Application Proof of

InSilico Medicine Cayman TopCo
英矽智能

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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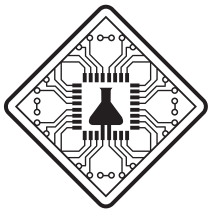

INSILICO MEDICINE

InSilico Medicine Cayman TopCo
英矽智能

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

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

Joint Sponsors

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[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[1]

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EXPECTED TIMETABLE[1]

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EXPECTED TIMETABLE[1]

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SUMMARY

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

OVERVIEW

Founded in 2014, we are a leading and global AI-driven biotech company. Our Core Product, ISM001-055, is a small-molecule drug candidate primarily designed to treat fibrosis-related indications by inhibiting TRAF2 and NCK-interacting protein kinase ("**TNIK**"), a newly identified anti-fibrotic target. As of the Latest Practicable Date, we had a pipeline of 15 drug candidates covering fibrosis, oncology, immunology and other therapeutic areas, six of which had obtained IND approvals for conducting clinical trials.

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

Product Candidate	Target	Mechanism	Indication	Stage of Development	Current Status / Upcoming Milestones
★ ISM001-055	**TNIK**	EMT, FMT, fibroblast macrophage activation	Idiopathic Pulmonary Fibrosis (IPF)[2]	China (NMPA)	Expect to complete Phase IIa in Q4 2024 in China
				U.S. (FDA)	First patient dosed for Phase IIa in February 2024 in the U.S.
			Kidney Fibrosis (KF)		Expect to file an IND application in the first half of 2025
			IPF (Inhalable)		Expect to file an IND application in the third quarter of 2024
ISM3091	**USP1**	Synthetic lethality	BRCA-mutant Cancer	U.S. (FDA) — Out-licensed to Exelixis[3]	Initiated the multicenter Phase Ia in the U.S. in August 2023; clinical development has been transferred to Exelixis
ISM3312	**3CL^{pro}**	Virus replication	COVID-19	China (NMPA)	Expect to complete Phase Ia in April 2024 in China
ISM8207	**QPCTL**	Immune modulation	Advanced / Metastatic Solid Tumors and Relapsed / Refractory B-cell Lymphoid Malignancies	China (NMPA) — Jointly owned and in Collaboration with Fosun[4]	IND approved in China and expect to dose the first patient for Phase I in Q2 2024 in China
ISM5411	**PHD1/2**	Epithelial integrity & anti-inflammation	Inflammatory Bowel Disease (IBD)	China (NMPA)	Expect to complete the Phase I in Australia in the end of 2024; received the IND approval in December 2023 in China, and expect to file an IND application in the U.S. in 2024.
ISM4808		EPO induction and iron utilization	Anemia of Chronic Kidney Disease	China (NMPA)	IND approved in August 2023 in China
ISM6331	**TEAD**	Cell proliferation and survival	Solid Tumors		Expect to file an IND application in the second half of 2024
ISM5939	**ENPP1**	Immune modulation	Solid Tumors		Expect to file an IND application in the second half of 2024
ISM5043	**KAT6**	Epigenetics	ER+ / HER2- Breast Cancer	Out-licensed to Stemline[5]	Expect to file an IND application in the first half of 2024
ISM3412	**MAT2A**	Synthetic lethality	MTAP$^{-/-}$ Cancer		Filed the IND application in China in February 2024; Filed the IND application in the U.S. in March 2024
ISM4312A	**DGKA**	Immune modulation	Solid Tumors	1st Generation	Nominated PCC in December 2022
ISM4525	**DGKA**	Immune modulation	Solid Tumors	2nd Generation	Expect to file an IND application in the second half of 2024
ISM9274	**CDK12/13**	Tumor cell proliferation	Solid Tumors		Expect to file an IND application in the first half of 2025
ISM8001	**FGFR2/3**	Tumor cell proliferation	Solid Tumors		Expect to file an IND application in the first half of 2025
ISM9682	**KIF18A**	Mitotic arrest	Chromosomally Unstable Cancers		Expect to file an IND application in the first half of 2025

★ Core Product Fibrosis Oncology Immunology Others

Abbreviations: TNIK = TRAF2 and NCK interacting kinase; PHD1/2 = prolyl hydroxylase domain-1/2; QPCTL = glutaminyl-peptide cyclotransferase-like; $3CL^{pro}/M^{pro}$ = 3-chymotrypsin-like protease; USP1 = ubiquitin specific peptidase 1; MAT2A = methionine adenosyltrasnferase 2α; DGKA = diacylglycerol kinase alpha; KAT6 = K (lysine) acetyltransferase 6; ENPP1 = ectonucleotide pyrophosphatase/phosphodiesterace 1; CDK12/13 = cyclin dependent kinase 12/13; EMT = epithelial-mesenchymal transition; FMT = fibroblast-to-myofibroblast transition; EPO = erythropoietin; BRCA = breast cancer gene; MTAP = methylthioadenosine phosphorylase; ER = estrogen receptor; HER2 = receptor tyrosine-protein kinase ErbB-2; TEAD = transcriptional enhanced associate domain; FGFR = fibroblast growth factor receptors; KIF18A = kinesin family member 18A; PCC = pre-clinical candidate

Notes:

(1) The discovery stage includes drug target identification, hit identification, hit-to-lead optimization and lead optimization.

(2) FDA granted ISM001-055 the orphan drug designation for its IPF indication.

(3) We entered into an out-licensing agreement with Exelixis in September 2023 that granted Exelixis the right to the research, development, manufacturing and commercialization of ISM3091 worldwide. We completed the transfer of sponsorship of Phase Ia clinical trial of ISM3091 to Exelixis in December 2023 and expect to complete the transition of remaining know-how of ISM3091 according to the agreed development and manufacturing transition plan in the second half of 2024. We are continuously working on the resupply for Phase Ia study during the transition period. As of the Latest Practicable Date, Exelixis was conducting the Phase Ia clinical trial and will be responsible for conducting the Phase Ib clinical trial in the U.S. and all subsequent development, manufacturing and commercialization activities. For additional information, see "Business — Pipeline Drug Development — ISM3091: A Small Molecule Inhibitor of USP1 as a Potential Treatment of Tumors with Homologous Recombination DNA Repair Deficiency — Licenses, Rights and Obligations."

(4) We entered into an agreement with Fosun in November 2021 to co-develop ISM8207. We take the leading role in the clinical development of ISM8207 through Phase I trial, with the roles of each party for the development of ISM8207 from Phase II trial to be negotiated after Phase I trial completion. For additional information, see "Business — Drug Discovery Services — Collaboration with Fosun."

(5) We entered into an exclusive license agreement with Stemline in December 2023 to out-license ISM5043 for its research, development, manufacturing and commercialization for any uses worldwide. For additional information, see "Business — Pipeline Drug Development — ISM5043: A Small Molecule KAT6 Inhibitor as a Potential Treatment of ER+ HER2-Breast Cancer — Out-License of ISM5043."

(6) All programs are designed for oral administration unless otherwise indicated.

OUR BUSINESS MODEL

Our business model consists of pipeline drug development, drug discovery services and software solution services. Our future success will substantially depend on the success of our pipeline drug development business, which includes research and development, and subsequent commercialization upon receipt of marketing authorization of our in-house developed pipeline drug candidates, as well as the out-license of certain pipeline drug candidates in which we retain exclusive ownership of relevant intellectual property rights. Under drug discovery services, we utilize our Pharma.AI to discover targets associated with diseases, identify and further research and develop promising drug candidates for which we collaborate with third parties and thus do not have exclusive ownership of relevant intellectual property rights. Under software solution services, we grant our customers access to our Pharma.AI platform. We enter into subscription agreements with our customers and collect upfront subscription fees for access to Pharma.AI. Since 2021, to tailor customers' needs, we also began to grant rights to use the Chemistry42 software installed on the customer's premises.

The following table sets forth a breakdown of our revenue in absolute amount and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Drug discovery and pipeline development services	28,648	95.0	47,818	93.4
– Pipeline drug development	–	–	39,022	76.2
– Drug discovery services	28,648	95.0	8,796	17.2
Software solution services	1,499	5.0	3,362	6.6
Total	**30,147**	**100.0**	**51,180**	**100.0**

PIPELINE DRUG DEVELOPMENT

We generate revenues from our pipeline drug development business, which includes research and development, and subsequent commercialization upon receipt of marketing authorization of our in-house developed pipeline drug candidates, as well as the out-licensing of certain pipeline drug candidates in which we retain exclusive ownership of relevant intellectual property rights. With respect to in-house developed drug candidates, we intend to generate revenue from the commercialization of such drug candidates after their market launch. As of the Latest Practicable Date, we had no commercialized product and thus did not generate any revenue therefrom. With respect to the drug candidates that out-licensed to third parties, we receive license fees in the form of upfront payments, milestone payments and royalties, among others. During the Track Record Period, revenue generated from our pipeline drug development business only included the revenue generated from the out-license of ISM3091.

Core Product

Our Core Product, ISM001-055, is a potent and selective small molecule inhibitor of TNIK with high affinity as a potential treatment of idiopathic pulmonary fibrosis ("**IPF**"), a chronic and orphan/rare disease that causes scarring of the lungs. Results of the completed Phase I clinical trials in New Zealand and in China demonstrated good safety, tolerability and PK data of ISM001-055 in healthy volunteers. We initiated a Phase IIa clinical trial in China in April 2023 and we expect to complete it in the fourth quarter of 2024. We filed an IND application with the FDA for the Phase IIa trial in the U.S. in February 2023 and received the IND approval from the FDA in June 2023. We dosed the first patient in the Phase IIa clinical trial in the U.S. in February 2024. After successfully completing the Phase IIa study, we intend to initiate Phase IIb and Phase III studies for ISM001-055 for the IPF indication. In addition, we expect to file an IND application for the treatment of kidney fibrosis in the first half of 2025 and another IND application for inhalable ISM001-055 for the treatment of IPF in the third quarter of 2024. Furthermore, ISM001-055 received the orphan drug designation from the FDA in February 2023. For more details, see "Business — Pipeline Drug Development — Core Product ISM001-055: A Small Molecule Inhibitor of TNIK for the Potential Treatment of IPF — Material Communications with Competent Authorities."

Furthermore, the development of our Core Product under new pathways and targeting IPF and fibrotic diseases had a high failure rate historically. Drug candidates targeting fibrotic diseases, including IPF, present specific challenges such as complex pathophysiology, poor diagnosis rates and poor understanding of disease biology. For more details, see "Risk Factors — Risks Related to Drug Discovery and Development — There can be no assurance that we will be successful in developing and/or commercializing our Core Product, as IPF is a rare disease with specific risks associated with conducting clinical trials and a number of previous drug candidates with high relevance to IPF targets have been terminated in the clinical trials stage." However, the failure of other IPF drug candidates will not heighten the risk of failure in the development of the Core Product because the Core Product has demonstrated good safety and efficacy profiles according to our preliminary clinical results.

Addressable Markets and Competitive Landscape of the Core Product

The IPF drug market is small and the market potential of the Core Product could be minimal. According to Frost & Sullivan, the number of new cases of IPF worldwide increased from 544 thousand in 2018 to 585 thousand in 2022, at a CAGR of 1.9%. The number of new cases is expected to continue increasing to 611 thousand in 2025 and to 665 thousand in 2030, with a CAGR of 1.4% and 1.7% from 2022 to 2025 and 2025 to 2030, respectively.

As of the Latest Practicable Date, only pirfenidone and nintedanib have been approved globally for the treatment of IPF. The patents for pirfenidone have already expired. The generics of pirfenidone have been marketed by several manufacturers such as Sandoz. The generics of nintedanib are expected to be marketed for the treatment of IPF in China in 2026 and in the United States in 2029 when the patents relating to nintedanib are expired. We are facing increasing competition with generic drugs. In addition, there are currently over 300 IPF drug candidates in clinical stages, of which 200 are small molecule drugs. ISM001-055 is the only product candidate in the world that has entered into the clinical stage targeting TNIK for the indication of IPF.

Global Competitive Landscape for Approved Original Drugs for IPF

Approved Original Drugs						
Generic Name	Brand Name	Original Drug Manufacturer	FDA Approved Date	Drug Target	Original Drug Approved Region	Indication
pirfenidone	Esbriet®	Roche/Genentech	2014-10-15	TGF-β, TNF-α and interleukin 6	FDA, EMA, PMDA	1. Treatment of idiopathic pulmonary fibrosis (IPF).
nintedanib	OFEV®	Boehringer Ingelheim	2014-10-15	Tyrosine kinases	FDA, EMA, NMPA, PMDA	1. Treatment of idiopathic pulmonary fibrosis (IPF). 2. Treatment of chronic fibrosing interstitial lung diseases (ILDs) with a progressive phenotype. 3. Slowing the rate of decline in pulmonary function in patients with systemic sclerosis-associated interstitial lung disease (SSc-ILD).

Sources: FDA Label, Frost & Sullivan Report

Clinical Stage Candidates

- ISM3091 is an orally available small molecule inhibitor of USP1 with the potential to treat tumors with homologous recombination deficiency. We filed an IND application in both the U.S. and China and received approval by the FDA in April 2023. We initiated a Phase Ia clinical trial in the U.S. in August 2023. We entered into an out-licensing agreement with Exelixis in September 2023 that granted Exelixis the right to the research, development, manufacturing and commercialization of ISM3091 worldwide. For additional information, see "Business — Pipeline Drug Development — ISM3091: A Small Molecule Inhibitor of USP1 as a Potential Treatment of Tumors with Homologous Recombination DNA Repair Deficiency — Licenses, Rights and Obligations."

- ISM3312 is an orally available, irreversible covalent inhibitor of $3CL^{pro}/M^{pro}$, also called 3CL protease or main protease ("**M^{pro}**"), which is a conserved cysteine protease and an essential enzyme for the replication of acute respiratory syndrome coronavirus 2 ("**SARS-CoV-2**"), the causative agent of COVID-19. We initiated a Phase Ia clinical trial in China in March 2023 and expect to complete the Phase Ia clinical trial in April 2024.

- ISM5411 is an oral, gut-restricted small molecule inhibitor of PHD1/2 for the treatment of inflammatory bowel disease ("**IBD**"). We initiated the Phase I clinical trial in Australia in October 2023 and expect to complete the Phase I in Australia in the end of 2024. We filed another IND application for a Phase I clinical trial in China in October 2023 and received the IND approval in December 2023. We plan to initiate the Phase I clinical trial in China in the second quarter of 2024. In addition, we plan to file an IND application for a Phase I clinical trial in the U.S. in 2024.

- ISM4808 is an oral small molecule inhibitor of PHD1/2 for the potential treatment of anemia of chronic kidney disease ("**CKD**"). CKD is a condition characterized by a gradual loss of kidney function to filter wastes from the blood system over time. We obtained our IND approval for a Phase I clinical trial in China in August 2023.

We also have another clinical stage product candidate ISM8207 under drug discovery services. For more details, see "— Drug Discovery Services" below in this section.

Selected Preclinical Stage Candidates

- ISM6331 is expected to be a small molecule pan-TEAD1/2/3/4 inhibitor that works by blocking the transcriptional activity of the TEAD-Yes-associated protein/transcriptional co-activator ("**YAP/TAZ**") complex for the treatment of Hippo pathway dysregulated solid tumors. We expect to file an IND application in the second half of 2024.

- ISM5939 is expected to be a potent, orally available, competitive small molecule inhibitor that targets ENPP1 as a potential cancer therapy. We expect to file an IND application in the second half of 2024.

- ISM5043 is expected to be a new oral small molecule KAT6 inhibitor. The inhibition of KAT6 can block estrogen receptor α ("**ERα**") at a transcriptional level, which potentially provides new therapies for ER+ breast cancer patients. In December 2023, we entered into an Exclusive License Agreement with Stemline Therapeutics Inc. ("**Stemline**"), to grant to Stemline, a worldwide, royalty-bearing, exclusive license, with the right to grant sublicenses, to research, develop and commercialize ISM5043, and any other products incorporating ISM5043. Stemline expects to file an IND application for a Phase I clinical trial of ISM5043 in the U.S. in the first half of 2024. For additional information, see "Business — Pipeline Drug Development — ISM5043: A Small Molecule KAT6 Inhibitor as a Potential Treatment of ER+ HER2-Breast Cancer — Out-License of ISM5043."

- ISM3412 is expected to be a potential best-in-class, orally available small molecule inhibitor of MAT2A, a synthetic lethality target in MTAP deleted, or $MTAP^{-/-}$, cancers. We filed an IND application for a Phase I clinical trial of ISM3412 in China in February 2024 and an IND application in the U.S. in March 2024. We plan to initiate a Phase I clinical trial in China and the U.S. in the first half of 2024.

- ISM4312A is expected to be the first generation of a new oral small molecule DGKA inhibitor for the potential treatment of solid tumors. ISM4525 is the second generation of the oral small molecule DGKA inhibitor. We expect to file an IND application for a Phase I clinical trial of ISM4525 in the second half of 2024.

- ISM9274 is expected to be a potent, selective, and orally available CDK12/13 covalent inhibitor for the potential treatment of solid tumors. We expect to file an IND application for a Phase I clinical trial of ISM9274 in the U.S. in the first half of 2025.

- ISM8001 is expected to be a potent, selective, covalent small molecule inhibitor specific for FGFR2 and FGFR3. We plan to file an IND application for a Phase I clinical trial of ISM8001 in the U.S. in the first half of 2025.

- ISM9682 is expected to be a potent, selective KIF18A inhibitor. We plan to file an IND application for a Phase I clinical trial of ISM9682 in the U.S. in the first half of 2025.

Out-License of ISM3091

In September 2023, we entered into an Exclusive License Agreement ("**Exelixis Agreement**"), with Exelixis, Inc. ("**Exelixis**"). Under the Exelixis Agreement, we have granted Exelixis an exclusive, royalty-bearing, sublicensable license to conduct research and development, manufacturing and commercialization of (i) ISM3091 and any other USP1-targeting compounds controlled by us (the "**Compounds**") and (ii) any pharmaceutical drug products containing one of the Compounds as an active ingredient in any form and for any mode of administration (the "**Products**") for any use worldwide. Exelixis (Nasdaq: EXEL) is an oncology company innovating next-generation medicines and regimens at the forefront of cancer care. Exelixis is an Independent Third Party to us.

