACTED**] Share Option Scheme.

(w) Administration of our Board

The [**REDACTED**] Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the [**REDACTED**] Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the [**REDACTED**] *Share Option Scheme*

The [**REDACTED**] Share Option Scheme shall take effect subject to and is conditional on:

(i) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the [**REDACTED**] Share Option Scheme;

(ii) the Stock Exchange granting the approval for the [**REDACTED**] of, and [**REDACTED**], our Shares which may fall to be issued pursuant to the exercise of options to be granted under the [**REDACTED**] Share Option Scheme;

(iii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional (including, if relevant, as a result of the waiver(s) of any such condition(s)) by the Sole Sponsor and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and not being terminated in accordance with the terms of the [**REDACTED**] Agreements or otherwise; and

(iv) the commencement of [**REDACTED**] in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within twelve calendar months from the adoption date:

(i) the [**REDACTED**] Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the [**REDACTED**] Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the [**REDACTED**] Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the [**REDACTED**] Share Option Scheme in our annual reports and interim reports including the number of options, Offer Date, exercise price, exercise period, vesting period and other information as prescribed under the Listing Rules from time to time during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the [**REDACTED**] *Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the [**REDACTED**] Share Option Scheme.

3. [REDACTED] RSU Scheme

The following is a summary of the principal terms of the [**REDACTED**] RSU Scheme conditionally adopted by our Company pursuant to the resolutions of our then Shareholders passed on [●].

(a) Purpose of the [**REDACTED**] *RSU Scheme*

The [**REDACTED**] RSU Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge their contributions or potential contributions to our Group. The [**REDACTED**] RSU Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(a) motivate the Eligible Participants (as defined in paragraph (b) below) to optimize their performance efficiency for the benefit of our Group; and

(b) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligibility

The Eligible Participants under the [**REDACTED**] RSU Scheme includes any director and employee of our Group (including persons who are granted awards under the [**REDACTED**] RSU Scheme as an inducement to enter into employment contracts with our Group but excluding the Co-founders).

(c) Administration

The [**REDACTED**] RSU Scheme shall be subject to the administration of our Board and the decision of our Board shall be final and binding on all parties. Our Board shall have the right to (i) interpret and construe the provisions of the [**REDACTED**] RSU Scheme, (ii) determine the persons who will be granted an award of restricted share units under the [**REDACTED**] RSU Scheme (the "**Award**"), the terms on which Awards are granted and when the Awards granted pursuant to the [**REDACTED**] RSU Scheme may vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the [**REDACTED**] RSU Scheme as it deems necessary, (iv) appoint one or more independent third party professionals and contractors to assist in the administration

of the [**REDACTED**] RSU Scheme and delegate such powers and/or functions relating to the administration of the [**REDACTED**] RSU Scheme as our Board deems appropriate, and (v) make such other decisions or determinations as it shall deem appropriate in the administration of the [**REDACTED**] RSU Scheme.

(d) Grant of Awards and acceptance of an offer of Awards

On and subject to the terms of the [**REDACTED**] RSU Scheme and the terms and conditions that our Board imposes pursuant to paragraph (c), our Board shall be entitled at any time during the life of the [**REDACTED**] RSU Scheme to make an offer of the grant of an Award (the "**Grant**") to any Eligible Participant, as our Board may in its absolute discretion determine.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of their Award to the attainment of performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (l) below) during a specified performance period) as our Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the [**REDACTED**] RSU Scheme.

A Grant shall be made to an Eligible Participant by a letter and/or any such notice or document in such form as our Board may from time to time determine (the "**Notice of Grant**") and such Grant shall be subject to the terms as specified in the [**REDACTED**] RSU Scheme. The Eligible Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of the [**REDACTED**] RSU Scheme. Such Award shall remain open for acceptance by the Eligible Participant to whom a Grant is made for a period to be determined by our Board, provided that no such Grant shall be open for acceptance after the Scheme Period (as defined in paragraph (k) below) or after the [**REDACTED**] RSU Scheme has been terminated in accordance with the provisions thereof. To the extent that the Award is not accepted within the period determined by our Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

The Notice of Grant shall, among other things, address the following matters:

(a) the Eligible Participant's name, address and occupation;

(b) the date on which the grant of an Award is made to an Eligible Participant (the "**Grant Date**"), being the date of the Notice of Grant;

(c) the manner of acceptance of the Award(s) specified in the Notice of Grant;

(d) the last date for acceptance by the Eligible Participant;

(e) the number of Shares underlying the Award(s);

(f) the vesting schedule and vesting condition (if any); and

(g) such other terms and conditions (including, without limitation, any performance targets as assessed in accordance with the Performance Measures during a specified performance period which must be achieved before the Award can be exercised) relating to the offer of grant of the Award which in the opinion of our Board are fair and reasonable but not being inconsistent with the [**REDACTED**] RSU Scheme and the Listing Rules.