We should disclose and make available to Exelixis all our know-how existing and not previously provided to Exelixis in relation to ISM3091, including the documents, materials, samples, and information according to the agreed development and manufacturing transition plan. As of the Latest Practicable Date, we had completed the transition of sponsorship of ISM3091 Phase Ia clinical trial to Exelixis in December 2023. Exelixis is now the sponsor of ISM3091 and is responsible to conduct the rest of the Phase Ia and all subsequent clinical development of ISM3091 in the United States and other countries globally, upon Exelixis' clinical development strategy. We plan to complete the transition of manufacturing of ISM3091 to Exelixis according to the agreed development and manufacturing transition plan in the second half of 2024. Exelixis will be responsible for subsequent development, manufacturing of ISM3091 and future commercialization activities after the transition is fully completed. Exelixis must use commercially reasonable efforts to obtain regulatory approval for, and commercialize at least one product for which regulatory approval is obtained, in each of (i) the U.S., (ii) the UK or one major EU market, and (iii) Japan or China.

In consideration of the licenses and rights granted to Exelixis, Exelixis paid us a non-refundable upfront payment of US$80.0 million, and shall pay us (i) development milestone payments of up to US$100.0 million upon the achievement of 15th patient dosed in Phase Ia study, first patient dosed in Phase Ib study and first patient dosed in Phase III with ISM3091; (ii) commercial milestone payments of up to US$100.0 million upon the achievement of the first commercial sale of the Products in certain geographic markets; (iii) sales-based milestone payments of up to US$675.0 million upon the achievement of certain thresholds of aggregate annual net sales of the Products worldwide; and (iv) tiered royalty payments calculated as a percentage ranging from mid-single digits to low teens of annual net sales of the Products worldwide.

For more details, see "Business — Pipeline Drug Development — ISM3091: A Small Molecule Inhibitor of USP1 as a Potential Treatment of Tumors with Homologous Recombination DNA Repair Deficiency — Licenses, Rights and Obligations."

Out-License of ISM5043

In December 2023, we entered into an Exclusive License Agreement (the "**Stemline Agreement**") with Stemline Therapeutics Inc. ("**Stemline**"), a commercial-stage biopharmaceutical company and a wholly-owned subsidiary of the Menarini Group, to grant to Stemline a worldwide, royalty-bearing, exclusive license, with the right to grant sublicenses, to research, develop and commercialize ISM5043, the small molecule KAT6 inhibitor (the "**Licensed Compound**") and any other products incorporating ISM5043 (the "**Licensed Product**"). Stemline shall have the right to grant sublicenses to its affiliates and third parties. Stemline is an Independent Third Party to us.

Under the Stemline Agreement, Stemline and we intend to collaborate on development of the Licensed Compound or Licensed Product, pursuant to a written research and development plan. We shall be responsible for certain development activities related to chemistry, manufacturing and controls, toxicology and preclinical studies and providing regulatory and clinical support. Stemline shall reimburse us for half of the costs directly incurred in

connection with the performance of our development activities set forth in the research and development plan, up to a specified maximum total documented costs and up to a specified reimbursement sum. Stemline shall further reimburse us for half of all development costs exceeding such maximums, provided that Stemline has approved such excess amounts in advance.

Stemline will have the sole right and responsibility for all other activities relating to the development and commercialization of each Licensed Product, including developing and commercializing at least one Licensed Product to support regulatory approval in each of the major markets (the U.S., Europe, China and Japan). Except for our development activities described above, Stemline shall be responsible for the full cost of development activities for the Licensed Product. In addition, Stemline shall have the sole and exclusive right and responsibility, at its expense, for manufacturing and commercialization of ISM5043 and Licensed Products for human use worldwide.

Under the Stemline Agreement, Stemline has agreed to make various payments to us, including but not limited to an upfront payment, development and regulatory milestone payments, sales milestone payments and royalty payments. We are entitled to receive US$12.0 million in upfront payment. We are entitled to receive up to US$150.0 million in development and regulatory milestone payments for milestones including (i) the submission of an IND in a Major Market; (ii) the initiation of Phase Ia and Phase Ib clinical trials; (iii) the initiation of a Phase III clinical trial; and (iv) the receipt of regulatory approvals by the FDA, EMA, PMDA and NMPA. We are also entitled to receive an aggregate of up to US$344.0 million in sales milestones based on the achievement of specific preset annual net sales thresholds in the world. Stemline will make royalty payments to us on a Licensed Product-by-Licensed Product and country-by-country basis upon the achievement of specific preset thresholds for a product's annual net sales. The royalty rate increases as the product's annual net sales increase, with the rate ranging from a mid-single digit percentage to a low double-digit percentage.

As of the Latest Practicable Date, we had received total upfront payments of US$12.0 million from Stemline, and Stemline expects to file an IND application in the first half of 2024.

For more details, see "Business — Pipeline Drug Development — ISM5043: A Small Molecule KAT6 Inhibitor as a Potential Treatment of ER+ HER2- Breast Cancer — Out-License of ISM5043."

DRUG DISCOVERY SERVICES

We generate revenues from our drug discovery services. Under drug discovery and collaboration arrangements, we utilize our Pharma.AI to discover targets associated with diseases, identify and further research and develop promising drug candidates for which we collaborate with third parties and thus do not have exclusive ownership of relevant intellectual property rights. We receive service fees in the form of upfront payments, milestone payments, royalties and contingent payments, among others, in connection with our drug discovery services.

In 2022 and 2023, we provided drug discovery services to 42 and 51 customers respectively. The following sets forth details of two material drug discovery projects and collaboration arrangements during the Track Record Period and as of the Latest Practicable Date.

Collaboration with Fosun

In November 2021, we entered into a Drug Discovery and Development Collaboration Agreement (as amended and supplemented from time to time, the "**Fosun Agreement**") with Fosun. We will provide certain drug discovery and development services for up to four discovery programs (the "**Discovery Programs**") to discover and identify small molecule chemical entities directed at certain targets selected by Fosun and approved by us. We also agreed to work with Fosun on the discovery and development of ISM8207 (the "**QPCTL Project**") through the completion of Phase I trial, for which we are to take the leading role. ISM8207 is an orally available small molecule inhibitor of QPCTL, a regulator of the CD47-SIRPα axis, designed as a cancer immunotherapy. Upon the identification of small molecule chemical entities for the targets chosen by Fosun, we will provide an initial discovery report to the JSC. For the 90-day period after the JSC receives the initial discovery report for a Discovery Program, Fosun has the option to exercise the PCC Election Option. For Discovery Programs, when Fosun has exercised the PCC Election Option and paid in full the PCC Election Option Exercise Fee (i.e. US$1.5 million each), we shall carry out the development of the Discovery Program until submission of the first IND application. As of the Latest Practicable Date, all four Discovery Programs were on-going. For the QPCTL Project, Fosun has exercised its PCC election option and we have obtained IND approval for Phase I clinical trial in China. The Phase I clinical trial will be sponsored and conducted by us only, and R&D costs will be equally split between Fosun and us.

In consideration of the rights granted and obligations undertaken by us under the Fosun Agreement with respect to the Discovery Programs, Fosun will pay us (a) a project initiation fee in the amount of US$3.0 million for the initial batch of up to two Discovery Programs that Fosun selects and (b) a project initiation fee in the amount of US$1.5 million for each of the other batch of up to two Discovery Programs that Fosun selects. For each target for which Fosun has exercised its PCC election option to assume responsibilities for the Discovery Program and paid us the PCC election option exercise fee, we are entitled to receive an aggregated amount of US$3.0 million in milestone payment on a Discovery Program-by-Discovery Program basis. The service milestone events include completion of GLP-toxicology studies and acceptance by applicable regulatory authority of first IND application filing in any country. We are responsible for all the costs associated with the discovery and research activities up until the submission of the first IND application filing. Thereafter, Fosun is responsible for all costs related to further development and commercialization activities.

With respect to the QPCTL Project, Fosun has agreed to make an upfront payment of US$7.0 million to us. In the event that Fosun exercises the PCC election option with respect to the QPCTL Project and paid in full the PCC election option exercise fee, we are entitled to an aggregated amount of US$48.0 million of service milestone payment. The service milestone events include acceptance by applicable regulatory authority of first IND application filing in any of the NMPA, FDA, CDE, EMA or PMDA, the first initiation of a Phase I, II or III clinical trial and first marketing approval in any of the NMPA, FDA, CDE, EMA or PMDA. In addition, Fosun and us will equally share (50-50) all R&D costs in connection with the performance of the QPCTL Project research plan through the completion of Phase I trials, with additional cost sharing arrangement beyond Phase I to be set out in a separate written agreement and equally share (50-50) all profits/losses of QPCTL Project from the date of the first commercial sale during the profit-sharing term in accordance with the Fosun Agreement. Commercialization costs of QPCTL Project will be shared between Fosun and us with the percentage subject to further negotiation.

Fosun has the option to acquire rights for such Discovery Program and thereafter assume all further research, development, and commercialization responsibilities by notifying us in writing at any time during the agreed PCC option term and pay us the PCC election option exercise fee. In consideration of Fosun's exercise of the PCC election option with respect to a Discovery Program, Fosun will pay us an option exercise fee of US$1.5 million. In consideration of Fosun's exercise of the PCC election option with respect to the QPCTL Project, Fosun will pay us an option exercise fee of US$3.0 million. In the event that Fosun exercises the PCC election option with respect to the QPCTL Project and fully pays the PCC election option exercise fee, Fosun becomes entitled to the continued participation in the development and commercialization of the QPCTL Project. Upon the exercise of the PCC election option, we take the leading role in the clinical development of drug candidates for QPCTL Project through Phase I trial with costs split evenly between Fosun and us. The parties will negotiate each party's rights and responsibilities with respect to the further development, commercialization, and exploitation of ISM8207 after the completion of Phase I clinical trial.

In 2022 and 2023, the amount of revenue recognized by the Group in relation to the Fosun Agreement was US$17.1 million and US$3.4 million, respectively. As of December 31, 2023, we received a total payment of US$7.0 million, which consists of an upfront payment of US$6.0 million and a milestone payment of US$1.0 million for the Discovery Programs, and a total payment of US$12.6 million, which consists of an upfront payment of US$7.0 million, the PCC election option fee of US$3.0 million and R&D cost sharing charges of US$2.6 million for the QPCTL Project.

As of the Latest Practicable Date, the Discovery Programs were progressing according to their respective research plans, and for the QPCTL Project, we have obtained IND approval for Phase I clinical trial in China. For more details, see "Business — Drug Discovery Services — Collaboration with Fosun."

Collaboration with Sanofi

In October 2022, we entered into a Collaboration and License Agreement (the "**Sanofi Agreement**") with Genzyme Corporation, a wholly-owned subsidiary of Sanofi S.A., a French multinational pharmaceutical and healthcare company listed in both Euronext Paris and Nasdaq stock markets ("**Sanofi**"). Sanofi is an Independent Third Party to us.

Under the Sanofi Agreement, we will collaborate with Sanofi to carry out target-based research programs leveraging our technology to accelerate the identification of development candidates for up to six collaboration targets, including the conduct of research activities in accordance with the research plan for each collaboration target. Targets from our (i) existing or potential internal pipelines, including those involving IPF and fibrosis-related research efforts, (ii) collaboration with existing third-party collaborators, or (iii) AI platform demonstration purposes are excluded from collaboration with Sanofi. Therefore, the collaboration with Sanofi will not directly compete with our existing R&D efforts.

We will provide written reports and supporting data and information to Sanofi that meet pre-specified criteria relating to the collaboration targets. Sanofi will have the right to perform, at Sanofi's cost, chemistry, manufacturing and control activities and, other research activities under the research plan, and will notify us regarding whether Sanofi elects to designate any research compound to be progressed to clinical drug development activities. Sanofi will have the exclusive right to control all clinical drug development activities and any regulatory matters, including any filings, correspondence and communication of regulatory materials with regulatory authorities, and have the exclusive right and control over the commercialization of the compounds.

Under the Sanofi Agreement, Sanofi has agreed to make various payments to us, including but not limited to, an upfront payment, milestone payments and royalty payments. We invoiced and received from Sanofi a total upfront payment of US$12.5 million, which covers three identified collaboration targets. If Sanofi designates three additional collaboration targets, out of a maximum of six collaboration targets stipulated in the Sanofi Agreement, we are entitled to receive an additional US$9.0 million in upfront payment. With respect to each collaboration target, we are entitled to a maximum aggregate of US$200.5 million of milestone payments, and such milestones include (a) an aggregate of US$18.5 million of research milestones, which include the achievement of specific research criteria up to the designation of development candidate by Sanofi with respect to such collaboration targets, (b) an aggregate of US$82.0 million of development and regulatory milestones, which include the initiation of the first Phase I, Phase II and Phase III clinical trial, as well as the first commercial sale in (i) the U.S., (ii) China or Japan, and (iii) any of the UK, France, Germany, Italy or Spain (each, a "**Major Country**"), and (c) an aggregate of US$100.0 million of sales milestones, which include the achievement of specific levels of the annual net sales in the world. For royalty payments, upon the achievement of specific preset thresholds for a product's annual net sales, Sanofi will make royalty payments to us calculated as a certain percentage of that product's annual net sales. The royalty rate increases as the product's annual net sales increases, with the rate ranging from 6% to 12%.

As of the Latest Practicable Date, we received total upfront payment of US$12.5 million from Sanofi. In 2022 and 2023, the amount of revenue recognized by the Group in relation to the Sanofi Agreement was US$8.3 million and US$4.2 million, respectively.

As at the Latest Practicable Date, three collaboration targets have been identified by Sanofi. The projects are in progress according to their respective research plans. For more details, see "Business — Drug Discovery Services — Collaboration with Sanofi."

OUR SOFTWARE SOLUTION SERVICES AND PHARMA.AI PLATFORM

Software Solution Services

We generate revenue by granting our customers access to three components of our Pharma.AI, namely Biology42, Chemistry42 and Medicine42. We enter into subscription agreements with our customers and collect upfront subscription fees for access to the hosted software platform. In 2021, to tailor to customers' needs, we also began to grant rights to use the Chemistry42 software installed on the customer's premises and collect subscription fees. Our pricing policies are determined based on cost and market positioning. We set the price taking into account certain factors, such as the number of subscription account, the number of sites for installment, as well as the nature of the customer (whether it is a not-for-profit organization such as an institution or university, or a for-profit organization).

Under the hosted software arrangements, each of the Pharma.AI components are licensed out on an as-required basis. We do not restrict any components or functionalities for internal use only. We charge subscription fees from providing our customers with access to our Pharma.AI. The subscription agreement is typically of a one-year term, with fees collected upfront. Subscription fees vary depending on the Pharma.AI components ordered, the number of accounts and the subscription period. Currently, the maximum one-year subscription fee for hosted software is US$150,000. Under the on-premise software arrangements, we grant customers the right to use our Chemistry42 on the device or cloud specified and controlled by the customer for a specified term, typically for one year, renewable. The installation fees are of one-off nature included in the first year's subscription fee. Currently, the maximum one-year subscription fee for on-premise software is US$500,000.

Pharma.AI

Our Pharma.AI consists of Biology42, Chemistry42 and Medicine42 integrated into our easy-to-use Copilot application interface layer, enabling a user to directly request specific data from the platform or instruct the Pharma.AI platform to perform specific tasks, such as target identification and small molecule generation:

- *Biology42 — Discovery and prioritization of new targets.* The Biology42 platform is composed of three applications: PandaOmics, Generative Biologics and Life Star 1. PandaOmics enables systems biology research across multiple data types, including multi-omics and text data, and deploys AI-driven analytical capabilities to facilitate the discovery of new targets or the prioritization of established targets against diseases of interest. PandaOmics provides target and biomarker identification through gene- and pathway-level analysis, including correlation of molecular features with clinical data. To enable target and biomarker ranking, PandaOmics uses disease-specific models that leverage omics data models built from data such as gene expression, methylation, proteomics and genetic information, and text data models built from correlations derived from publications, clinical trials and grant applications. Generative Biologics uses generative models to design and evaluate proteins, predict protein interactions and analyze generated protein sequences. It is a robust and scalable platform that operates in the cloud environment and performs protein generation for selected therapeutic targets. Leveraging several generative frameworks, the platform delivers diverse and new protein sequences annotated with specific molecular properties. Through the use of an automation interface, the Life Star 1 application integrates lab capabilities with our generative AI framework to profile, identify and validate new targets, biomarkers and compounds. For example, the Life Star 1 will profile incoming cell line samples by imaging and sequencing incoming cell line samples. The generated data is then analyzed using PandaOmics' algorithms to identify potential candidate targets, compounds and biomarkers of interest. The Life Star 1 further facilitates the maintenance and testing of these cell line samples to determine if the desired effect can be achieved through the application of the selected targets, compounds and biomarkers.

- *Chemistry42 — Generation of new small molecules.* The Chemistry42 platform is composed of four applications: Generative Chemistry, Golden Cubes, ADMET Predictors and Alchemistry. Generative Chemistry is a small molecule design platform with generative chemistry capabilities to identify and facilitate the synthesis of new drug structures. It leverages the power of automated machine learning, accesses structure-based and ligand-based drug design and discovers new and diverse molecules for targets of interest, whether new or known. Generative Chemistry has a generative module and a reward module. Generative module consists of generative AI models that generate small molecule structures. Once each structure is generated, it is passed to the reward module, which evaluates the quality of the structure and feeds the results back to the generative module so that it learns to navigate through chemical space in the right way. Reward module consists of models and approaches that score or profile the generated structure. As a part of the virtual screening workflow in Generative Chemistry, the reward module could be used alone to evaluate structures submitted by a user. Golden Cubes is an application that enables the profiling of small molecules. Golden Cubes module can assess the likelihood that a given kinase will be affected by a drug candidate based on its

molecular structure. This information can be used to select candidate molecules that minimize severe side effects. ADMET predictors is an application that comprises machine learning models designed to predict key absorption, distribution, metabolism, excretion and toxicity ("**ADMET**") properties for small molecules. These models offer instrumental support during the hit-to-lead and lead optimization stages of drug discovery. They can be employed independently to annotate compound libraries or incorporated into a reward function to guide generative experiments towards the desired properties. Alchemistry is an application that offers accurate calculations of binding free energy estimates utilizing physics-based methods. This application is instrumental in swiftly and effectively prioritizing compounds for synthesis and testing at various stages of drug discovery. The combined capabilities of the applications under the Chemistry42 platform allows for the rapid evaluation of the drug-like properties of molecules generated by the platform, such as metabolic stability and their physicochemical profiles, leading to further optimization and eventual selection of lead preclinical candidates.