The Notice of Grant shall attach an acceptance notice in such form as our Board may from time to time determine (the "**Acceptance Notice**").

If the Eligible Participant accepts the offer of grant of the Award(s) by signing the Notice of Grant, he/she is required to sign the Acceptance Notice and return it to our Company within the period specified and in a manner prescribed in the Notice of Grant. Upon the receipt from the Eligible Participant of a duly executed Acceptance Notice, the Award(s) is granted to such Eligible Participant, who becomes a grantee in the [**REDACTED**] RSU Scheme (the "**Grantee**").

No Grant shall be made to, nor shall any Grant be capable of acceptance by, any Eligible Participant at a time when the Eligible Participant would or might be prohibited from dealing in the Shares by any applicable rules, regulations or laws.

(e) Maximum number of options to any one individual

If our Board determines to offer of grant of Awards to an Eligible Participant which, when aggregated with any Shares issued or to be issued in respect of all options or awards granted to that person (excluding any options or awards lapsed in accordance with the terms of the relevant schemes) under the [**REDACTED**] RSU Scheme and the other share schemes of our Company in any 12-month period up to and including the Grant Date, exceed 1% of the number of Shares in issue on the Grant Date, that grant shall be subject to (i) the issue of a circular by our Company to the Shareholders which shall comply with Rules 17.03D and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time; and (ii) the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting.

(f) Vesting

Our Board has the sole discretion to determine the vesting schedule and vesting conditions (if any) for any grant of Award(s) to any Grantee, which may also be adjusted and re-determined by our Board from time to time.

The vesting period for any Awards shall not be less than 12 months. Awards may be subject to a shorter vesting period under any of the following circumstances:

(a) where the Awards are granted in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by our Group or with which our Group combines;

(b) where the Shares to be issued upon the vesting of such Awards are subject to a minimum holding period of not less than 12 months and are delivered to an Eligible Participant under his/her compensation arrangements with the Company, including Shares delivered to a non-employee director in respect of such non-employee director's annual retainer;

(c) where the Awards are sign-on or make-whole grants to new Eligible Participants;

(d) where the Awards are subject to performance-based vesting conditions;

(e) where the Awards are granted in batches for administrative or compliance reasons;

(f) where the Awards shall vest evenly over a period of 12 months or more;

(g) where the Awards are subject to a total vesting and holding period of more than 12 months; or

(h) in cases of retirement, separation, retention arrangements, death, disability or a change in control of our Company, our Board may accelerate the vesting of the Awards at its sole discretion.

Upon fulfillment or waiver of the vesting period and vesting conditions (if any) applicable to each of the Grantees, a vesting notice (the "**Vesting Notice**") will be sent to notify the Grantee by our Board by way of e-mail confirming (a) the extent to which the vesting period and vesting conditions (if any) have been fulfilled or waived and, (b) the number of Shares (and, if so clearly specified in the Notice of Grant by our Board in its entire discretion, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) the Grantee will receive.

The Grantee may be required to execute or fulfill certain documents, after Awards are vested, as required by our Board (which may include, without limitation, a certification to the Company that he has complied with all the terms and conditions set out in the [**REDACTED**] RSU Scheme and the Notice of Grant).

If the vesting conditions are not satisfied and no waiver of such condition is granted, the Award shall be cancelled according to conditions as determined by our Board in its absolute discretion.

In the event that the Grantee fails to execute the required documents (if any) within fourteen (14) days after receiving the Vesting Notice, the vested Award(s) will lapse.

Upon receipt of the required documents within the specified time, our Board may decide at its absolute discretion to:

(a) direct and procure the Trustee to, within a reasonable time, transfer the Shares underlying the Awards (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the Grantee which the Company has allotted and issued to the Trustee as fully paid up Shares or which the Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any shareholder of the Company, subject to the Grantee paying all tax, stamp duty, levies and charges applicable to such transfer to the Trustee or as the Trustee directs; or

(b) pay, or direct and procure the Trustee to, within a reasonable time, pay, to the Grantee in cash an amount which represents the value of the Shares underlying the Awards (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) and after deduction or withholding of any tax, levies, stamp duty and other charges applicable to the entitlement of the Grantee and the sale of any Shares to fund such payment and in relation thereto the Grantees shall be responsible for conducting all necessary filings, registration or other administrative proceedings as required by applicable laws, rules or regulations, including but not limited to foreign exchange registration, for their Awards.