- *Medicine42 — Prediction of clinical trial outcomes.* The Medicine42 platform is composed of the inClinico application. inClinico is a multi-engine, generative AI clinical trial analysis application that can predict clinical trial outcomes and recognize potential weak points in trial design. It uses advanced AI algorithms to analyze various types of data and information, including the chemical structures of drugs, data from past clinical trials, trial protocols, publicly available publications, grants and patents. The goal is to identify correlations and construct a biomedical knowledge graph, which is then used to train machine learning models. These models are then used to predict the probability of a trial's success and to assess the influence of specific trial design features on the overall probability of success. We are applying InClinico to help prioritize drug development programs, identify suitable indications for a product candidate and design optimized clinical trial protocols. In addition, InClinico is a tool to evaluate the pipelines of biopharmaceutical companies and drive insight on the likely clinical trial outcomes for each program.

OUR STRENGTHS

- A potentially first-in-class anti-fibrotic drug candidate with clinical differentiation;
- Comprehensive and diversified pipeline targeting multiple therapeutic areas with considerable market potential;
- End-to-end generative AI-driven platform designed to integrate biology, chemistry and clinical development; and
- A global organization focused on technological innovation and R&D execution.

OUR STRATEGIES

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

RESEARCH AND DEVELOPMENT

As of the Latest Practicable Date, we have established a research and development team with 289 experienced scientists. More than 85% of them have obtained a master's or above degree. Among the 289 R&D team members, 42 focuses on the R&D of the Core Product and 83% of them hold master or doctoral degrees in the relevant fields. Substantially all core R&D personnel involved in the development of the Core Product remained employed by us during the Track Record Period and as of the Latest Practicable Date. Most of our core R&D team members, team leaders and project leaders are from top universities and research institutes globally, including Harvard University, The University of Texas at Austin, Boston College, Karolinska Institute, Peking University, Tsing Hua University, University of Science and Technology of China and Fudan University. They have on average seven years of experience in the drug discovery field, including working experiences at global big pharma companies such as GSK, Eli Lilly, Novartis, Roche, Johnson & Johnson and Amgen.

Our clinical development team is led by Dr. Sujata Rao, our Chief Medical Officer, a seasoned executive physician with over 30 years of clinical development and medical affairs experience in executive roles and operating experience at biopharmaceutical companies. As of the Latest Practicable Date, our clinical development team consisted of 22 employees with seven years of working experience on average on trial design, trial execution and trial development. Among those 22 employees, 16 hold master's or doctoral degrees. Our clinical development team's responsibilities include implementation of our clinical development strategy, including the design of clinical development plans, the establishment of quality assurance and control systems, the execution of clinical trial operations, the performance of data analysis and programming and the procurement of clinical supplies.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we held 360 patents and patent applications. The following table sets forth an overview of our material granted patents and filed patent applications for our Core Product as of the Latest Practicable Date.

Product	Name of patent[1]	Jurisdiction	Status	Patent expiration[2]	Market commercial rights of the Group
ISM001-055	Kinase Inhibitors	U.S.	Granted	2040/2/20	Full ownership
		U.S., EPO[3], Mainland China, Japan, Hong Kong, Taiwan	Pending	–	Full ownership
	Methods of Inhibiting Kinases	U.S.	Granted	2040/2/20	Full ownership
		Taiwan	Granted	2040/2/24	Full ownership
		U.S.	Pending	–	Full ownership
	Analogs for The Treatment of Diseases[5]	U.S.	Granted	2042/2/23	Full ownership
		Taiwan, Argentina, U.S., Australia, Canada, Mainland China, India, Korea, EPO, Japan, Singapore	Pending	–	Full ownership
	Analogs for The Treatment of Diseases[5]	PCT[4], U.S., EPO	Pending	–	Full ownership
	Methods of Manufacturing Kinase Inhibitors	PCT, Taiwan, Argentina	Pending	–	Full ownership
	Cystalline TNIK Inhibitor and Uses Thereof	PCT	Pending	–	Full ownership
	Pharmaceutical Formulations for Inhalation and Uses Thereof	PCT	Pending	–	Full ownership

Notes:

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

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

(3) EPO: European Patent Office. The EPO provides a single patent grant procedure and grants patents covering the contracting states to the European Patent Convention and several other states that have concluded extension and validation agreements with the EPO. The EPO currently has 39 member states.

(4) PCT: Patent Cooperation Treaty. The PCT is an international patent law treaty that provides a unified procedure for filing patent applications to protect inventions in each of its contracting states. A patent application filed under the PCT is called PCT application. To date, 157 jurisdictions, including China and the United States, are parties to the PCT.

(5) The names of the two patent applications are the same.

We conduct our business under the brand name "Insilico Medicine" and "英矽智能." As of the Latest Practicable Date, we held 101 trademarks and trademark applications and 13 registered software copyrights. We are also the registered owner of 56 domain names. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

CUSTOMERS

The total revenue generated from our five largest customers in each period during the Track Record Period amounted to US$27.3 million and US$48.2 million in 2022 and 2023, respectively. Our five largest customers in 2022 and 2023 accounted for 90.6% and 94.1% of our total revenues during those periods, and our largest customer accounted for 56.6% and 76.2% of our total revenues during those periods. We normally grant a credit term of 10 days to 60 days to our customers. None of our five largest customers in each period during the Track Record Period is a supplier to us.

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

SUPPLIERS

During the Track Record Period, our purchases mainly included third-party contracting services for preclinical evaluation and clinical trials of our drug candidates, regents and consumables, machines and equipment and professional service. The purchases (including assets and services) from our five largest suppliers in each period during the Track Record Period in aggregate amounted to US$42.6 million and US$39.0 million in 2022 and 2023. In 2022 and 2023, our five largest suppliers in aggregate accounted for 49.5% and 43.0% of our total purchases during those periods, and our largest supplier in each period during the Track Record Period in aggregate accounted for 24.0% and 17.2% of our total purchases (including value-added tax) during those periods.

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

OUR [REDACTED] INVESTORS

Since the establishment of our Group, we have entered into several rounds of financing agreements with our [**REDACTED**] Investors. Our [**REDACTED**] Investors mainly consist of private equity and venture capital funds and other investment entities, some of which have a specific focus on the healthcare industry. Qiming Venture Partners and Lilly Asia Ventures, being two of our [**REDACTED**] Investors, are Sophisticated Investors identified pursuant to Chapter 2.3 of the Guide for New Listing Applicants issued by the Stock Exchange. See "History, Reorganization and Corporate Structure — [**REDACTED**] Investments — Information about the [**REDACTED**] Investors" for further details on the identity and background of our [**REDACTED**] Investors.

SUMMARY OF KEY FINANCIAL INFORMATION

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

	Year ended December 31,	
	2022	**2023**
	US$	*US$*
	(in thousands)	
Revenue	30,147	51,180
Cost of services	(11,037)	(12,611)
Gross Profit	19,110	38,569
Selling and marketing expenses	(5,375)	(7,774)
Research and development expenses	(78,175)	(97,341)
Administrative expenses	(15,442)	(17,344)
Other gains and losses, net	(3,775)	319
Loss from changes in fair value of financial liabilities at FVTPL	(138,100)	(126,133)
Total comprehensive expenses for the year	(221,034)	(211,412)

Non-IFRS Measure

We adopt the adjusted net loss for the year/period (non-IFRS measure), which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company. We believe that the non-IFRS measure provides useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

We recorded adjusted loss (non-IFRS measure) of US$70.8 million for 2022 and US$67.4 million for 2023. We define adjusted loss (non-IFRS measure) as loss for the year adjusted by adding back loss from changes in fair value of financial liabilities at FVTPL, share-based compensation expenses and [**REDACTED**]. The following table reconciles our adjusted loss (non-IFRS measure) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the periods indicated:

	For the year ended December 31,	
	2022	**2023**
	US$	*US$*
	(in thousands)	
Loss for the year	(221,828)	(211,640)
Add:		
Loss from changes in fair value of financial liabilities at FVTPL	138,100	126,133
Share-based compensation expenses	12,924	10,791
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted loss (non-IFRS measure)	**(70,804)**	**(67,361)**

Loss from changes in fair value of financial liabilities at FVTPL represent the fair value changes of convertible redeemable preferred shares we issued. The convertible preferred shares will automatically convert into ordinary shares upon the completion of the [**REDACTED**], and no further loss or gain on fair value changes is expected to be recognized afterwards. Our share-based compensation expenses relate to the expenses associated with equity compensation to retain and reward persons performing services to us, which are non-cash in nature. [**REDACTED**] relate to this [**REDACTED**] of the Company. We therefore believe that these items should be adjusted for when calculating our adjusted net loss (non-IFRS measure). We have made the adjustments consistently during the Track Record Period complying with Chapter 3.11 of the Guide for New Listing Applicants issued by the Stock Exchange. However, our presentation of such non-IFRS measure may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

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

Our net loss was US$221.8 million and US$211.6 million for 2022 and 2023. Our net loss was primarily attributable to changes in the fair value of our preferred shares.

We generate revenues from our pipeline drug development business, which includes research and development, and subsequent commercialization upon receipt of marketing authorization of our in-house developed pipeline drug candidates, as well as the out-licensing of certain pipeline drug candidates in which we retain exclusive ownership of relevant intellectual property rights. With respect to in-house developed drug candidates, we intend to generate revenue from the commercialization of such drug candidates after their market launch. As of the Latest Practicable Date, we had no commercialized product and thus did not generate any revenue therefrom. With respect to the drug candidates that out-licensed to third parties, we receive license fees in the form of upfront payments, milestone payments and royalties, among others. During the Track Record Period, revenue generated from our pipeline drug development business only included the revenue generated from the out-license of ISM3091.

We generate revenues from our drug discovery services. Under drug discovery and collaboration arrangements, we utilize our Pharma.AI to discover targets associated with diseases, identify and further research and develop promising drug candidates for which we collaborate with third parties and thus do not have exclusive ownership of relevant intellectual property rights. We receive service fees in the form of upfront payments, milestone payments, royalties and contingent payments, among others, in connection with our drug discovery services.

We generate revenue by granting our customers access to our Pharma.AI. We enter into subscription agreements with our customers and collect upfront subscription fees for access to the hosted software platform Pharma.AI or grant rights to use the Chemistry42 software installed on the customer's premises. Our subscription agreements typically have one-year terms.

During the Track Record Period, our cost of services mainly consisted of third-party contracting costs and labor costs in relation to pipeline drug development business and drug discovery services. The pipeline drug development business and drug discovery services are both performed by our research and development specialists. In 2022, our external services significantly increased. Therefore, we recorded cost of services of US$11.0 million and US$12.6 million in 2022 and 2023, respectively, and will continue to record cost of services going forward. Third-party contracting costs include fees paid to CROs pursuant to services agreements we have entered into with them. For details on our CRO services agreements and fees paid thereunder, see "Business — Research and Development — Collaboration with CROs and CDMOs." Labor costs primarily include salaries, welfare and pension costs for our research and development employees.

During the Track Record Period, we recorded cost of sales of nil for our software solution services. Our software research and development specialists spend the majority of their time devoted to internal research and development activities and continuously upgrading and training our Pharma.AI. Therefore, these costs were included in our research and development expenses.

Our research and development expenses increased from US$78.2 million in 2022 to US$97.3 million in 2023. The increase was primarily attributable to the increase in third-party contracting costs paid to CROs and CDMOs from US$53.8 million in 2022 to US$59.6 million in 2023 and the increase in labor costs from US$16.0 million in 2022 to US$27.0 million in 2023, which is in line with the expansion of our pipeline. Our research and development expenses incurred for our Core Product were US$10.0 million and US$16.5 million in 2022 and 2023, respectively, representing 12.8% and 17.0% of total research and development expenses during these periods.

For more details, see "Financial Information — Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income."

Summary of Our Consolidated Statements of Financial Position

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

	As of December 31,	
	2022	**2023**
	US$	*US$*
	(in thousands)	
Total non-current assets	16,035	14,142
Total current assets	218,751	188,653
Total assets	**234,786**	**202,795**
Total current liabilities	682,488	852,027
Total non-current liabilities	1,841	926
Total liabilities	**684,329**	**852,953**
Net current liabilities	**(463,737)**	**(663,374)**
Net liabilities	**(449,543)**	**(650,158)**

We had net liabilities of US$449.5 million and US$650.2 million as of December 31, 2022 and 2023, respectively, primarily due to an increase in financial liabilities at FVTPL from US$649.0 million as of December 31, 2022 to US$775.1 million as of December 31, 2023. The financial liabilities at FVTPL represents fair value change in our convertible preferred shares. See the Accountants' Report set out in Appendix I to this Document for a detailed description of our statements of changes in equity.

We had net current liabilities of US$663.4 million as of December 31, 2023, compared to net current liabilities of US$463.7 million as of December 31, 2022. The change was primarily due to (i) a_decrease in bank balances and cash from US$207.9 million as of December 31, 2022 to US$177.2 million as of December 31, 2023, (ii) an increase in contract liabilities from US$5.2 million as of December 31, 2022 to US$42.1 million as of December 31, 2023, and (iii) financial liabilities at FVTPL from US$649.0 million as of December 31, 2022 to US$775.1 million as of December 31, 2023. The financial liabilities at FVTPL represents fair value change in our convertible preferred shares, which will be re-classified as equity as the convertible preferred shares will automatically convert into ordinary shares upon the completion of the [**REDACTED**], and no further loss or gain on fair value changes is expected to be recognized and the net liabilities would turn into net assets position after the completion of the [**REDACTED**].

For more details, see "Financial Information — Discussion of Certain Selected Items From the Consolidated Statements of Financial Position."

Summary of Our Consolidated Statements of Cash Flows

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

	For the year ended December 31,	
	2022	**2023**
	US$	*US$*
	(in thousands)	
Net cash (used in) operating activities	(47,517)	(29,576)
Net cash (used in)/from investing activities	(13,580)	690
Net cash from/(used in) financing activities	107,148	(2,183)
Net increase/(decrease) in cash and cash equivalents	46,051	(31,069)
Effect of foreign exchange rate changes	291	367
Cash and cash equivalents	**207,883**	**177,181**

Our net cash used in operation activities was US$47.5 million, and US$29.6 million for 2022 and 2023, respectively. We received US$31.0 million and US$92.2 million from customers in 2022 and 2023, respectively. During the Track Record Period, we incurred negative cash flows from our operations, and substantially most of our operating cash outflows have resulted from our research and development activities.

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

Our cash burn rate refers to the average monthly net cash used in operating activities and capital expenditures. We had cash and cash equivalents of US$177.2 million as of December 31, 2023. We estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] after deducting the [**REDACTED**] fees and expenses payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the low-end of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**] in this Document. Assuming an average cash burn rate going forward of [**REDACTED**] the level in 2023, we estimate that our cash and cash equivalents as of December 31, 2023 will be able to maintain our financial viability for [**REDACTED**] or, if we take into account the estimated [**REDACTED**] from the [**REDACTED**], [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

KEY FINANCIAL RATIOS

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

	As of December 31,	
	2022	2023
	%	%
Current ratio	32.1	22.1

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

Our current ratio was 32.1% and 22.1% as of December 31, 2022 and 2023, respectively. Our current ratio further decreased as of December 31, 2023 compared to that as of December 31, 2022, primarily due to an increase in financial liabilities at FVTPL as a result of an increase in entity value.

[**REDACTED**] FOR [**REDACTED**] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange pursuant to Chapter 18A of the Listing Rules for the [**REDACTED**] of, and permission to deal in, the Shares in issue (including the Ordinary Shares in issue and the Ordinary Shares to be converted from the Preferred Shares upon the [**REDACTED**]) and to be issued pursuant to (i) the [**REDACTED**], including the Shares which may be issued pursuant to the exercise of the [**REDACTED**], and (ii) the Shares to be issued under the [**REDACTED**] Equity Incentive Plans.

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

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

SUMMARY

[**REDACTED**]

DIVIDEND

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

USE OF [**REDACTED**]

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

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

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

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

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

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

For further details, see "Future Plans and Use of [**REDACTED**]."

RISK FACTORS

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

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

- There can be no assurance that we will be successful in developing and/or commercializing our Core Product, as IPF is a rare disease with specific risks associated with conducting clinical trials and a number of previous drug candidates with high relevance to IPF targets have been terminated in the clinical trials stage.

- If we encounter difficulties enrolling patients of orphan diseases in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

- The market opportunities for our drug candidates, including the IPF market targeted by our Core Product, may be small and the potential of our Core Product could be minimal. We may encounter development and manufacturing challenges for our Core Product.

- We may face intense competition from manufacturers of generic drugs.

- Our commercial success depends on our end-to-end AI technology platform and technological capabilities, our financial performance may be adversely affected if the developments of our drug candidates and drug candidates derived from our drug discovery and collaboration projects are not successful by leveraging our AI platform.

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

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

- Changes in government regulations or in practices relating to the biopharmaceutical industry may adversely affect our business.

[**REDACTED**]

The total [**REDACTED**] payable by our Company are estimated to be approximately HK$[**REDACTED**] assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), which represent [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], assuming no Shares are issued pursuant to the [**REDACTED**]. These [**REDACTED**] are comprised of (i) [**REDACTED**] of US$[**REDACTED**] and (ii) [**REDACTED**] of US$[**REDACTED**], including (a) the legal advisors and the reporting accountants expenses of US$[**REDACTED**], and (b) other fees and expenses of US$[**REDACTED**].

For 2022 and 2023, we incurred [**REDACTED**] for the [**REDACTED**] of [**REDACTED**] and [**REDACTED**]. We estimate that additional [**REDACTED**] of approximately US$[**REDACTED**] (including [**REDACTED**] and other expenses, assuming the [**REDACTED**] is not exercised and based on the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) will be incurred by us, approximately US$[**REDACTED**] of which is expected to be charged to our consolidated statements of profit or loss and approximately US$[**REDACTED**] of the [**REDACTED**] directly attributable to the issuance of shares will be deducted from equity.

RECENT DEVELOPMENTS

Clinical Development

- ISM001-055: We dosed the first patient in the Phase IIa clinical trial in the U.S. in February 2024.

- ISM3312: We initiated a Phase Ia clinical trial in China in March 2023 and expect to complete the Phase Ia clinical trial in April 2024.

- ISM5411: We filed an IND application for a Phase I clinical trial in China in October 2023 and received the IND approval in December 2023. We plan to initiate a Phase I clinical trial in China in the second quarter of 2024. In addition, we plan to file an IND application for a Phase I clinical trial in the U.S. in 2024.

- ISM3412: We filed an IND application for a Phase I clinical trial of ISM3412 in China in February 2024 and filed an IND application for a Phase I clinical trial in the U.S. in March 2024.

[**REDACTED**]

Impact of the COVID-19 Outbreak

The outbreak of the COVID-19 pandemic and its recurrence had caused temporary disruption to our operations to the extent that certain on-site meetings, deployment and technical support had to be delayed or canceled. As of the Latest Practicable Date, however, COVID-19 had not had any material adverse impact on our R&D activities, clinical development, daily operation, supply chain and regulatory affairs. Given that the COVID-19 related prevention and control policies have largely been lifted since December 2022, our Directors are of the view that it is unlikely that the COVID-19 will have a material adverse impact on our business going forward.

Overseas Listing Trial Measures

On February 17, 2023, the CSRC promulgated 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》) (the "Overseas Listing Trial Measures") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed 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.

Pursuant to the Overseas Listing Trial Measures, where a PRC domestic company submits an application for [**REDACTED**] to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted. We submitted required filing documents to the CSRC on June 30, 2023. On November 9, 2023, the CSRC issued a notification on our Company's completion of the CSRC filing procedures for the [**REDACTED**].

New Measures on Generative AI

On July 13, 2023, the Cyberspace Administration of China ("**CAC**") published the Interim Measures for the Management of Generative Artificial Intelligence Services (the "**CAC New Measures**") which came into effect on August 15, 2023. The CAC New Measures apply to the use of generative AI technology to provide services for generating text, pictures, audio, video, and other content to the public within the PRC. Notably, industry organizations, enterprises, educational and scientific research institutions, public cultural institutions, and relevant professional institutions that develop and apply generative AI technology, but do not provide generative AI services to the domestic public, are not subject to the CAC New Measures.

As of the date of this Document, the Pharma.AI platform we operated in the PRC mainly facilitates the target identification process, and its main functions include analyzing data related to disease targets and ranking disease targets using its predictive models for enterprise customers, which does not involve using generative AI technology to provide services for generating text, pictures, audio, video or other content to the public within the PRC. Therefore, as advised by our PRC Legal Advisor, we are not subject to the CAC New Measures.

No Material Adverse Change

Our Directors confirm that up to the date of this Document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2023, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Document.

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.

"2019 Equity Incentive Plan"	the 2019 Equity Incentive Plan adopted by the Company and effective on December 31, 2019, the principal terms of which are set out in the section headed "Statutory and General Information — [**REDACTED**] Equity Incentive Plans" in Appendix IV to this Document
"2019 Share Plan"	the 2019 Share Plan adopted by the Company and effective on March 15, 2019 as amended and restated on December 31, 2019, the principal terms of which are set out in the section headed "Statutory and General Information — [**REDACTED**] Equity Incentive Plans" in Appendix IV to this Document
"2021 Equity Incentive Plan"	the 2021 Equity Incentive Plan adopted by the Company and effective on June 30, 2021, the principal terms of which are set out in the section headed "Statutory and General Information — [**REDACTED**] Equity Incentive Plans" in Appendix IV to this Document
"2022 Equity Incentive Plan"	the 2022 Equity Incentive Plan adopted by the Company and effective on November 25, 2022, the principal terms of which are set out in the section headed "Statutory and General Information — [**REDACTED**] Equity Incentive Plans" in Appendix IV to this Document
"Accountants' Report"	the accountants' report prepared by Deloitte Touche Tohmatsu, details of which are set out in Appendix I to this Document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council (會計及財務匯報局)

"Articles of Association" or "Articles"	the seventh amended and restated articles of association of our Company adopted on [●], 2024, as amended from time to time, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Companies Act" in Appendix III to this Document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board", "Board of Directors" or "our Board"	the board of Directors of our Company
"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

[**REDACTED**]

"CEO"	chief executive officer of our Company

"CFO"	chief financial officer of our Company
"China", "PRC" or "Mainland China"	the People's Republic of China, but for the purpose of this Document and for geographical reference only and except where the context requires, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the Taiwan region
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Act" or "Cayman Companies Act"	the Companies Act 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", "our Company", or "the Company"	InSilico Medicine Cayman TopCo (英矽智能) (formerly known as Insilico Medicine Cayman TopCo), an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2018
"Compliance Adviser"	Guotai Junan Capital Limited
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Product"	ISM001-055, the designated "core product" as defined under Chapter 18A of the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive Directors
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time
"EMA"	European Medicines Agency
"ESG"	environmental, social and governance
"ESG Committee"	the ESG committee of the Board
"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 Food and Drug Administration of the U.S.
"Fosun"	Fosun Industrial Co., Limited or its Affiliates as depending on the context
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this Document

[**REDACTED**]

"Greater China"	the People's Republic of China, and for the purpose of this Document and for geographical reference only and except where the context requires, including the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the Taiwan region
"Group", "Insilico Medicine", "our Group", "our", "we" or "us"	our Company and our subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HK$" or "Hong Kong Dollars" or "HK Dollars" and "HK cents"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

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

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Takeovers Code" or "Takeover Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

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

"Independent Third Party(ies)"	any entity or person, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules
"Insilico AI"	Insilico Medicine AI Limited, a limited liability company incorporated in the United Arab Emirates on July 29, 2022 and wholly owned subsidiary of Insilico SubCo
"Insilico Beijing"	InSilico Medicine Beijing Ltd. (英矽智能科技(北京)有限公司), a limited liability company established in the PRC on December 22, 2023 and wholly owned subsidiary of Insilico Hong Kong
"Insilico Canada"	InSilico Medicine Canada Inc., a company incorporated in Canada on June 6, 2022 and wholly owned subsidiary of Insilico SubCo
"Insilico Inc."	InSilico Medicine Inc., a corporation incorporated in the State of Delaware, United States on February 10, 2014 and the former holding company of our Group prior to the Reorganization, as further described in "History, Reorganization and Corporate Structure"
"Insilico Hong Kong"	InSilico Medicine Hong Kong Limited, a limited company incorporated in Hong Kong on January 11, 2019 and wholly-owned subsidiary of Insilico SubCo
"Insilico IP"	Insilico Medicine IP Limited, a limited company incorporated in Hong Kong on June 21, 2019 and wholly owned subsidiary of Insilico SubCo
"Insilico Shanghai"	Insilico Medicine Ltd. (英矽智能科技(上海)有限公司), a limited liability company established in the PRC on June 13, 2019 and wholly owned subsidiary of Insilico Hong Kong
"Insilico SubCo"	InSilico Medicine Cayman SubCo, an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2018 and wholly owned subsidiary of our Company
"Insilico Suzhou"	InSilico Medicine Suzhou Ltd. (英矽智能科技(蘇州)有限公司), a limited liability company established in the PRC on September 1, 2021 and wholly owned subsidiary of Insilico Hong Kong

"Insilico Taiwan"	Insilico Medicine Taiwan Limited (英科智能有限公司), a limited company incorporated in Taiwan on April 16, 2018 and wholly owned subsidiary of Insilico SubCo
"Insilico US"	InSilico Medicine US Inc., a corporation incorporated in the State of Delaware, United States on February 11, 2019 and wholly owned subsidiary of Insilico SubCo
"Insilico Yixing"	InSilico Medicine Yixing Ltd. (英矽智能科技(宜興)有限公司), a limited liability company established in the PRC on March 22, 2024 and wholly owned subsidiary of Insilico Hong Kong

[**REDACTED**]

"IRB"	Institutional Review Board

"IRC"	Institutional Review Committee

[**REDACTED**]

"Joint Sponsors"	the joint sponsors of the [**REDACTED**] as named in "Directors and Parties Involved in the [**REDACTED**]"
"Latest Practicable Date"	March 19, 2024, 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
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the seventh amended and restated memorandum of association of our Company, conditionally adopted on [●], 2024, with effect from the [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix III to this Document
"Mir Pharma"	Mir Pharma Innovation Limited, a limited company incorporated in Hong Kong on June 1, 2021 and wholly owned subsidiary of Insilico SubCo

"Mr. Alex Zhavoronkov, Ph.D."	Mr. Aleksandrs Zavoronkovs (also known as Alex Zhavoronkov) Ph.D., our founder, chairman of the Board, executive Director and CEO
"NHC"	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

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

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pharma.AI"	the Company's artificial intelligence platform consisting of Biology42, Chemistry42 and Medicine42, for target discovery, small molecule and biologics generation and clinical trial prediction and optimization
"PMDA"	Pharmaceuticals and Medical Devices Agency in Japan
"PRC Legal Advisor"	Jingtian & Gongcheng, our legal advisor on PRC laws in connection with the [**REDACTED**]
"[**REDACTED**] Equity Incentive Plans"	collectively, the 2019 Share Plan, the 2019 Equity Incentive Plan, the 2021 Equity Incentive Plan and the 2022 Equity Incentive Plan
"[**REDACTED**] Investment(s)"	the investment(s) in our Company undertaken by the [**REDACTED**] Investors prior to this [**REDACTED**], the details of which are set out in "History, Reorganization and Corporate Structure"
"[**REDACTED**] Investor(s)"	the Series A Investors, Series B Investors, the Series C Investors, the Series C+ Investor and the Series D Investors

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

[**REDACTED**]

"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"RSU"	restricted stock unit
"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)
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"Series A Investors"	the holders of the Series A Preferred Shares

"Series A Preferred Shares"	series A preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [**REDACTED**]; or (ii) US$[**REDACTED**] each following the [**REDACTED**], as the context requires
"Series B Investors"	the holders of the Series B Preferred Shares
"Series B Preferred Shares"	series B preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [**REDACTED**]; or (ii) US$[**REDACTED**] each following the [**REDACTED**], as the context requires
"Series C Investors"	the holders of the Series C1 Preferred Shares and Series C2 Preferred Shares pursuant to a Series C share purchase agreement dated June 16, 2021
"Series C1 Preferred Shares"	series C1 preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [**REDACTED**]; or (ii) US$[**REDACTED**] each following the [**REDACTED**], as the context requires
"Series C2 Preferred Shares"	series C2 preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [**REDACTED**]; or (ii) US$[**REDACTED**] each following the [**REDACTED**], as the context requires
"Series C+ Investor"	Fosun, as the holder of certain Series C1 Preferred Shares and Series C2 Preferred Shares pursuant to a Series C+ share purchase agreement dated November 12, 2021
"Series D Investors"	the holders of the Series D Preferred Shares
"Series D Preferred Shares"	series D preferred shares in the share capital of our Company with a par value of (i) US$0.00001 each prior to the [**REDACTED**]; or (ii) US$[**REDACTED**] each following the [**REDACTED**], as the context requires
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

"Share(s)"	shares in the share capital of our Company at the relevant time as the context requires, which refer to (i) Ordinary Shares and Preferred Shares prior to the conversion of the Preferred Shares to Ordinary Shares; or (ii) Ordinary Shares following the conversion of the Preferred Shares to Ordinary Shares
	[**REDACTED**]
"Shareholder(s)"	holder(s) of our Share(s)
"Sophisticated Investor(s)"	has the meaning ascribed to it under Chapter 2.3 of the Guide for New Listing Applicants issued by the Stock Exchange
	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the two financial years ended December 31, 2022 and 2023
"U.S. Government"	the federal government of the United States, including its executive, legislative and judicial branches
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
	[**REDACTED**]

"United States", "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	the lawful currency of the U.S.
"VAT"	value-added tax
"%"	per cent

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

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

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

GLOSSARY OF TECHNICAL TERMS

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

"$3CL^{pro}/M^{pro}$"	3-chymotrypsin-like protease, also called 3CL protease or main protease ("M^{pro}"),
"α-SMA"	alpha-smooth muscle actin, a marker for myofibroblast
"ACE"	angiotensin-converting enzyme
"ADME"	absorption, distribution, metabolism, and excretion, four key processes to describe the disposition of a pharmaceutical compound within an organism.
"ADMET"	absorption, distribution, metabolism, excretion and toxicity
"AEs"	adverse events, any untoward medical occurrences in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment
"AI"	artificial intelligence, the simulation of human intelligence processes by machines, especially computer systems
"AIDD"	AI-based drug discovery and development
"antibody (Ab)"	also known as an immunoglobulin (Ig), a protein used by the immune system to recognize and bind an antigen
"antigen"	the substance that is capable of stimulating an immune response, specifically activating lymphocytes, which are the body's infection-fighting white blood cells
"apoptosis"	a form of programmed cell death in which a programmed sequence of events leads to the elimination of cells
"ATP"	adenosine triphosphate, an organic compound and hydrotrope that provides energy to drive many processes in living cells

GLOSSARY OF TECHNICAL TERMS

"AUC"	area under curve, a parameter of systemic exposure
"BID"	twice-daily administration
"BRCA"	includes tumor suppressor genes BRCA1 and BRCA2
"BRPF1"	bromodomain and PHD finger-containing protein 1
"c-MYC"	c-myelocytomatosis, a protein acts as a "master regulator" of cellular metabolism and proliferation
"CAGR"	compound annual growth rate
"CCL"	C-C motif chemokine ligand
"CCR"	C-C motif chemokine receptor
"CDK12/13"	cyclin dependent kinase 12/13
"CDMO"	contract development and manufacturing organization, a company in the pharmaceutical industry to provide drug development and manufacturing services.
"cGCP"	current good clinical practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
"cGMP"	current good manufacturing practice; The provisions of GMP for drugs were enacted in accordance with the Drug Administration Law of the PRC and the Regulations for Implementation of the Drug Administration Law of the PRC to regulate the manufacturing and quality management of Drugs. The purpose is to ensure that the drug products are consistently manufactured in accordance with the registration requirements and are suitable for their intended use
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
"CKD"	chronic kidney disease, also called chronic kidney failure, a disease involving a gradual loss of kidney function

GLOSSARY OF TECHNICAL TERMS

"clinical trial/study"	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
"CMC"	chemistry, manufacturing and controls
"CMO"	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"cohort"	a group of patients as part of a clinical study who share a common characteristic or experience within a defined period and who are monitored over time
"combination therapy"	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease
"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
"CsA"	cyclosporine, an immunosuppressive agent used to treat organ rejection post-transplant
"DAG"	diacylglycerol
"DDI"	Drug-drug interaction
"DGK"	diacylglycerol kinase
"DMT"	divalent metal transporter, a widely expressed, iron-preferring membrane transport protein.
"DSS"	dextran sulfate sodium, a synthetic sulfated polysaccharide composed of dextran and sulfated anhydroglucose unit and has highly water solubility
"DUB"	deubiquitinase enzyme, a group of proteases to cleave ubiquitin from proteins
"EAF6"	Esa1-associated factor 6

"EC_{50}"	half maximal effective concentration, refers to the concentration of a drug, antibody or toxicant which induces a response halfway between the baseline and maximum after a specified exposure time
"EMT"	epithelial-mesenchymal transition, non-motile epithelial cells are transformed into mesenchymal cells with invasive capacities
"ENPP1"	ectonucleotide pyrophosphatase/phosphodiesterace 1
"EPO"	erythropoietin, an essential hormone for red blood cell production
"ER"	estrogen receptor
"ESA"	erythropoietin stimulating agent, medications which stimulate the bone marrow to make red blood cells
"FANCD2"	Fanconi anemia complementation group D2
"FANCI"	Fanconi anemia complementation group I
"FGFR"	fibroblast growth factor receptors
"FIH"	first-in-human
"FMT"	fibroblast-to-myofibroblast transition, as a crucial source of myofibroblasts, activation of the fibroblast to become myofibroblast
"fibrosis"	a condition marked by increase of interstitial fibrous tissue
"FPN"	ferroportin, a transmembrane protein that transports iron from the inside of a cell to the outside of the cell
"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
"HAT"	histone acetyltransferase

"Hb"	blood hemoglobin, a protein in red blood cells to carry oxygen throughout the body
"HCT"	hematocrit, the percentage of red blood cells in your blood
"HER2"	receptor tyrosine-protein kinase erbB-2
"HIF"	hypoxia-inducible factors
"HR+/HER2- metastatic breast cancer"	the most common type of metastatic breast cancer with overexpression of HR and without overexpression of HER2
"HRD"	homologous recombination deficiency, a tumor with the inability to accurately repair double-strand breaks in DNA via homologous recombination
"HRE"	hypoxia-responsive element, a sequence that is recognized by hypoxia-inducible factor (HIF), which is the main transcription factor recruited in hypoxia
"IBD"	inflammatory bowel disease, a term for two conditions (Crohn's disease and ulcerative colitis) that are characterized by chronic inflammation of the gastrointestinal tract
"IC_{50}"	half maximal inhibition, a measure of the potency of a substance in inhibiting a specific biological or biochemical function
"IHC"	immunohistochemistry, a method in histology to detect the presence of a specific protein marker
"immuno-oncology"	a type of immunotherapy that is specifically targeted to fight cancer
"immunology"	study of immune systems in an organism in biological science
"immunotherapy"	use of the immune system to treat disease
"indication"	a valid reason to use a specific test, drug, device, procedure or surgery