Notwithstanding the foregoing, if any relevant parties of the [**REDACTED**] RSU Scheme would or might be prohibited from [**REDACTED**] in the Shares by the Listing Rules or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be allotted and issued or transferred (as the case may be) to the Grantee shall occur as soon as possible after the date when such [**REDACTED**] is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

The Grantee shall be solely liable to pay all taxes and other levies that may be assessed or assessable on any payments made by our Company hereunder and all payments required to be made hereunder and all payments required to be made hereunder by our Company shall be subject to the deduction or withholding of such amounts as our Board may reasonably determine is necessary or desirable by reason of any liability to tax or obligation to account for tax or loss of any relief from tax that may fall on our Group

in respect of, or by reason of such delivery of Shares underlying an Award, and the Grantee agrees to indemnify and keep our Company (for itself and as for its Subsidiaries) indemnified in respect of any such liability, obligation or loss and accepts any claim in respect of such indemnity may be satisfied by set-off against any sums due from our Group to such Grantee from time to time.

Rights on general offer by way of voluntary offer, takeover or otherwise

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to "Rights on general offer by way of scheme of arrangement" below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any Award, our Board shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such Award shall vest and the period within which such Award shall vest. If our Board determines that such Award shall vest, it shall notify the Grantee that the Award shall vest and the period within which such Award shall vest.

Rights on general offer by way of scheme of arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting of any Award, our Board shall, prior to such meetings, determine at its absolute discretion whether such Award shall vest and the period within such Award shall vest. If our Board determines that such Award shall vest, it shall notify the Grantee that the Award shall vest and the period within which such Award shall vest.

Rights on compromise or arrangement between our Company and our members or creditors

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in "Rights on general offer by way of scheme of arrangement" above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, our Board shall determine at its discretion whether such Award shall vest, and the period when such Award shall vest. If our Board determines that such Award shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such Award shall vest.

Rights on winding-up

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any Award, our Board shall determine at its discretion whether such Award shall vest, and the period when such Award shall vest and in the latter case, the unvested Awards must be vested and effected as soon as possible. If our Board determines that such Award shall vest, it shall notify the Grantee that the Award shall vest and the period within which such Award shall vest.

The Shares to be issued upon the vesting of Awards granted pursuant to the [**REDACTED**] RSU Scheme shall be subject to all the provisions of the Memorandum and the Articles for the time being in force and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date on which those Shares are issued. Once the name of a the Eligible Participant has been recorded in the register of members of our Company, such the Eligible Participant shall be entitled to participate in all dividends or other distributions of our Company.

(g) Maximum number of Shares

No Award shall be granted pursuant to the [**REDACTED**] RSU Scheme if as a result of such Grant (assumed accepted), the aggregate number of Shares (being in a board lot or an integral multiple thereof) underlying all grants made pursuant to the [**REDACTED**] RSU Scheme and any other share schemes of the Company (excluding the Awards and the awards that have lapsed or been cancelled in accordance with the rules of the [**REDACTED**] RSU Scheme and other share schemes of the Company) will exceed 6% of the number of Shares in issue (without taking into account the shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]) immediately following the completion of the [**REDACTED**] (the "**Scheme Limit**"). The Company may seek (i) to refresh the Scheme Limit once every three years with Shareholders' approval by way of an ordinary resolution, or (ii) to refresh the Scheme Limit within the aforementioned three-year period with Independent Shareholders' approval by way of an ordinary resolution, in accordance with the Listing Rules.

(h) Granting awards to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Subject to provisions of the [**REDACTED**] RSU Scheme, if our Board determines to offer to grant Awards to a director, chief executive or substantial shareholder of our Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive directors of our Company (and in the event that our Board offers to grant Awards to an independent non-executive director of our Company, the vote of such independent non-executive director shall not be counted for the purposes of approving such grant).