GLOSSARY OF TECHNICAL TERMS

"*in vivo*"	studies in which the effects of various biological entities are tested on whole, living organisms or cells, usually animals, including humans, and plants, as opposed to a tissue extract or dead organism
"*in vitro*"	studies that are performed with microorganisms, cells, or biological molecules outside their normal biological context
"IND"	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials
"ING5"	inhibitor of growth 5
"IPF"	idiopathic pulmonary fibrosis, a condition in which the lungs become scarred and breathing becomes increasingly difficult
"KAT6"	K (lysine) acetyltransferase 6
"KIF18A"	kinesin family member 18A
"Life Star 1"	Life Star 1 lab or Life Star 1 application as depending on the context
"lines of treatment"	different methods to treating cancer at different times, such first-line, second-line, third-line etc.
"mAb"	monoclonal antibody, an antibody generated by identical immune cells that are all clones of the same parent cell
"MAPK"	mitogen-activated protein kinase
"MAT2A"	methionine adenosyltrasnferase 2α
"MDSC"	myeloid-derived suppressor cells, immature myeloid cells to suppress immune responses and expand during cancer, infection, and inflammatory diseases
"metastatic"	in reference to any disease, including cancer, disease-producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces

"monotherapy"	therapy that uses a single drug to treat a disease or condition
"MTAP"	methylthioadenosine phosphorylase
"MRCT"	multi-regional clinical trial, a clinical trial that is conducted in different regions under a common trial design for simultaneous global new drug development
"MYST"	Moz-Ybf2/Sas3-Sas2-Tip60, the largest family of histone acetyltransferases in all eukaryotes
"NDA"	new drug application, a process required by an regulatory authority to approve a new drug for sale and marketing
"NOAEL"	no-observed-adverse-effect level, the highest dose where the effects observed in the treated group do not imply an adverse effect to the subject
"PA"	phosphatidic acid, anionic phospholipids important to cell signaling and direct activation of lipid-gated ion channels
"PARP"	poly (ADP-ribose) polymerase, a family of proteins involved in a number of cellular processes such as DNA repair, genomic stability, and programmed cell death
"PCNA"	proliferating cell nuclear antigen, a nuclear homotrimeric protein that encircles DNA with classic attributes of a processivity factor in DNA replication
"PCC"	pre-clinical candidate
"PCT"	Patent Cooperation Treaty
"PD"	pharmacodynamics, the branch of pharmacology concerned with the effects of drugs and the mechanism of their action
"PD-1"	programmed death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages, acting to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body

"PD-L1"	programmed death-ligand 1, a protein on the surface of a normal cell or a cancer cell that attaches to PD-1 on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"PDX"	patient derived xenografts, a model of cancer where the tissue or cells from a patient's tumor are implanted into an immune- deficient or humanized mouse
"Phase I clinical trial(s)"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
"Phase II clinical trial(s)"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"Phase III clinical trial(s)"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"PHD"	prolyl hydroxylase domain, enzymes to regulate the stability of the hypoxia-inducible factor in response to oxygen availability
"PK"	pharmacokinetics, the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"PKC"	protein kinase C
"placebo"	a medical treatment or preparation with no specific pharmacological activity

"preclinical studies"	preclinical studies testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"primary endpoint"	the main or most important outcome at the end of a study to determine whether a new drug or treatment worked
"PRMT5"	protein arginine methyltransferase 5
"Proof of concept (POC)"	an early stage of drug development used to demonstrate that a drug is likely to be successful
"QD"	once-daily administration
"QPCTL"	glutaminyl-peptide cyclotransferase-like
"RdRp"	RNA-dependent RNA polymerase
"refractory"	a disease that is resistant at the beginning of treatment or becomes resistant during treatment
"registrational trial"	a clinical trial or study to demonstrate clinical efficacy and safety evidence required before submission for drug marketing approval
"RES"	reticuloendothelial system, cells descending from the monocytes which are able to perform phagocytosis of foreign materials and particles
"RET"	reticulocytes, red blood cells that are still developing
"RP2D"	recommended Phase II dose
"S1PR5"	sphingosine 1-phosphate receptor 5
"SAM"	S-adenosylmethionine, an important methyl donor derived from ATP and methionine
"SARS-CoV-2"	severe acute respiratory syndrome coronavirus 2, a strain of coronavirus that causes COVID-19 (coronavirus disease 2019)

"SCID mice"	severe combined immunodeficient mice, often used in the research of human disease
"SIRPα"	signal regulatory protein α, a transmembrane glycoprotein family involved in receptor tyrosine kinase-coupled signaling pathways
"standard of care (SOC)"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals
"TEAE"	treatment emergent adverse event
"TGI"	tumor growth inhibitor
"TIW"	three times a week
"TNBC"	triple-negative breast cancer, any breast cancer that does not express the genes for estrogen receptor, progesterone receptor (PR) and HER2/neu
"TNBS"	2, 4, 6-trinitrobenzenesulfonic acid
"TNFα"	tumor necrosis factor α
"TNIK"	TRAF2 and NCK-interacting protein kinase
"UIP"	usual interstitial pneumonia, a form of lung disease characterized by progressive scarring of both lungs
"USP1"	ubiquitin specific peptidase 1

FORWARD-LOOKING STATEMENTS

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

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

- our goals and growth strategies;
- the implementation of our business model, strategic plans for our business and product candidates;
- the initiation, timing, progress, and results of our internal drug discovery programs efforts or the drug discovery programs efforts of our collaborators;
- potential of product candidates into, and successfully plan, conduct and complete, clinical trials in the future;
- the timing of, the ability to submit applications for and the ability to obtain and maintain regulatory approvals for any product candidates we or one of our collaborators may develop;
- our ability to increase sales of our drug discovery services, or if we are able to successfully develop, commercialize or maintain profitability of our drug products;
- our anticipated use of our existing resources and the [**REDACTED**] from this [**REDACTED**];
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing and our ability to obtain additional capital;

- our ability to contract with third-party suppliers and manufacturers and their ability to perform adequately;
- our ability and the potential to successfully manufacture and supply our product candidates for clinical trials and for commercial use, if approved;
- relevant government policies and regulations relating to our business and industry;
- general economic and business condition in the markets we have businesses; and
- assumptions underlying or related to any of the foregoing.

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

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

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

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

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

Risks Related to Drug Discovery and Development

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

Clinical testing is expensive, is difficult to design and implement, can take many years to complete and has an uncertain outcome. Even if we can successfully advance our drug candidates into clinical development stage, we cannot guarantee that any of our clinical trials will be conducted as planned or completed on schedule, or at all. A failure of one or more clinical trials can occur at any stage of testing, which may result from a multitude of factors, including, but not limited to, flaws in trial design, dose selection issues, participant enrollment criteria and failure to demonstrate favorable safety or efficacy traits of the drug candidate. The IPF drug candidates may have technical difficulties or risks of failure in the R&D stage which may lead to non-approval by the competent authorities or relevant regulatory authorities. For

example, FibroGen's drug, administered by intravenous infusion every three weeks, failed to distance itself from a placebo on this measure after 48 weeks of treatment. The preliminary results also showed the drug failed to meet a secondary goal measuring time to disease progression.

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

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

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

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

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

There can be no assurance that we will be successful in developing and/or commercializing our Core Product, as IPF is a rare disease with specific risks associated with conducting clinical trials and a number of previous drug candidates with high relevance to IPF targets have been terminated in the clinical trials stage.

IPF has been listed as a rare disease in China. Conducting clinical trials in China for drug candidates targeting rare diseases involves risks such as difficulties in patient recruitment, which may extend the time required to complete a clinical trial, and challenges in obtaining approval from ethics committees without imposing restrictive conditions on the trials given that IPF is a fatal disease.

In addition, drug candidates targeting fibrotic diseases, including IPF, present specific challenges such as complex pathophysiology, poor diagnosis rates and poor understanding of disease biology. In particular, the exact cause of IPF is not well understood and several previous drug candidates targeting IPF, which had high scientifically demonstrated relevance to IPF, failed to meet their primary endpoints in their respective clinical trials. As of the Latest Practicable Date, there were a total of 25 drug candidates targeting IPF that were discontinued at the clinical stage globally. See "Industry Overview — Market Opportunities of Certain Therapeutic Areas — IPF Drug Market" for further details.

While we believe that our approach of combining the pipeline development process with generative AI capabilities will be able to efficiently bring a new and clinically meaningful IPF therapy to patients, there can be no guarantee that we will be successful in developing and/or commercializing our Core Product.

If we encounter difficulties enrolling patients of orphan diseases in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

The timely completion of clinical trials depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons. Our Core Product targets orphan diseases, and the size and nature of the patient population for rare diseases may pose a challenge for us to enroll a sufficient number of patients. In addition, patient eligibility criteria defined in the protocols could be strict and it might increase the chances that we are not able to recruit and retain suitable patients for our clinical trials. Furthermore, it may be difficult to arrange insurance coverage for patients which could impede the enrollment process.

The market opportunities for our drug candidates, including the IPF market targeted by our Core Product, may be small and the potential of our Core Product could be minimal. We may encounter development and manufacturing challenges for our Core Product.

The market opportunities for our drug candidates, in particular, the IPF market targeted by our Core Product, may be small and the potential of our Core Product could be minimal. For example, we are initially seeking approval of the use of our Core Product in certain indications, such as IPF, which is an orphan disease with a small market size and low incidence growth. Orphan drugs present numerous development and manufacturing challenges. Clinical trials can be difficult to set up due to the limited number of possible participants and their disparate locations. For other product candidates for the treatment of cancer, there is no guarantee that our oncology product candidates, even if initially approved as a second or later line of treatment, would be approved as a first line therapy. To develop our oncology product candidates as a first line treatment, we may have to conduct additional clinical trials at a much larger scale, which may not be successful. As a result, even though the number of patients addressable by the indications we are developing may be large, the actual addressable patients for our oncology product candidates may be limited to those that have failed prior treatments. Additionally, regulatory authorities may establish narrower definitions around when a patient is eligible for treatment using our Core Product and other product candidates than we have used in our projections and the number of addressable patients may turn out to be lower than expected.

We may face intense competition from manufacturers of generic drugs.

As of the Latest Practicable Date, only pirfenidone and nintedanib have been approved globally for the treatment of IPF. The patents for pirfenidone have already expired. The generic version of pirfenidone is available in the market which is marketed by several manufacturers such as Sandoz. The generics of nintedanib are expected to be marketed for the treatment of IPF in China in 2026, and in the United States in 2029 when the patents relating to nintedanib are expired. Thus, we may face competition from generic drugs for the treatment of IPF.

In addition, although a patent may qualify for certain extensions, the life of a patent and the protection it affords is limited. Even if we successfully obtain patent protection for an approved product candidate, it may face competition from generic drugs once the patent has expired. Manufacturers of generic drugs may also challenge the scope, validity or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. Our issued patents for our product candidates are expected to expire on various dates as described in "Business — Intellectual Property" of this Document. Upon the expiration of these patents, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected. For example, upon the expiration of relevant patents of our Core Product ISM001-055, we may further face fierce competition from generic products of ISM001-055.

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

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

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

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

- regulatory authorities could interrupt, delay or halt pending clinical trials;
- we may suspend, delay or alter development or marketing of our product candidates;
- regulatory authorities may order us to cease further development of, or deny approval of, our product candidates for any or all targeted indications if results of our clinical trials reveal a high and unacceptable severity or prevalence of certain adverse events;
- regulatory authorities may withdraw approvals or revoke licenses of an approved product candidate, or we may determine to do so even if not required;
- regulatory authorities may require additional warnings on the label of an approved product candidate or impose other limitations on an approved product candidate;
- we may be required to develop a risk evaluation mitigation strategy ("**REMS**") for our product candidates, or, if one is already in place, to incorporate additional requirements under the REMS, or to develop a similar strategy as required by the FDA, the NMPA, the EMA, the Medsafe, the TGA or a comparable regulatory authority;
- we may be required to conduct post-market studies;

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

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

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

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

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

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

Our preclinical programs may experience delays or may never advance to clinical trials, which would adversely affect our ability to obtain regulatory approvals or commercialize these product candidates on a timely basis or at all, which would have an adverse effect on our business.

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

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

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

In some instances, there can be significant variability in safety, immunogenicity and/or efficacy results among different trials of the same drug candidate due to numerous factors, including, but not limited to, changes in trial procedures set forth in protocols, differences in the size and demographics of the patient populations, including genetic differences, patient adherence to the dosing regimen, other trial protocol elements and the rate of dropout among clinical trial volunteers. As drug candidates are developed through preclinical and clinical trials towards approval and commercialization, it is customary that various aspects of the development programs, such as manufacturing and formulation, are altered along the way in an effort to optimize processes and results. Differences in the number of clinical trial sites and countries involved may also lead to variability between earlier and later-phase clinical trials. Constantly updated standard therapies may change patient resistance, which may affect the efficacy of our medicines. Such changes carry the inherent risks that they may not necessarily achieve the intended objectives. In addition, our future clinical trial results may differ from

earlier trials and may not be favorable. Even if our future clinical trial results show favorable efficacy, not all patients may benefit. Therefore, the results of planned clinical trials or other future clinical trials could be significantly different than predicted, which could result in delays in the completion of clinical trials, regulatory approvals and commencement of commercialization of our drug candidates. If so, we would have expended a significant amount of capital to progress the relevant drug candidates to that stage, and would not realize any revenue on such drug candidate if it then ultimately failed to receive regulatory approval due to poor clinical trial results. Such an uncompensated expenditure could materially and adversely affect our business, financial condition results of operations and prospects.

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

Risks Related to Industry and Commercialization of Our Drug Candidates

Our commercial success depends on our Pharma.AI and technological capabilities, our financial performance may be adversely affected if the developments of our drug candidates and drug candidates derived from our drug discovery and collaboration projects are not successful by leveraging our AI platform.

We utilize our Pharma.AI to perform critical aspects of drug development, including the development of our product pipeline. As a result, the quality, sophistication and efficiency of our Pharma.AI and technology is critical to our ability to conduct our drug and target discovery activities, deliver more promising molecules, perform efficient and successful R&D studies, and ultimately to accelerate and lower the costs of drug discovery as compared to traditional methods. These results of our Pharma.AI do not assure future success for our drug discovery collaborators or for us with our internal drug discovery programs. Even if we or our drug discovery collaborators are able to develop drug candidates that demonstrate potential in preclinical studies, we or they may not succeed in demonstrating safety and efficacy of these drug candidates in human clinical trials. Moreover, preclinical and clinical data are susceptible to error and inaccurate or varying interpretations and analyses, and many companies that believed their drug candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their drug candidates. Our financial performance may be adversely affected if the developments of our drug candidates and drug candidates derived from our drug discovery and collaboration projects are not successful by leveraging our AI platform.

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 infringement of legitimate rights such as 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.

We have adopted a series of measures to prevent the misuse of our technologies, including implementation of relevant policies and management system in relation to data privacy and personal information protection. For details of these measures, see "Business — Data Privacy Protection." During the Track Record Period and up to the Latest Practicable Date, there had been no material litigation or other proceedings arising from or in relation to any infringement of relevant legitimate rights against us. However, we cannot assure you that the measures we take to prevent the misuse of our technologies and data protection will always be effective, or that our technologies will not be misused or applied in a way that is inconsistent with our intention or public expectation. Any inappropriate or abusive usage of AI technologies, whether actual or perceived, intended or inadvertent and by us or by third parties, may dissuade prospective customers from adopting AI products and services, impair the general acceptance of AI products and services by society, attract negative publicity and adversely impact our reputation and violate applicable laws and regulations in China and other jurisdictions and subject us to legal or administrative proceedings, pressures from certain shareholders and/or other organizations and heightened scrutiny by the regulators.

In addition, there is a general shortage of qualified professionals in the field of AI. We may face challenges in recruiting and retaining talented AI professionals, which could impact our ability to continuously innovate and develop our Pharma.AI platform, including expanding our proprietary database and improving the predictive power of our AI models. In addition, intense competition for talent could result in increased labor costs or employee turnover. We have made it a strategic focus of the Company to attract, nurture and retain skilled talent, including AI talent; however, our efforts in this area may not ultimately prevent a shortage of AI talent, which could impact our operational efficiency and growth prospects.

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

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

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

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

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

- difficulty of effective enforcement of contractual provisions in local jurisdictions;

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

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

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

- economic weakness, including inflation;

- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue;
- workforce uncertainty and labor unrest;
- failure of our employees and contracted third parties to comply with the FCPA; and
- business interruptions resulting from geopolitical actions, including war and acts of terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

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

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

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

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

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

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

Our business faces competition from many sources, including major pharmaceutical companies, specialty biopharmaceutical companies, technology companies, academic institutions and government agencies, and public and private research institutions. We may also face potential competition from our drug discovery customers. For example, Sanofi Agreement does not preclude Sanofi from entering into IPF or fibrosis-related research, and therefore it may potentially compete with our Core Product. In particular, we compete with businesses conducting AI-enabled early-stage drug discovery development. In some cases, these competitors possess well-established capabilities in drug research and development and have long- standing relationships with many of our current and potential collaborators and customers, including large biopharmaceutical companies and academic institutions. We also face competition from AI-driven drug research and development solutions that biopharmaceutical companies develop internally, smaller companies that offer drug discovery products and services directed at more specific markets than we target, enabling these competitors to focus a greater proportion of their efforts and resources on these markets, as well as a large number of companies that have been founded with the goal of applying AI and computational chemistry technologies to drug discovery. Any product candidates that we or one of our collaborators successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

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

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

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

Our business is subject to rapid scientific and technological changes. Failure to keep up with such changes could have a material adverse effect on our business, prospects, results of operations and financial condition. We are subject to the risks of companies operating in the pharmaceutical industry. The market in which we compete is characterized by evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. As a result, an [**REDACTED**] in our Shares is highly speculative and is only suitable for [**REDACTED**] who recognize the high risks involved and can afford loss of [**REDACTED**].

To remain competitive, we must continue to enhance and improve the functionality and features of the technology that forms part of its service. The pharmaceutical industry is rapidly changing, and if competitors introduce new services using new technologies or if new industry standards and practices emerge, our existing services may become obsolete. Our failure to respond to technological change or to adequately maintain, upgrade and develop our services could harm our business, prospects, financial condition and results of operations. While we are usually the inventor of technologies in generative AI and next-generation computing technologies and publish proof-of-concept studies openly in peer-reviewed journals, there is a risk that these technologies, often considered to be critical technologies, may result in unwanted scrutiny by the regulators without intimate knowledge of the industry.