If our Board determines to offer to grant Awards to a director (other than an independent non-executive director) or chief executive of our Company (or any of their respective associates) and that grant would result in the number of Shares issued and to be issued in respect of all awards granted to such person under the [**REDACTED**] RSU Scheme and the other share schemes (excluding any awards lapsed in accordance with the terms of such schemes) in the 12-month period up to and including the Grant Date representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue on the Grant Date, such further grant shall be subject to, in addition to the approval of the independent non-executive directors of the Company as referred to under this paragraph (h), the approval of the Shareholders in general meeting in accordance with Rule 17.04(4) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time.

If our Board determines to offer to grant Awards to a substantial shareholder or an independent non-executive director of our Company (or any of their respective associates) and that grant would result in the number of Shares issued and to be issued in respect of all options and awards granted to such person under the [**REDACTED**] RSU Scheme and the other share schemes (excluding any options and awards lapsed in accordance with the terms of such schemes) in the 12-month period up to and including the Grant Date representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue on the Grant Date, such further grant shall be subject to, in addition to the approval of the independent non-executive directors of our Company as referred to under this paragraph (h), the approval of the Shareholders in general meeting in accordance with Rule 17.04(4) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time.

In the circumstances described in this paragraph (h) which require the approval of the Shareholders in general meeting, our Company must send a circular to the Shareholders, which shall comply with Rule 17.04(5) of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time.

Our Board may not grant any Awards to any Eligible Participants in any of the following circumstances:

(a) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained;

(b) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect the [**REDACTED**] RSU Scheme, unless our Board determines otherwise;

(c) where granting the Award would result in a breach by our Group or any of the directors of any applicable securities laws, rules or regulations; or

(d) but for the relevant waivers from the Stock Exchange or approval of Shareholders, where such grant of Award would result in a breach of the limits as prescribed in the [**REDACTED**] RSU Scheme, or minimum public float requirement as required under the Listing Rules, or would otherwise cause our Company to issue Shares in excess of the permitted amount approved by the Shareholders;

(e) where an Award is to be satisfied by way of issue of new Shares to the Trustee, in any circumstances that cause the total Shares issued or allotted to connected persons (as defined under the Listing Rules) to be in excess of the amount approved by the Shareholders;

and any such grant so made shall be null and void to the extent (and only to the extent) that it falls within the circumstances above.

(i) Restrictions on the time of grant of Awards

For so long as the Shares are [**REDACTED**] on the Stock Exchange, our Board shall not grant any Award after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no Award shall be granted during the period commencing one month immediately preceding the earlier of:

(a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our annual results or the Company's results for half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of our annual results or the Company's results for half-year, quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be).

Where the grant of Awards is to a director of our Company, no Award shall be granted to the directors of our Company: (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(j) Rights are personal to grantee and transferability

Save for a transfer to a vehicle (such as a trust or a private company) for the benefit of the Grantee and any family members of such Grantee (including for estate planning or tax planning purposes) that would continue to meet the purpose of the [**REDACTED**] RSU Scheme and comply with other requirements of the Listing Rules, in which case a waiver must be obtained from the Stock Exchange, an Award and an offer to grant an Award shall be personal to the Grantee and shall not be transferable or assignable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Award held by him/her or any offer relating to the grant of an Award made to him/her or attempt to do so (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the [**REDACTED**] RSU Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any unvested Awards or any part thereof granted to such Grantee.

Subject to this paragraph (j), an Award shall be personal to the Grantee and shall not be assignable or transferable by the Grantee provided that following the Grantee's death, Awards may be transferred by will or by the laws of testacy and distribution within a period of 12 months (or such longer period as our Board may determine) from the date of death to exercise the Awards in full (to the extent not already exercised). The terms of the Scheme and the Notice of Grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

(k) Duration and administration of the [**REDACTED**] *RSU scheme*

Subject to paragraph (q) below and fulfillment of conditions in paragraph (r) below, the [**REDACTED**] RSU Scheme shall be valid and effective for the period of five (5) years commencing on the [**REDACTED**] (the "**Scheme Period**"), after which period no further Awards will be granted, but the provisions of the [**REDACTED**] RSU Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the Awards granted prior thereto or otherwise as may be required in accordance with the provisions of the [**REDACTED**] RSU Scheme and the Awards that are granted during the Scheme Period shall continue to be exercisable in accordance with the [**REDACTED**] RSU Scheme.