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

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

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

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

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

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

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

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

- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payers and government authorities; and

- the effectiveness of our sales and marketing efforts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Extensive Government Regulations

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

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

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process and approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include: refusal to approve pending applications; withdrawal

of an approval; license or approval revocation; clinical hold; voluntary or mandatory product recalls; product seizures; total or partial suspension of production or distribution; injunctions; fines; refusals of government contracts; providing restitution; undergoing disgorgement; or other civil or criminal penalties. Failure to comply with these regulations could have a material adverse effect on our business.

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

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

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

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

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

- data integrity issues related to our clinical trials;
- insufficiency of data generated from clinical trials of our product candidates to support the filing of the NDA or other submission or to obtain regulatory approval;
- the regulatory authorities' disagreement with our interpretation of data from preclinical studies or clinical trials;
- our inability to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols;
- clinical trial sites, investigators or other volunteers in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial; and
- deficiencies identified by the regulatory authorities in relation to chemistry, manufacturing or control ("**CMC**").

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

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

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

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

Changes in government regulations or in practices relating to the biopharmaceutical industry may adversely affect our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We and third parties, such as our collaborators, CROs, CDMOs and other partners, are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. The cost of compliance with environmental protection, health and safety regulations is substantial. Our business activities involve the controlled use of hazardous materials. Our research and development activities involve the controlled storage, use and disposal of hazardous materials, including the components of our product candidates and other hazardous compounds, which requires us to file with the government authority for occupational disease hazards. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials, which could cause an interruption of our commercialization efforts, research and

development efforts and business operations. We cannot guarantee that the safety procedures utilized by our partners and by third-party manufacturers and suppliers with whom we may contract will comply with the standards prescribed by laws and regulations or will eliminate the risk of accidental contamination or injury from these materials. In such an event, we could be held liable for any resulting damages, and such liability could exceed our resources. In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations which are complex, change frequently and have tended to become more stringent. Failure to duly comply with the environmental, health and safety laws and regulations may subject us to fines, warnings or rectification orders imposed by the competent authorities. We do not currently carry biological or hazardous waste insurance coverage. In the event of an accident or environmental discharge, we may be held liable for any consequential damage and any resulting claims for damages, which may exceed our financial resources and may materially adversely affect our business, financial condition, results of operations and future growth prospects, and the value of our Shares.

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

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

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

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

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

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate. Moreover, the bilateral relationship is an ongoing matter, evolving sometimes from day to day, and we cannot predict how the relationship will further evolve or what impact any subsequent developments in the relationship may have on our business.

There is currently uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. If we plan to continue to expand our business internationally in the future, any unfavorable government policies on international trade, such as capital regulations, export regulations, embargoes or tariffs, may affect the demand for our products and services, impact our competitive position, or prevent us from being able to conduct business in certain countries. If any new tariffs, trade restrictions, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations.

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

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

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

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

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

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

Any failure of our direct or indirect PRC resident Shareholders to comply with PRC regulations relating to offshore investment activities may restrict the foreign exchange activities of our PRC subsidiaries.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle." If a shareholder who is a PRC resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. On February 13, 2015, SAFE

promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

There remains uncertainty as to the interpretation and implementation of the SAFE rules at practice level. We are committed to complying with and to ensuring that our Shareholders who are subject to the SAFE Circular 37 will comply with the relevant SAFE rules and regulations, however, due to the uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. As of the Latest Practicable Date, some individual Shareholders of our Company together holding approximately 0.3% equity interests of our Company who are PRC citizens with habitual residence in the PRC have not completed the SAFE registration under the SAFE Circular 37 and SAFE Notice 13. Although such failure to complete SAFE registration will not subject us to administrative penalty, failure by any such shareholders to comply with SAFE Circular 37 may result in restrictions on the foreign exchange activities of our PRC subsidiaries.

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

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

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

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

PRC tax authorities may assert that we are a PRC resident enterprise for PRC tax purposes, which could result in unfavorable tax consequences to the Company and our Shareholders.

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

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

If the PRC tax authorities determine that the Company (or any of our non-PRC subsidiaries) is a PRC resident enterprise for enterprise income tax purposes, the Company (or such subsidiaries) will be subject to a 25% income tax on its worldwide income. In addition, if the Company is 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 nonresident enterprises. In addition, non-resident enterprise Shareholders may be subject to PRC tax at a rate of 10% 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, but 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 will reduce the returns on your [**REDACTED**] in our Shares.

Risks Related to Our Operations and Financial Prospects

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

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

We recorded net liabilities and net current liabilities during the Track Record Period and may continue to incur net liabilities going forward, which can expose us to liquidity risk.

We had net liabilities of US$449.5 million and US$650.2 million as of December 31, 2022 and 2023, respectively. As of December 31, 2022 and 2023, we had net current liabilities of US$463.7 million and US$663.4 million, respectively. Although we expect our net liability position to be reversed after the automatic conversion of the Preferred Shares into Shares upon the [**REDACTED**], a net liabilities position can expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

We are subject to credit risk with respect to trade and other receivables.

We generally allow a credit period of 10 to 60 days to our customers. As of December 31, 2022 and 2023, our average trade receivables turnover days were 37 days and 22 days, respectively. As of the same dates, trade receivables were at US$4.9 million and US$1.1 million, respectively. These mainly relate to a number of customers whom there is no significant financial difficulty for and, based on our past experience, the amounts can be recovered from. Nevertheless, there can be no assurance that all such amounts due to us would be settled on time, or that such amounts will not continue to increase in the future. Accordingly, we face credit risk in collecting trade receivables due from customers. Our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time or substantial impairment is incurred. The bankruptcy or deterioration of the credit condition of any of these customers could also materially and adversely affect our business, results of operations and financial condition.

Our results of operations, financial condition, and prospects may be adversely affected by fair value changes and credit risk associated with our financial assets at fair value through profit or loss and related valuation uncertainty.

During the Track Record Period, we had certain financial assets at fair value through profit or loss. Our financial assets at FVTPL at the end of each reporting period mainly represented our equity investment in Endurance RP Limited. For the year ended December 31, 2022 we recorded fair value losses on financial assets at FVTPL of US$1.0 million, respectively. For the year ended December 31, 2023, we recorded fair value gains on financial assets at FVTPL of US$0.4 million. We are exposed to risks in relation to the financial assets, which may adversely affect our net changes in their fair value. The financial assets at fair value through profit or loss are stated at fair value, and net changes in their fair value are recorded as other gains or other expenses, and therefore directly affect our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

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

We have a history of significant net losses and of experiencing, and we expect to continue to experience, negative cash flow from operations. Our net loss was US$221.8 million and US$211.6 million for 2022 and 2023, respectively. These losses have resulted primarily from expenses incurred in connection with research and development activities and general and administrative expenses associated with our operations. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to invest in our internal drug discovery program and our integrated technology platform. We expect to continue to incur net losses, as well as negative operating cash flow over the next several years. We anticipate that our expenses will increase substantially as we:

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

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

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

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

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

Our five largest customers in 2022 and 2023 contributed 90.6% and 94.1% of total revenues in the respective periods. The largest customer in 2022 and 2023 contributed 56.6% and 76.2% of total revenues in the respective periods. The loss of any of our major customers could have a material adverse effect on our results of operations and financial condition. We may not be able to maintain our customer relationships, and our customers may delay payment under, or fail to renew, their agreements with us, which could adversely affect our business, results of operations or financial condition. Any reduction in the amount of revenues that we derive from our major customers, without an offsetting increase in new sales to other customers, could have a material adverse effect on our operating results. A significant change in the liquidity or financial position of our customers generally could also have a material adverse effect on the collectability of our accounts receivable, our liquidity, and our future operating results.

A significant portion of revenue comes from drug discovery services. There is inherent uncertainty in the timing and probability of our future milestone payments as they will be paid based on the achievement of specific development, regulatory, or commercial sales milestones, and the loss of which could result in a significant decrease in our revenues.

We have historically received upfront payments under collaboration agreements for our drug discovery services. Our drug discovery collaborations may not result in the development or commercialization of product candidates in a timely manner, or at all. Moreover, even if a drug discovery collaboration initially leads to the achievement of milestones that result in

payments to us, it may not continue to do so. The significant reduction in revenue from research and development collaboration with any such customers, would adversely affect our profitability. Furthermore, if we experience difficulties in the collection of our accounts receivable from our major customers, our results of operation may be materially and adversely affected.

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

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

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

We have experienced significant growth in the number of research projects that our technology infrastructure supports. We seek to maintain sufficient excess capacity in our technology infrastructure to meet the needs of all of our customers and collaborators, and to support our internal drug discovery programs. We also seek to maintain excess capacity to facilitate the rapid provision of solutions to new customers and collaborators. In addition, we need to properly manage our technology infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our solutions. However, updating our technology infrastructure requires adequate lead-time. We may experience website disruptions, outages, and other performance problems. These types of problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in usage, and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If we do not accurately predict our infrastructure requirements, we may experience service outages that may cause us to delay the delivery of work products and subject us to financial penalties, financial liabilities, and customer losses. If our technology or other operation infrastructure fails to keep pace with increased sales and usage, customers, collaborators and our internal drug discovery team may experience delays in the deployment of our solutions as we seek to obtain additional capacity, which could adversely affect our reputation and adversely affect our revenues.

Our internal computer systems, or those of any of our customers, third-party service providers, manufacturers, other contractors, consultants or potential future collaborators, may fail or suffer actual or suspected security or data privacy incidents or other unauthorized or improper access to, use of or destruction of our proprietary or confidential data, employee data or personal information, which could result in additional costs, loss of revenue, significant liabilities, harm to our brand, material disruption of our operations and, potentially, significant delays in our clinical trials and delivery of our product candidates to market.

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

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

Additionally, because the techniques used to obtain unauthorized access or sabotage systems change frequently, are increasingly sophisticated, and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures in all instances. The recovery systems, security protocols, network protection mechanisms and other security measures that we have integrated into our information technology systems, which are designed to protect against, detect and minimize security breaches, may not be adequate to prevent or detect service interruption, system failure or data loss. To the extent that any disruption or security incident results in a

loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our future product candidates could be delayed. Any such security incidents, if they occur in the future, may result in unauthorized, unlawful, or inappropriate access to, inability to access, disclosure of, or loss of the sensitive, proprietary and confidential information that we handle. While we employ security measures to prevent, detect, and mitigate potential harm on our network, these measures may not be effective in every instance.

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

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

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

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

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

Our future success depends upon the continuing services of members of our senior management team and key research and development personnel and consultants. For example, Our founder and CEO, Mr. Alex Zhavoronkov, Ph.D., is an expert in the field of generative AI. Our CSO and CEO, Mr. Feng Ren, Ph.D. is a pharmaceutical industry veteran, and he guides our R&D strategy and operational oversight and execution of our growing R&D organization. Our in-house R&D capabilities are complemented with an external network of over 40 CROs and CDMOs that support our discovery, preclinical and clinical activities. Although we typically require our key personnel to enter into the proprietary information and invention assignment agreement, which contains non-compete and confidentiality clauses, with us, we cannot prevent them joining our competitor after the non-compete period. The loss of their services could adversely impact our ability to achieve our business objectives. If one or more of our senior management or key clinical and scientific personnel are unable or unwilling to continue in their present positions or joins a competitor or forms a competing company, we may not be able to replace them in a timely manner or at all, which will have a material and adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

We issued a series of preferred Shares prior to and during the Track Record Period. We recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. As of December 31, 2022 and 2023, our preferred Shares had a fair value of US$649.0 million and US$775.1 million, respectively. For further information regarding the Shares with preferred rights, see Note 26 to the Accountants' Report in Appendix I to this Document. During the Track Record Period, our losses from changes in fair value of financial liabilities at FVTPL were US$138.1 million and US$126.1 million in 2022 and 2023, respectively.

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

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

We adopted the 2019 Share Plan, 2019 Equity Incentive Plan, 2021 Equity Incentive Plan and 2022 Equity Incentive Plan, to enhance our ability to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in our growth and performance. For details, please refer to the section headed "Appendix IV — Statutory and General Information — [**REDACTED**] Equity Incentive Plans."

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

Risks Related to Our Intellectual Property

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

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

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

could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects. As such, we do not know the degree of future protection that we will have on our product candidates and technologies, if any, and a failure to obtain adequate intellectual property protection with respect to our product candidates and technologies could have a material adverse impact on our business.

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

In addition, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our technologies or product candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. Third parties may also raise similar claims before administrative bodies, even outside the context of litigation. Such mechanisms include ex parte re-examination, inter 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 ("**USPTO**"), or other applicable foreign counterparts, or made a misleading statement, during prosecution. Although we believe that we have conducted our patent prosecution in accordance with the duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we, our patent counsel, and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our technologies or product candidates. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Any loss of patent protection could have a material adverse impact on one or more of our technologies or product candidates and our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to the [REDACTED]

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

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

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

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

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

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

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

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] net tangible asset value, and our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible assets per Share of their Shares. In order to expand our business, we

may consider [**REDACTED**] and issuing additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

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

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

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

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

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

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

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

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

Facts, forecasts and statistics in this document relating to the pharmaceutical industry may not be fully reliable.

Certain facts, statistics and data contained in this Document relating to the industries in which we operate have been derived from various official government publications, industry associations, independent research institutes and/or other third party reports we generally believe to be reliable. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this Document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

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

Subsequent to the date of this Document but prior to the completion of the [**REDACTED**], there may be press and media coverage regarding us and the [**REDACTED**], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept

responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this Document only and should not rely on any other information.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

MANAGEMENT PRESENCE IN HONG KONG

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

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

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

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

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

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

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

EXEMPTION IN RELATION TO FINANCIAL STATEMENTS IN THIS DOCUMENT

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

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

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

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

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

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

In compliance with the abovementioned requirements under the Listing Rules, the Accountants' Report of our Company set out in Appendix I to this Document is currently prepared to cover the two financial years ended December 31, 2022 and 2023.

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

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

b) the Accountants' Report for the two years ended December 31, 2022 and 2023 will be disclosed in the final Document of the Company and is set out in Appendix I to this Document in accordance with Rule 18A.06 of the Listing Rules;

c) given that our Company is only required to disclose its financial results for each of the two financial years ended December 31, 2022 and 2023 under Chapter 18A of the Listing Rules, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule would be unduly burdensome for our Company;

d) notwithstanding that the financial results set out in this Document are only for the two financial years ended December 31, 2022 and 2023 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this Document pursuant to the relevant requirements; and

e) our Directors are of the view that the Accountants' Report covering the two financial years ended December 31, 2022 and 2023 (as set out in Appendix I to this Document), together with other disclosures in this Document, have already provided adequate and reasonable up-to-date information in the circumstances for the potential [**REDACTED**] to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the [**REDACTED**].

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

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

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

Paragraph 27 of Appendix D1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

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

Under paragraph 10 of Part I of the Third Schedule, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the Document.

As of the Latest Practicable Date, our Company had granted outstanding options and restricted share units ("**RSUs**") under the [**REDACTED**] Equity Incentive Plans to a total of 106 participants to subscribe for an aggregate of 2,008,167 Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]), which included:

(a) options granted to 94 grantees (the "**Grantee(s)**") to subscribe for an aggregate of 1,831,917 Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]), which consist of (i) one Director with respect to 186,621 underlying Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]); (ii) five members of the senior management with respect to 504,437 underlying Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]); (iii) one connected person with respect to 55,000 underlying Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]); and (iv) 87 other grantees (who are our employees or former employees, and not Directors, senior management or connected persons of the Company) with respect to 1,085,859 underlying Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]). The Shares underlying the outstanding options represent approximately [**REDACTED**]% of the total number of Shares in issue immediately after completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares to be issued under the [**REDACTED**] Equity Incentive Plans).

(b) outstanding RSUs granted to 12 participants (the "**Awardee(s)**"), each of whom was also an option Grantee, underlying an aggregate of 176,250 Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]), which consist of (i) one Director with respect to 130,000 underlying Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]); (ii) three members of the senior management with respect to 28,000 underlying Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]); and (iii) eight other Awardees (who are our employees, and not Directors, senior management or connected persons of the Company) with respect to 18,250 underlying Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]). The Shares underlying the outstanding RSUs represent approximately [**REDACTED**]% of the total number of Shares in issue immediately after completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares to be issued under the [**REDACTED**] Equity Incentive Plans).

No options and RSUs under the [**REDACTED**] Equity Incentive Plans will be further granted after [**REDACTED**]. For more details of our [**REDACTED**] Equity Incentive Plans, see "Appendix IV — Statutory and General Information — [**REDACTED**] Equity Incentive Plans".