Our Company [has] appointed [●] (the "**Trustee**") to assist with the administration and vesting of the Awards granted pursuant to the [**REDACTED**] RSU Scheme and to hold Shares underlying the Awards as applicable. Our Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the Awards upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any shareholder of our Company or purchase existing Shares (through on-market transactions on Stock Exchange in accordance with the Listing Rules and any other applicable laws and regulations) at the prevailing market price to satisfy the Awards upon exercise. Our Company shall procure that sufficient funds are provided to the Trustee by whatever means as our Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of the [**REDACTED**] RSU Scheme.

No instructions may be given by a Grantee to the Trustee in respect of the Award or any other property of the Trust and the Trustee shall not follow instructions given by a Grantee to the Trustee in respect of the Award or any other property of the Trust.

Neither any Grantee nor the Trustee may exercise any voting rights in respect of any Shares underlying the Awards that have not yet vested. The Trustee holding Shares underlying the unvested Awards, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such direction is given.

(l) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the [**REDACTED**] RSU Scheme can be exercised. The performance targets shall be assessed in accordance with any one or more of the following corporate-wide or subsidiary, division, operating unit, line of business, project, geographical or individual performance measures ("**Performance Measures**") during a specified performance period: cash flow; earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; sales; revenue; Share price; total shareholder return; customer satisfaction metrics; and such other goals as our Board may determine from time to time. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of our Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, investments or to assets or net assets. Our Board may, in its sole discretion, amend or adjust the Performance Measures and establish any special rules and conditions to which the Performance Measures shall be subject at any time.

(m) Ranking of Shares

The Awards do not carry any right to vote at general meetings of our Company. No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award pursuant to the [**REDACTED**] RSU Scheme, unless and until such Shares underlying the Award are actually issued or transferred (as the case may be) to the Grantee upon the vesting of the Award and the Grantee's name has been entered in the register of members of our Company as holder of such Shares. Unless otherwise specified by our Board in its entire discretion in the Notice of Grant, the Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

(n) Effect of alterations to capital

In the event of an alteration in the capital structure of our Company whilst any Award has not vested by way of capitalization of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which our Group is a party or in connection with any share option, restricted share or other equity incentive schemes of our Group or in the event of any distribution of the Company's capital assets to the Shareholders on a *pro rata* basis (whether in cash or in specie) (other than dividends paid out of the net profits attributable to the Shareholders for each financial year of our Company), such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the Award so far as unvested as the auditors or an approved independent financial advisor shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a Grantee the same proportion (or rights in respect of the same proportion) of the share capital of the Company as that to which that Grantee was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value. The capacity of the auditors or the approved independent financial advisor in this paragraph (n) is that of experts and not of arbitrators and their certification shall, in absence of manifest error, be final and binding on the Company and the Grantees. The costs of the auditors or the approved independent financial advisor shall be borne by the Company.

(o) Lapse and cancellation

An unvested Award shall be lapsed and cancelled automatically upon the earliest of:

(a) the date of the termination of Grantee's employment or service by our Group for Cause or by reasons that the relevant Subsidiary with which the Grantee is employed ceased to be a subsidiary of the Group; or

(b) the date on which the offer (or, as the case may be, revised offer) referred to in "Rights on general offer by way of scheme of arrangement" of paragraph (f) closes; or

(c) the record date for determining entitlements under the scheme of arrangement referred to in "Rights on compromise or arrangement between our Company and our members or creditors" of paragraph (f); or

(d) the date of the commencement of the winding-up of the Company; or

(e) the date on which the Grantee commits a breach of paragraph (j); or

(f) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

Our Board shall have the right to determine what constitutes cause (the "**Cause**"), whether the Grantee's employment has been terminated for Cause, the effective date of such termination and whether someone is a Competitor, and such determination by our Board shall be final and conclusive. "**Competitor**" means any governmental unit, corporation, partnership, joint venture, trust, individual proprietorship, firm or other enterprise that carries on activities for profit, and shall be deemed to include any affiliates of the aforementioned, that is engaged in or in about to become engaged in any activity of any nature that competes with a product, process, technique, procedure, device or service of our Group;

If the Grantee's employment or service with our Group is terminated for any reason other than for Cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause), our Board shall determine at its absolute discretion and shall notify the Grantee whether any unvested Award granted to such Grantee shall vest and the period within which such Award shall vest. If our Board determines that such Award or any part thereof shall not vest, such Award shall be cancelled automatically with effect from the date on which the Grantee's employment or service is terminated.

Subject to the Companies Act, the Grantee shall return the Shares that he/she has obtained as a result of the vesting of Awards granted pursuant to the [**REDACTED**] RSU Scheme to the Trustee following the occurrence of one of more of the following events:

(a) the Grantee's employment is terminated by the Company or any of its Subsidiaries for Cause or any of the Subsidiaries ceased to be a subsidiary of the Group; or

(b) the Grantee either:

  (i) becomes an officer, director, employee, consultant, advisor, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or

  (ii) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

The Grantee shall not be entitled to sell, transfer or deal with the Shares underlying the Awards granted pursuant to the [**REDACTED**] RSU Scheme upon the occurrence of one or more of the following events:

(a) the Grantee's employment is terminated by the Company or any of its Subsidiaries for Cause or any of its Subsidiaries ceased to be a subsidiary of the Group; or

(b) the Grantee either:

(i) becomes an officer, director, employee, consultant, advisor, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or

(ii) Knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason. If the Grantee sells, transfers or deals with the Shares in breach of this paragraph, the Grantee shall pay our Company the proceeds or consideration obtained as a result of such breach upon demand by our Company.

Our Board may at any time cancel any unvested Awards granted to a Grantee subject to consent by the Grantee. Where the Company cancels unvested Awards and makes a grant of new Awards to the same Grantee, such Grant may only be made with available Awards to the extent not yet granted (excluding the cancelled Awards) within the limits prescribed by paragraph (g) above.

Notwithstanding the aforesaid in this paragraph (o), in each case, our Board may in its absolute discretion decide that any Award shall not be cancelled or determine subject to such conditions or limitations as our Board may decide.

(p) Alteration of the* [REDACTED] *RSU Scheme

The [**REDACTED**] RSU Scheme shall be subject to the administration of our Board in accordance with the Scheme Rules. The terms and conditions of the [**REDACTED**] RSU Scheme and the regulations for the administration and operation of the [**REDACTED**] RSU Scheme (provided that the same are not inconsistent with the [**REDACTED**] RSU Scheme and the Listing Rules) may be altered in any respect by resolution of our Board except that:

(a) any change to the terms of Awards granted to a Grantee must be approved by our Board, the remuneration committee, the independent non-executive directors and/or the shareholders of the Company (as the case may be) if the initial grant of the Awards was approved by our Board, the remuneration

committee, the independent non-executive directors and/or the shareholders of the Company (as the case may be) (except any changes which take effect automatically under the terms of the [**REDACTED**] RSU Scheme); and

(b) any alterations to the terms and conditions of the [**REDACTED**] RSU Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants or any change to the authority of the directors or the administrators of the [**REDACTED**] RSU Scheme to alter the terms of the [**REDACTED**] RSU Scheme must be approved by the Shareholders in general meeting,

provided that the amended terms of the [**REDACTED**] RSU Scheme or the Awards shall remain in compliance with Chapter 17 of the Listing Rules and no alteration shall operate to affect adversely the terms of issue of any Awards granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such Award prior to such alteration except with:

(a) the consent in writing of Grantees holding in aggregate unvested Awards which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of two-thirds in nominal value of all Shares which would fall to be issued upon the exercise of all unvested Awards on that date; or

(b) the sanction of a resolution passed at a meeting of the Grantees (being only those Grantees holding Awards, all or any part of which is unvested as of the time of the meeting at which the resolution is proposed) duly convened and held and carried by a majority consisting of not less than two-thirds of the votes cast upon a show of hands or if a poll is duly demanded, by a majority consisting of not less than two-thirds of the votes cast on a poll.

Written notice of any alterations made in accordance with this paragraph (p) shall be given to all Grantees.

In respect of any meeting of Grantees referred to in this paragraph (p), all the provisions of the Articles as to general meetings of our Company shall mutatis mutandis apply as though the unvested Awards were a class of shares forming part of the capital of the Company except that:

(a) not less than seven days' notice of such meeting shall be given;

(b) a quorum at any such meeting shall be two Grantees present in person or by proxy and holding unvested Awards entitling them to the issue of one-tenth in nominal value of all Shares which would fall to be issued upon the exercise of all unvested Awards unless there is only one Grantee holding all unvested Awards, in which case the quorum shall be one Grantee;

(c) every Grantee present in person or by proxy at any such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Share to which he/she would be entitled upon exercise in full of his/her unvested Awards;

(d) any Grantee present in person or by proxy may demand a poll; and

(e) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven or more than fourteen days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those Grantees who are then present in person or by proxy shall form a quorum and at least seven days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those Grantees who are then present in person or by proxy shall form a quorum.