The Joint Sponsors have applied, on behalf of our Company, to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules (in connection with the options and RSUs granted) and paragraph 27 of Appendix D1A to the Listing Rules (in connection with the options granted) and (ii) the SFC for a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (in connection with the options granted), on the ground that the waiver and the exemption will not prejudice the interest of the [**REDACTED**] and for the following reasons:

(a) strict compliance with the above requirements relating to the options granted will be unduly burdensome for our Company, taking into account the following factors:

(i) since the outstanding options under the [**REDACTED**] Equity Incentive Plans were granted to a total of 94 Grantees, strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an individual basis in this Document will require substantial number of pages of additional disclosure that does not provide any material information to the [**REDACTED**] and would significantly increase the cost and timing for information compilation and document preparation;

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

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

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

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

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

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

(b) strict compliance with the above requirements relating to the RSUs granted will be inconsistent with the disclosure of options granted and defeat the purpose of obtaining the waiver and exemption relating to the options granted, taking into account the following factors:

(i) key information of the outstanding RSUs granted under the [**REDACTED**] Equity Incentive Plans to our Director and members of the senior management has already been disclosed under the section headed "Appendix IV — Statutory and General Information — [**REDACTED**] Equity Incentive Plans";

(ii) all of the eight other RSU Awardees (who are not Directors, members of the senior management or connected persons of our Company) are also option Grantees under the same set of [**REDACTED**] Equity Incentive Plans. Given such overlap in the recipients of these two types of equity incentive under the same set of [**REDACTED**] Equity Incentive Plans, full disclosure of the details of RSUs granted to the eight other RSU Awardees is inconsistent with the absence of disclosure, on an individual basis, of options granted to such persons, and will defeat the purpose of obtaining the waiver and exemption relating to the options granted;

(iii) with respect to the other RSU Awardees, the number of Shares underlying the RSUs granted represents only approximately [**REDACTED**]% of the total issued share capital of the Company immediately following the completion of the [**REDACTED**] and the [**REDACTED**], assuming the [**REDACTED**] is not exercised, and is not material in the circumstances of our Company. The vesting of such RSUs will not cause any material adverse change in the financial position of our Company; and

(iv) given the nature of the business of the Company, it is extremely important for our Company to recruit and retain talents, and the success of our Company's long-term development plan will very much depend on the loyalty and contribution of the Awardees, whereas the information relating to the RSUs granted to the Awardees is highly sensitive and confidential, and may adversely affect the Company's cost and ability to recruit and retain talents; and

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

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

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

(i) on individual basis, full details of all the outstanding options and RSUs granted by the Company under the [**REDACTED**] Equity Incentive Plans to each of the Director, members of the senior management and a connected person of the Company, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules (in relation to options and RSUs), paragraph 27 of Appendix D1A to the Listing Rules (in relation to options) and paragraph 10 of Part I of the Third Schedule (in relation to options);

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

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

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

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

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

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

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

(vi) the list of all the Grantees and Awardees (including the persons referred to in paragraph (ii) above), containing all details as required under Rule 17.02(1)(b) of the Listing Rules (in relation to option Grantees and RSU Awardees), paragraph 27 of Appendix D1A to the Listing Rules (in relation to option Grantees) and paragraph 10 of Part I of the Third Schedule (in relation to option Grantees) be made available for public inspection in accordance with the section headed "Appendix V — Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection."

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

(a) on an individual basis, full details of all the outstanding options under the [**REDACTED**] Equity Incentive Plans granted under the [**REDACTED**] Equity Incentive Plans to our Director, members of the senior management and a connected person of the Company will be disclosed in this Document and such details include all the particulars required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

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

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

(d) the particulars of the exemption be set forth in this Document and that this Document will be issued on or before [**REDACTED**].

DIRECTORS

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

For more details of our Directors, see "Directors and Senior Management."

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

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

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

[REDACTED]

[**REDACTED**]

Legal Advisers to our Company

As to Hong Kong and U.S. laws

Davis Polk & Wardwell
10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

	As to PRC law **Jingtian & Gongcheng** 45/F, K. Wah Center 1010 Huaihai Road (M) Xuhui District, Shanghai China *As to Cayman Islands law* **Walkers (Hong Kong)** 15th Floor, Alexandra House 18 Chater Road Central Hong Kong
Legal Advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws* **Cooley HK** 35/F, Two Exchange Square 8 Connaught Place Central Hong Kong *As to PRC law* **Commerce & Finance Law Offices** 12-14th Floor China World Office 2 No. 1 Jian Guo Men Wai Avenue Beijing, 100004 China
Reporting Accountants and Auditors	**Deloitte Touche Tohmatsu** *Certified Public Accountants and Registered Public Interest Entity Auditor* 35/F One Pacific Place 88 Queensway Hong Kong

Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai China
Compliance Adviser	**Guotai Junan Capital Limited** 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Central Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	190 Elgin Avenue, George Town Grand Cayman KY1-9008 Cayman Islands
Headquarters	*Hong Kong* Unit 310, 3/F, Building 8W, Phase 2, Hong Kong Science Park Pak Shek Kok New Territories, Hong Kong *United States* 345 Park Avenue South, 2nd Floor, Suite 006 New York, NY 10010 United States
Principal Place of Business in Hong Kong	Unit 310, 3/F, Building 8W, Phase 2, Hong Kong Science Park Pak Shek Kok New Territories, Hong Kong
Company's Website	**insilico.com** *(the information contained on this website does not form part of this Document)*
Company Secretary	**Ms. Leung Kwan Wai (梁君慧)**, *HKACG, ACG* 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorized Representatives	**Mr. Alex Zhavoronkov, Ph.D.** Unit 310, 3/F, Building 8W, Phase 2, Hong Kong Science Park Pak Shek Kok New Territories, Hong Kong **Ms. Leung Kwan Wai (梁君慧)** 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong

Audit Committee	Mr. Roman Kyrychynskyi *(Chairman)* Mr. Jingsong Wang, Ph.D. Ms. Denitsa Milanova, Ph.D.
Remuneration Committee	Mr. Jingsong Wang, Ph.D. *(Chairman)* Mr. Min Fang Mr. Feng Ren, Ph.D. Mr. Roman Kyrychynskyi Ms. Denitsa Milanova, Ph.D.
Nomination Committee	Mr. Alex Zhavoronkov, Ph.D. *(Chairman)* Mr. Kan Chen, Ph.D. Mr. Jingsong Wang, Ph.D. Mr. Roman Kyrychynskyi Ms. Denitsa Milanova, Ph.D.
ESG Committee	Mr. Feng Ren, Ph.D. *(Chairman)* Mr. Alex Zhavoronkov, Ph.D. Mr. Jingsong Wang, Ph.D. Mr. Roman Kyrychynskyi Ms. Denitsa Milanova, Ph.D.

[**REDACTED**]

Principal Banks	**The Hong Kong and Shanghai Banking Corporation Limited** HSBC Main Building 1 Queen's Road Central Hong Kong **JP Morgan Chase Bank N.A., Hong Kong Branch** Chater House 8 Connaught Road Central Hong Kong

The information and statistics set out in this section and other sections of this Document were extracted from the Frost & Sullivan Report, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors,* [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], *any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy. For more details of the risks relating to our industry, see "Risk Factors" in this Document.*

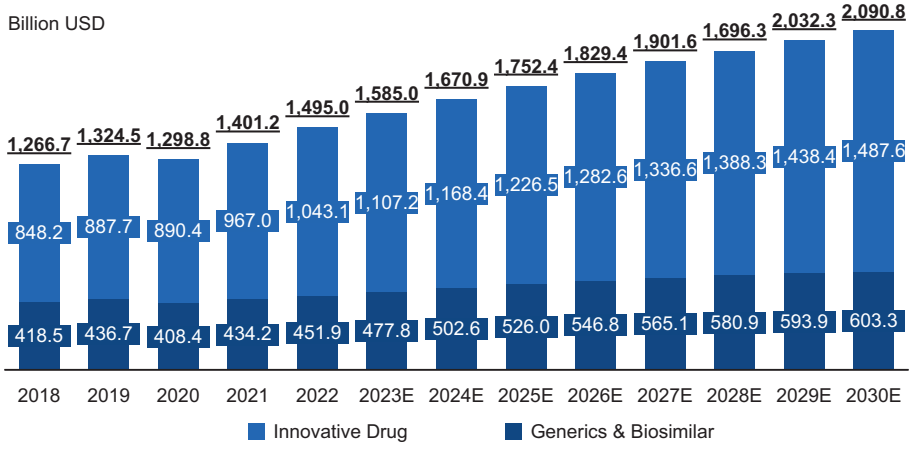
GLOBAL PHARMACEUTICAL MARKET

Market Size of the Global Pharmaceutical Market

The following chart illustrates the projected growth of the global pharmaceutical market.

Breakdown of Total Revenue of Global Pharmaceutical Market by Innovative Drug and Generics & Biosimilar, 2018-2030E

CAGR	Innovative	Generic & Biosimilar	Total
2018-2022	5.3%	1.9%	4.2%
2022-2025E	5.5%	5.2%	5.4%
2025-2030E	3.9%	2.8%	3.6%



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

The Innovative Drug Market

Innovative drugs are drugs that contain a previously unapproved active pharmaceutical ingredient or combination of active pharmaceutical ingredients, as well as drugs with innovative formulations. In 2022, these drugs accounted for the largest share of the global pharmaceutical market at US$1,043.1 billion. Their share is expected to reach US$1,226.5 billion in 2025 and US$1,487.6 billion in 2030, with CAGRs of 5.5% and 3.9%, respectively. In contrast, generics and biosimilars account for a smaller portion of the global market. They are expected to reach US$526.0 billion in 2025 and US$603.3 billion in 2030, with CAGRs of 3.4% and 2.8%, respectively.

The future growth rate of innovative drugs is expected to be higher than that of generics and biosimilars.

MARKET OPPORTUNITIES OF CERTAIN THERAPEUTIC AREAS

Orphan Drug Market

The global orphan drug market is a sector of the biopharmaceutical market focused on the discovery, development and commercialization of medicines for the treatment of diseases which affect a small number of people, compared with other prevalent diseases in the general population. The regulatory frameworks within the U.S. and Europe for orphan drug designations for orphan diseases are well established. While in China the first list of rare diseases was published in May 2018, since then many major initiatives and regulatory reforms were announced, which together are expected to significantly develop and grow the Chinese rare diseases drug market and its ecosystem in the next decade.

Similar to the U.S. and Europe, a high degree of regulatory flexibility has been introduced to the rare disease drug approval process in China, including a simplified application process, flexibility in clinical trial design, higher likelihood of clinical trial waiver on the basis of overseas clinical data and allowing for post-approval clinical trials. China has also moved towards a more favorable reimbursement environment for rare diseases. After years of efforts in providing insurance mechanisms for rare diseases at local level, an aggregate of 29 provinces have implemented insurance policies for rare diseases with various reimbursement models. The following table sets forth selective favorable regulations for the orphan drug market in China.

Favorable Regulations for Orphan Drug Market in China

Release Date	Issuing Authority	Policies	Comments
Dec, 2017	NMPA	*Opinions on the implementation of priority review and approval for solving the backlog of drug registration applications* 《總局關於鼓勵藥品創新實行優先審評審批的意見》	• Priority review and approval of rare disease drug registration applications • For rare diseases or other special diseases, an application for reducing the number of clinical trials or exempting clinical trials can be submitted when applying for clinical trials. The Center for Drug Evaluation will make an evaluation opinion on whether to agree to the application based on the needs of technical evaluation and the actual situation of Chinese patients.
Oct, 2017	The State Council of PRC	*Opinions on deepening the reform of the approval, evaluation and approval system to encourage innovation in 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》	• Applicants for registration of rare disease treatment drugs and medical devices can apply for exemption from clinical trials. • For rare disease treatment drugs and medical devices that have been approved for listing abroad, they may be approved for listing with conditions. Enterprises should formulate risk control plans and conduct research as required.
Oct, 2017	CFDA	*Relevant Policies on Encouraging Innovation of Medical Devices and Accelerating the Review and Approval of New Drugs and Medical Devices* 《關於鼓勵藥品醫療器械創新加快新藥醫療器械上市審評審批的相關政策》	• Supporting the development of drugs and medical devices for treating rare diseases. Applications for the treatment and medical devices of rare diseases may apply for exemption from clinical trials to expedite the approval of medical devices for the use of drugs of rare diseases. • Offering certain data protection period for innovative drugs, orphan drugs, special medicines for children and innovative biological products for treatment.
Mar, 2017	CFDA	*Decision on Change of Several Issues Regarding the Administration of Imported Drug Registration* 《關於調整進口藥品註册管理有關事項的決定（徵求意見稿）》	• Simplifying the submission process for imported new drugs from "3-submission-3-approval" to "2-submission-2-approval", which will shorten the whole approval process. • Encouraging foreign-developed new pharmaceuticals to undergo clinical investigation trials within China and outside China in parallel, to meet the unmet medical needs for new drugs of Chinese patients.
Feb, 2017	The State Council of PRC	*The 13th Five-Year Plan for National Drug Safety* 《"十三五"國家藥品安全規劃》	• Encouraging the development and marketing of new drugs with clinical value and urgently needed generic drugs, and implement priority review and approval for innovative drugs with obvious clinical value and urgently needed drugs for rare diseases.

Source: Government Websites, Frost & Sullivan Report

Favorable Regulations for Rare Diseases in China

Release Date	Issuing Authority	Policies	Comments
May, 2019	NMPA	*Essential Considerations for Real-World Evidence to Support Drug Development* 《真實世界證據支持藥物研發的基本考慮（徵求意見稿）》	• Real-world evidence can support drug development in a variety of ways, ranging from pre-market clinical development to post-market re-evaluation, as in the case of drugs for rare diseases.
Dec, 2019	NMPA	*Pharmaceutical Administration Law of the People's Republic of China (2019 Revision)* 《中華人民共和國藥品管理法（2019修訂版）》	• Encourage the development of new drugs with new therapeutic mechanisms, treatments for serious life-threatening diseases or rare diseases, and multi-targeted systemic regulatory interventions for the human body to promote the advancement of pharmaceutical technology.
July, 2020	NMPA	*Measures for the Administration of Drug Registration* 《藥品註册管理辦法》	• Priority review and approval for clinically needed drugs in short supply, innovative and improved new drugs for the prevention and treatment of both major infectious diseases and rare diseases.
Jan, 2022	NMPA	*Technical Guidelines for Clinical Development of Drugs for Rare Diseases* 《罕見疾病藥物臨床研發技術指導原則》	• This guideline aims to improve the efficiency of clinical research and development of rare diseases, to meet the therapeutic needs of patients of rare disease, and to provide suggestions and references for the development of drugs for rare diseases and scientific trial design by taking into account the characteristics of rare diseases.

Source: Government Websites, Frost & Sullivan Report

IPF Drug Market

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

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

Incidence of IPF

According to Frost & Sullivan, the incidence of IPF worldwide increased from 544 thousand in 2018 to 585 thousand in 2022, at a CAGR of 1.9%. This is due to the increasing rate of aging populations, increasing awareness and diagnosis of this life-threatening condition and the prevalence of unhealthy lifestyles. The number of new cases is expected to continue increasing to 611 thousand in 2025 and to 665 thousand in 2030, with a CAGR of 1.4% and 1.7% from 2022 to 2025 and 2025 to 2030, respectively, according to Frost & Sullivan.

Unmet Clinical Need for IPF

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

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

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

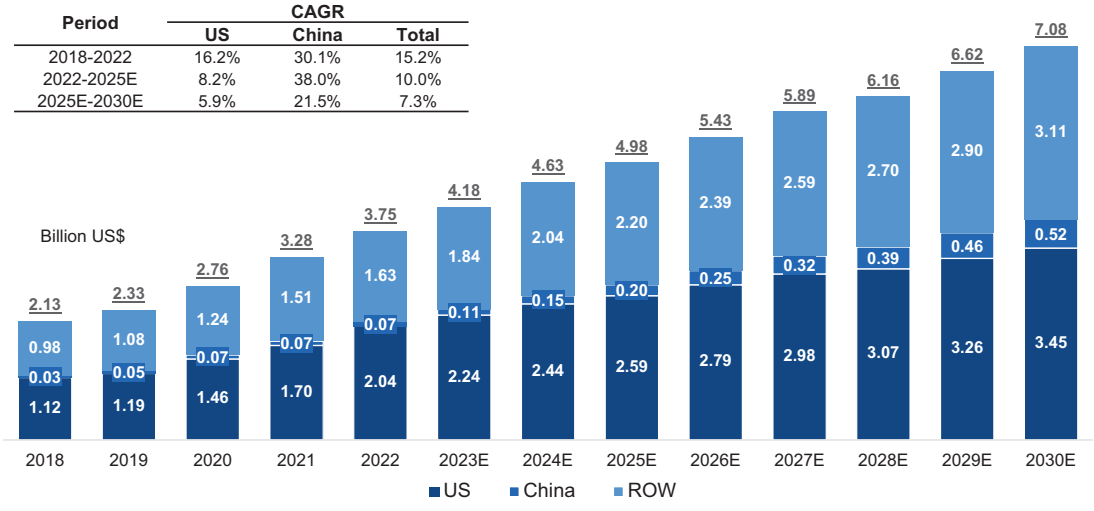
Due to relatively low incidence of rare diseases, the general public and even medical professionals are not well aware of orphan diseases. As an orphan disease, IPF is often misdiagnosed or undiagnosed. The strengthening of the public health system can help raise public awareness of rare diseases such as IPF. With the development of medical technology, updated guidelines for IPF were published with more specific diagnostic and treatment recommendations. The diagnosis of IPF has undergone a shift from a reliance on pathology to an emphasis on imaging, resulting in an increasing rate of correct diagnosis of IPF. With an increased diagnosis rate and diagnostic accuracy, the awareness of IPF is increased by the influence of the strengthened public health system and medical technology.

Size of the IPF Drug Market

In recent years, as affected by a combination of factors, including increasing incidence and prevalence of IPF patients, growing awareness of IPF has augmented the demand for special treatments, leading to improvement in IPF diagnosis and government support for drugs targeting orphan disease, positively impacting IPF treatment market growth. However, the IPF markets in developing countries are relatively underpenetrated due to limited access to diagnosis and treatments of IPF. The discrepancy between patient population and market size suggests significant room for IPF drug growth globally. With a concentrated population of untreated patients larger than that of the U.S. and Europe, China offers great opportunities for IPF pharmaceutical companies to capture a massive market at potentially lower costs. The following chart sets forth the market size of global IPF drug market.

Global Idiopathic Pulmonary Fibrosis Drug Market, 2018-2030E

Period	CAGR		
	US	China	Total
2018-2022	16.2%	30.1%	15.2%
2022-2025E	8.2%	38.0%	10.0%
2025E-2030E	5.9%	21.5%	7.3%



Note: *The assumptions used to estimate the significant growth in the market size of lPF drug market during the period from 2023 to 2030 are made on the following bases: (i) according to the clinical development pipeline published by the FDA and the NMPA, a number of IPF drugs are expected to be approved in the U.S. and China. (ii) according to the official literature review and expert interview, the number of new cases with IPF is expected to increase to 611 thousand in 2025 and to 665 thousand in 2030, (iii) according to expert interview, the recognition and availability of IPF drugs continues to increase due to their improved safety and efficacy. As a result, the market*

penetration of IPF drugs is expected to increase. The large patient base and rapid growth in sales of approved IPF drugs will in turn contribute to the rapid growth of the market size during the period from 2023 to 2030, (iv) the academic-education and promotion strategies of developers contribute to the increasing clinical penetration of the IPF products, (v) according to literature review, patients with IPF who were treated with Pirfenidone and Nintedanib spent more than US$40,000 per year. As more targeted drugs become available in the future, the pricing of targeted drugs is generally higher, so at the same time the annual cost of medication for patients is expected to increase. The affordability and broader social insurance coverage further promoted patients' access to the IPF treatment drugs.