Our Board may delegate the authority to administer the [**REDACTED**] RSU Scheme to such committee or person(s) as it may see fit.

Our Board's determinations under the [**REDACTED**] RSU Scheme need not be uniform and may be made by it selectively with respect to persons who receive, or are eligible to receive, Awards under it. If a Director is an Eligible Participant he/she may, notwithstanding his/her own interest and subject to the Articles, vote on any Board resolution concerning the [**REDACTED**] RSU Scheme (other than his/her own participation in it), and may retain Awards under it.

(q) Termination

Our Company by ordinary resolution in general meeting or our Board may at any time terminate the operation of the [**REDACTED**] RSU Scheme and in such event no further Awards will be offered but in all other respects the provisions of the [**REDACTED**] RSU Scheme shall remain in full force and effect in respect of Awards which are granted during the life of the [**REDACTED**] RSU Scheme and which remain unvested immediately prior to the termination of the operation of the [**REDACTED**] RSU Scheme.

Upon (a) the expiry of the Scheme Period, or (b) the [**REDACTED**] RSU Scheme is terminated before the expiry of the Scheme Period pursuant to this paragraph (q), whichever is earlier, any Shares underlying the lapsed or unvested Awards held on trust by the Trustee will be sold in the market, following which the Trustee will remit all cash and net proceeds of such sale (after making appropriate deduction in respect of all reasonable costs and expenses) to the Company.

(r) Conditions of the [**REDACTED**] *RSU Scheme*

The [**REDACTED**] RSU Scheme shall take effect subject to and is conditional upon:

(a) the passing of the necessary resolutions by the shareholders of the Company to approve and adopt the rules of the [**REDACTED**] RSU Scheme;

(b) the Stock Exchange granting the approval for the [**REDACTED**] of, and [**REDACTED**], the Shares which may fall to be issued pursuant to the granting, vesting or exercise of the Awards to be granted under the [**REDACTED**] RSU Scheme;

(c) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional (including, if relevant, as a result of the waiver(s) of any such condition(s) by the [**REDACTED**] and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise; and

(d) the commencement of [**REDACTED**] in the Shares on the Stock Exchange.

(s) Disclosure in annual and interim reports

Our Company will disclose details of the [**REDACTED**] RSU Scheme in our annual reports and interim reports including the information as prescribed under the Listing Rules from time to time during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(t) Present status of the [**REDACTED**] *RSU Scheme*

As of the Latest Practicable Date, no Award had been granted or agreed to be granted under the [**REDACTED**] RSU Scheme.

An application has been made to the Stock Exchange for the approval of the [**REDACTED**] of, and [**REDACTED**], the Shares which may be issued under the [**REDACTED**] Share Option Scheme and the [**REDACTED**] RSU Scheme.

E. OTHER INFORMATION

1. Estate Duty

Our Directors confirmed that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and as at the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against any member of our Group, which would have a material adverse effect on our business, financial position or result of operations.

3. Sole Sponsor

As of the Latest Practicable Date,

- approximately 0.41% of the total number of issued Shares was held by Pluto Connection Limited, an indirectly wholly-owned subsidiary of CITIC Securities Company Limited (中信證券股份有限公司), a joint stock limited company established in the PRC with limited liability, the H shares and A shares of which are listed on the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030). CITIC Securities (Hong Kong) Limited, the Sole Sponsor is an indirect wholly-owned subsidiary of CITIC Securities Company Limited. Pluto Connection Limited is regarded as a member of the sponsor group of the Sole Sponsor as defined under the Listing Rules.

- approximately 0.08% of the total number of issued Shares was held by CITIC (Shenzhen) Venture Capital Equity Investment Fund Partnership (Limited Partnership) (中信(深圳)創業投資股權投資基金合夥企業(有限合夥)) ("**CITIC Venture Capital**"). CITIC Group Corporation Ltd. (中國中信集團有限公司), the holding company of the Sole Sponsor, indirectly holds 40% interest in CITIC (Shenzhen) Innovation Equity Investment Management Co., Ltd. (中信(深圳)創新股權投資管理有限公司), the general partner of CITIC Venture Capital.

Notwithstanding the aforesaid, (i) none of the Sole Sponsor, its directors or its directors' close associates collectively holds and will, immediately following the completion of the [**REDACTED**], hold, directly or indirectly, more than 5% of the number of issued Shares of the Company; and (ii) the Sole Sponsor, having conducted its own assessment taking into consideration the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules, considers itself to be independent under Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of US$1.0 million for acting as the sponsor for the [**REDACTED**].

The Sole Sponsor has made an application on our Company's behalf to the Stock Exchange for the approval of the [**REDACTED**] of, and [**REDACTED**], 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

Our Company did not incur any material preliminary expense in relation to the incorporation of our Company.

5. No material adverse change

Saved as disclosed in "Summary—Recent Development and No Material Adverse Change," our Directors confirm that there has been no material adverse change in our Group's financial or trading position since June 30, 2023 (being the date on which the latest audited consolidated financial information of our Group was prepared).

6. Promoter

Our Company has no promoter. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be to Hong Kong stamp duty. The ad valorem rate charged on each of the purchaser and seller as at the date of this document is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Profits from [**REDACTED**] in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

(c) 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 of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualifications
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Fangda Partners	Legal advisers as to PRC laws
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisers
Frost & Sullivan	Industry consultant

9. Consents of experts

Each of the experts named in "—E. Other Information—8. Qualifications of experts" has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, opinions, summaries of opinions and/or references to its names included herein in the form and context in which they respectively appear.

10. Interests of experts in our Company

Save as disclosed in "[**REDACTED**]" and "—E. Other Information—3. Sole Sponsor," none of the persons named in "—E. Other Information—8. Qualifications of experts" is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This document shall have the effect, in an application is made in pursuance of it, of rendering all persons concerned bound by all of 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.

12. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) save as disclosed in "History, Development and Corporate Structure," no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) save as disclosed in "History, Development and Corporate Structure," no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) save as disclosed in "[**REDACTED**]," no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(iv) save as disclosed in "[**REDACTED**]," no commission has been paid or payable for subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of our subsidiaries;

(b) no founder, management or deferred Shares nor any debenture in our Company or any of our subsidiaries have been issued or agreed to be issued;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(d) the principal register of members of our Company will be maintained in the Cayman Islands by [**REDACTED**] and a branch register of members of our Company will be maintained in Hong Kong by [**REDACTED**]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's [**REDACTED**] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [**REDACTED**];

(e) no company within our Group is presently [**REDACTED**] on any stock exchange or traded on any trading system;

(f) our Company has no outstanding convertible debt securities or debentures; and

(g) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

13. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (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.

DOCUMENTS DELIVERED TO THE [REDACTED] OF COMPANIES

The documents attached to a copy of this document and delivered to the [**REDACTED**] of Companies in Hong Kong for registration were

(a) a copy of each of the material contracts referred to in the section headed "Appendix IV—Statutory and General Information–B. Further Information about the Business of the Company—1. Summary of Material Contracts;" and

(b) the written consents referred to in the section headed "Appendix IV—Statutory and General Information—E. Other information—9. Consents of Experts."

DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.xtalpi.com** during a period of 14 days from the date of this document:

(a) the Memorandum and Articles of Association;

(b) the Accountant's Report for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the report from PricewaterhouseCoopers in respect of the [**REDACTED**] financial information, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023;

(e) the legal opinion issued by Fangda Partners, our legal advisers as to PRC law in respect of our Group's business operations and property interests in the PRC;

(f) the letter of advice from Maples and Calder (Hong Kong) LLP, our legal advisers as to Cayman Islands law, summarizing certain aspects of the Companies Act referred to "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of Cayman Islands Company Law and Taxation;"

(g) the industry report issued by Frost & Sullivan (Beijing) Inc. Shanghai Branch Co.;

(h) the Companies Act;

(i) the material contracts referred to in the section headed "Appendix IV—Statutory and General Information—B. Further Information about the Business of the Company—1. Summary of Material Contracts;"

(j) the service agreements and letters of appointment entered into between our Company and each of our Directors referred to in "Appendix IV—Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—2. Particulars of Directors' Service Contracts and Letters of Appointment;"

(k) the written consents referred to in "Appendix IV—Statutory and General Information—E. Other information—9. Consents of Experts;"

(l) the rules of the [**REDACTED**] ESOP;

(m) the rules of the [**REDACTED**] Share Option Scheme; and

(n) the rules of the [**REDACTED**] RSU Scheme.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the full list of all the grantees under the [**REDACTED**] ESOP, containing all the details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.