Source: Frost & Sullivan Report

Competitive Landscape of the IPF Drug Market

As of the Latest Practicable Date, only pirfenidone and nintedanib have been approved globally for the treatment of IPF. The clinical response of pirfenidone and nintedanib is not very significant. The patents for pirfenidone have already expired. The generics of pirfenidone have been marketed by several manufacturers such as Sandoz. The generics of nintedanib are expected to be marketed for the treatment of IPF in China in 2026, and in the United States in 2029 when the patents relating to nintedanib are expired. The following table shows the global competitive landscape for the two approved original drugs. The IPF drug candidates may have technical difficulties or risks of failure in the R&D stage which may lead to non-approval by the competent authorities or relevant regulatory authorities. For example, FibroGen's drug, administered by intravenous infusion every three weeks, failed to distance itself from a placebo on this measure after 48 weeks of treatment. The preliminary results also showed the drug failed to meet a secondary goal measuring time to disease progression.

Global Competitive Landscape for Approved Original Drugs for IPF

Approved Original Drugs						
Generic Name	**Brand Name**	**Original Drug Manufacturer**	**FDA Approved Date**	**Drug Target**	**Original Drug Approved Region**	**Indication**
Pirfenidone	Esbriet®	Roche/ Genentech	2014-10-15	TGF-β, TNF-α and interleukin 6	FDA, EMA, PMDA	1. Treatment of idiopathic pulmonary fibrosis (IPF).
Nintedanib	OFEV®	Boehringer Ingelheim	2014-10-15	Tyrosine kinases	FDA, EMA, NMPA, PMDA	1. Treatment of idiopathic pulmonary fibrosis (IPF). 2. Treatment of chronic fibrosing interstitial lung diseases (ILDs) with a progressive phenotype. 3. Slowing the rate of decline in pulmonary function in patients with systemic sclerosis-associated interstitial lung disease (SSc-ILD).

Source: FDA Label, Frost & Sullivan Report

There are currently nearly 300 clinical-stage IPF drug candidates globally, of which 200 are small molecules drugs. In addition, a total number of 16 drug candidates have entered Phase III clinical trials globally. The following table sets forth details of 16 drug candidates targeting IPF that have entered Phase III clinical trials globally. Boehringer Ingelheim's BI 1015550 received orphan drug designation from the FDA and it may also be entitled to the orphan drug exclusive approval upon receiving the FDA approval.

	BI 1015550	Lansoprazole	PRM-151	Pamrevlumab	Treprostinil	BMS 986278	N-acetylcysteine	Bosentan	Interferon-Gamma 1b	ART-123	Sodium pyruvate	SC1011	Cyclophosphamide	Thalidomide	Imatinib Mesylate	Anlotinib
Sponsors	Boehringer Ingelheim	Norfolk and Norwich University Hospitals NHS Foundation Trust, Norwich Clinical Trials Unit	Hoffmann-La Roche	FibroGen	United Therapeutics	Bristol-Myers Squibb	Zambon Group	Actelion	InterMune	Asahi Kasei Pharma Corporation	Cellular Sciences	Guangzhou JOYO Pharma Co Ltd	Assistance Publique – Hôpitaux de Paris	Celgene Corporation	Novartis	Neovii Biotech
Highest Progress Globally	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III/Phase II	Phase III	Phase III	Phase III	Phase III
Drug Type	Chemical drug	Chemical drug	Biologic drug	Biologic drug	Chemical drug	Chemical drug	Chemical drug	Chemical drug	Biologic drug	Biologic drug	Chemical drug	Chemical drug	Chemical drug	Chemical drug	Chemical drug	Chemical drug
Drug Target	PDE4B	$H+/K+$ ATPase	NA	CCN2	PPARδ, PTGIR, PTGER, PTGDR	LPAR1	ACY1, SLC7A11, GSS, IKK-A, IKK-B	EDNRB, EDNRA	NA	Thrombin	NA	TNF-α	GR	GR, IKZF1, IKZF3	BCR-ABL, c-KIT, PDGFRA	FGFR, KIT, PDGFR, RET, VEGFR
Agency	FDA, NMPA, JPRN, EUCTR	FDA	FDA, NMPA, JPRN, EUCTR	FDA, NMPA, JPRN, EUCTR	FDA, EUCTR	FDA, NMPA, JPRN, EUCTR	FDA, JPRN, EUCTR	FDA, JPRN, EUCTR	FDA, EUCTR	FDA, JPRN	FDA	FDA, NMPA	FDA, EUCTR	FDA	FDA	FDA

*Note: * NA: not applicable. The drug candidate is not a targeted drug, and thus the drug target is not applicable.*
Source: Literature review, Company Official Website, Frost & Sullivan Report

The table below shows a detailed comparison among the 19 IPF products (ISM001-055, two approved IPF drugs and 16 Phase III clinical stage IPF drug candidates). The data in the table is not based on head-to-head comparison between the relevant drugs. Clinical trials of a drug cannot be directly compared to the clinical trials of another drug and may not be representative of the overall data.

	ISM001-055	Pirfenidone*	Nintedanib*	BI 1015550	Lansoprazole	PRM-151	Pamrevlumab	Treprostinil	BMS 986278	N-acetylcysteine	Bosentan	Interferon-Gamma 1b	ART-123	Sodium pyruvate	SC1011	Cyclophosphamide	Thalidomide	Imatinib Mesylate	Anlotinib
Sponsors	Insilico Medicine	Roche/ Genentech	Boehringer Ingelheim	Boehringer Ingelheim	Norfolk and Norwich University Hospitals NHS Foundation Trust, Norwich Clinical Trials Unit	Hoffmann-La Roche	FibroGen	United Therapeutics	Bristol-Myers Squibb	Zambon Group	Actelion	InterMune	Asahi Kasei Pharma Corporation	Cellular Sciences	Guangzhou JOYO Pharma Co Ltd	Assistance Publique-Hôpitaux de Paris	Celgene Corporation	Novartis	Neovii Biotech
Highest Progress Globally	Phase II	Approved by FDA, EMA and PMDA	Approved by FDA, EMA, PMDA, and NMPA	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III	Phase III/ Phase II	Phase III	Phase III	Phase III	Phase III
Drug Type	Chemical drug	Chemical drug	Chemical drug	Chemical drug	Chemical drug	Biologic drug	Biologic drug	Chemical drug	Chemical drug	Chemical drug	Chemical drug	Biologic drug	Biologic drug	Chemical drug	Chemical drug	Chemical drug	Chemical drug	Chemical drug	Chemical drug
Drug Target	TNIK	TGF-β, TNF-α, interleukin 6	Tyrosine kinases	PDE4B	$H+/K+$ ATPase	NA	CCN2	PPARδ, PTGIR, PTGER, PTGDR	LPAR1	ACY1, SLC7A11, GSS, IKK-A, IKK-B	EDNRB, EDNRA	NA	Thrombin	NA	TNF-α	GR	GR, IKZF1, IKZF3	BCR-ABL, c-KIT, PDGFRA	FGFR, KIT, PDGFR, RET, VEGFR
Mechanism of Action	It induces EMT, FMT, fibroblast macrophage activation. In addition, inhibition of several well-established pro-fibrotic pathways (including TGF-β1, NF-kB, and YAP/TAZ) may have a synergistic effect.	It inhibits collagen synthesis and can exert anti-inflammatory and antioxidant effects	It binds to the ATP-binding pocket of RTKs and nRTKs which are implicated in lung fibrosis and inhibits their activity, thereby blocking signalling cascades that result in the proliferation and migration of lung fibroblasts	It inhibits transforming growth factor-β-stimulated myofibroblast transformation and the mRNA expression of various extracellular matrix proteins, as well as basic fibroblast growth factor plus interleukin-1β-induced cell proliferation.	It selectively inhibit the membrane enzyme $H+/K+$ ATPase in gastric parietal cells, which is the final step in the secretion of acid.	It directs the immune system to naturally turn off and reverse the process of fibrosis by acting as a macrophage polarization factor.	It targets connective tissue growth factor (CTGF), which promotes muscle fibrosis and reduces the ability of damaged muscle cells to repair.	It binds and activates prostacyclin receptor etc. and leads to elevation of cAMP levels, promotes the opening of calcium-activated potassium channels promoting the direct vasodilation of pulmonary vascular beds.	It acts as LPA receptor 1 antagonist. Signaling via LPA1 appears to be fundamental in the pathogenesis of fibrotic diseases.	It increases the synthesis of glutathione, a potent antioxidant, and decreases the fibrotic response.	It is the competitive inhibition of endothelin-1 receptors. Endothelin-1 is a potent vasoconstrictor, which also mediates cell proliferation, fibrosis and inflammation.	It binds directly to IFNGR1, leading to a complex of IFNGR1&2. This activates JAK1&2 kinases which form a STAT1 docking site leading to STAT1 phosphorylation, nuclear translocation and initiation of gene transcription of multiple immune-related genes.	It targets connective tissue growth factor (CTGF), which promotes muscle fibrosis and reduces the ability of damaged muscle cells to repair.	It is a natural antioxidant of the human body and as an antioxidant it has been shown to significantly reduce inflammatory agents throughout the human body, including the lungs and nasal passages, allowing nasal nitric oxide to reach the lungs to increase bronchodilation.	It inhibits the synthesis of bacterial folic acid by reducing the production of transforming TGF-β1.	It interrupts the activity of your immune system, slowing the disease and reducing inflammation.	It inhibits FGF-2 by interacting with the FGF-2 receptor.	It inhibits proliferation and induces apoptosis in BCR-ABL positive cell lines.	It inhibits the VEGFR2/-3 mediated signaling pathway by blocking the phosphorylation of vascular endothelial growth factor receptor VEGFR2/-3.
Efficacy on IPF	Not available (Phase II trial is ongoing without preliminary results)	The evidence comes from 4 randomised trials: there was a statistically significant difference in rate of decline in Forced Vital Capacity (FVC).	The evidence comes from 3 multicentre trials and showed statistically significant reduction in the rate of decline in FVC.	Among participants without any background antifibrotic use, the median change in FVC was 5.7 mL in the BI 1015500 arm vs –81.7 mL in the placebo arm. In participants with background antifibrotic use, the median change in FVC was 2.7 mL in the BI 1015500 arm vs –192 mL in the placebo arm.	Not disclosed	Long-term treatment with PRM-151 was well tolerated and the effects on percentage of predicted FVC and 6-min walking distance were persistent on continuation and positive in patients who crossed over from placebo.	Patients receiving pamrevlumab experienced a less sharp worsening in predicted FVC compared with the placebo group — a mean change of less 2.9% versus less 7.2% in the placebo group.	Significant improvement in 6MWD (6-minute walk distance) and statistically significant improvements in FVC over 16 weeks	60 mg of BMS-986278 reduced the rate of change in ppFVC (percent predicted forced vital capacity) by 62% over a placebo	Not disclosed	Bosentan showed no superiority over placebo in 6MWD up to Month 12	Not disclosed	ART-123 did not improve the 90-day survival proportion.	Not disclosed	Not disclosed	Not disclosed	Low dose of thalidomide has been an effective agent in treating pulmonary fibrosis.	It shows no benefits for imatinib with respect to the primary endpoint.	Not disclosed
Adverse Events	Latent blood Hypertriglyceridemia Sinus bradycardia Limb pain Dizziness Oral ulceration	The most common adverse reactions (≥10%) are nausea, rash, abdominal pain, upper respiratory tract infection, diarrhea, fatigue, headache, dyspepsia, dizziness, vomiting, anorexia, gastro-esophageal reflux disease, sinusitis, insomnia, weight decreased, and arthralgia.	Elevated liver enzymes and drug-induced liver injury Gastrointestinal disorders Embryo-fetal toxicity Arterial thromboembolic events Risk of bleeding Gastrointestinal perforation Nephrotic range proteinuria	Gastrointestinal disorders Diarrhea Pneumonia Suspected vasculitis Suspected IPF exacerbation Vasculitis	Headache Diarrhea Dizziness Nausea Vomiting Constipation	Dyspnea Cough Upper respiratory tract infection Fatigue Nasopharyngitis Diarrhea Bronchitis	Respiratory tract infection Cough Dyspnea Fatigue Urinary tract infection Nasopharyngitis Sinusitis Diarrhea Nausea Headache Bronchitis	Not disclosed	Diarrhea Cough Orthostatic hypotension	Diarrhea Nausea Bronchitis Influenza Nasopharyngitis Upper respiratory tract infection Cough Photosensitivity reaction	IPF worsening Upper respiratory tract infection Cough Dyspnea Bronchitis Fatigue Headache	Not disclosed	Insomnia Bleeding Delirium Hyperglycemia Diabetes mellitus Constipation	Not disclosed	Not disclosed	Tiredness Headache Muscle and joint pains Feeling sick Vomiting Diarrhea	Birth defects Somnolence Rash Fatigue Constipation	Edema Nausea and vomiting Muscle cramps Musculoskeletal pain Diarrhea and rash	Hand-foot skin reaction Hypertension Proteinuria Triglyceride increase Hypothyroidism
Duration of Time	Up to 12 weeks	Long term	Up to 51 months	Up to 52 weeks	12 months	Long term	12 months	Long term	26 weeks	12 months	12 months	2 years	90 days	21 days	Up to 52 weeks	12 months	12 weeks	Long term	up to 52 weeks

*Note: * Original drugs*
*** NA: not applicable. The drug candidate is not a targeted drug, and thus the drug target is not applicable.*
Source: Literature review, Company Official Website, FDA Label, Frost & Sullivan Report

The following table shows the Phase II trial results that are publicly available for the drug candidates for the treatment of IPF who entered Phase III clinical trials globally.

Drug Name	Company	Trial Start	Enrollment	Primary Endpoint	Results
BI 1015550	Boehringer Ingelheim	2020-07	147	The change from baseline in forced vital capacity at 12 weeks	Prevention of a decrease in lung function for patients with IPF
PRM-151	Hoffmann-La Roche	2015-09	117	The change from baseline in forced vital capacity	Slower decline in lung function over 28 weeks for patients with IPF
Bosentan	Actelion	2003-07	132	The change in the 6-minute walk distance from baseline up to month 12	No improvement in exercise capacity was observed, no significant treatment effect was observed for the other end points

Source: Clinicaltrials.gov, Frost & Sullivan Report

While IPF represents an attractive opportunity for new therapies, there are currently limited therapeutic options on the market. Previous attempts to develop drugs for the fibrotic disease market using traditional drug development methods have met with limited success. This is because drug discovery and development for fibrotic diseases presents specific challenges, such as complex pathophysiology, poor diagnosis rates and poor understanding of disease biology. The table below presents a list of drug candidates targeting IPF that were terminated at the clinical stages globally.

Drug Name	Company	Target	Termination Reason	Clinical Status
Pamrevlumab	FibroGen	CCN2	The Phase III ZEPHYRUS-1 study for the treatment of IPF did not achieve the primary endpoint of forced vital capacity (FVC)	Phase III
Interferon Gamma-1b	InterMune	NA	Test drug showed lack of benefit at interim analysis	Phase III
Ambrisentan	Gilead Science	EDNRA	Lack of efficacy	Phase III
GLPG1690	Galapagos NV	ENPP2	The benefit-risk profile no longer supports continuing the study	Phase III
PRM-151	Hoffmann-La Roche	NA	The study was terminated by Sponsor as the futility analysis outcome indicated that the study was unlikely to meet the predefined primary objective of the study. No new safety concerns were identified	Phase III
Cotrimoxazole	Fundación Pública Andaluza para la gestión de la Investigación en Sevilla	DHPS, DHFR	Changes in standards of care	Phase III
Warfarin	National Heart, Lung, and Blood Institute	VKORC1	Excess of mortality in the treatment group created safety concerns	Phase III
Sildenafil	Alicia Gerke	PDE5A	Funding was withdrawn	Phase III/II
BG00011	Biogen	Integrin αvβ6	Safety concerns	Phase II
CC-930	Celgen	MAPK8, MAPK9	The benefit/risk profile does not support continuation of this study	Phase II
CC-90001	Celgen	MAPK8	Business objectives have changed	Phase II
Simtuzumab	Gilead Sciences	LOXL2	Lack of efficacy	Phase II
Treprostinil sodium	Lung Biotechnology PBC	PPARδ, PTGIR, PTGER2, PTGDR	Lack of enrollment to the trial. Very difficult population to recruit	Phase II
Tralokinumab	MedImmune LLC	Interleukin 13	Lack of efficacy	Phase II
VAY736	Novartis Pharmaceuticals	BAFFR	Sponsor decision	Phase II
RVT-1601	Respivant Sciences	NA	COVID-19 pandemic	Phase II
GBT440	Global Blood Therapeutics	Hemoglobin S	The study was terminated due to lack of clinically meaningful benefit	Phase II
QAX576	Novartis Pharmaceuticals	Interleukin 13	NA	Phase II
GSK2634673F	GlaxoSmithKline	Integrin αvβ6	Challenges recruiting subjects with fibrotic interstitial lung disease associated with a connective tissue disease for Part D	Phase I
Tralokinumab	MedImmune LLC	IL13	Lack of efficacy	Phase II
Interferon-alpha lozenges	Ainos, Inc. (f/k/a Amarillo Biosciences Inc.	IFNAR	Insufficient patient accrual	Phase II
Riociguat (Adempas, BAY63-2521)	Bayer	sGC	Study terminated per recommendation of iDMC.On iDMC request, protocol amended to include 4-month safety follow-up for patients after withdrawal of riociguat.	Phase II
GSK3008348	GlaxoSmithKline	Integrin αvβ6	Sufficient information was gathered from cohort 1 to terminate the study without proceeding to optional cohort 2	Phase I
IDL-2965	Indalo Therapeutics, Inc.	Integrin αvβ1, Integrin αvβ3, Integrin αvβ6	Development challenges associated with the SARS-CoV-2 pandemic and emerging nonclinical data	Phase I
TD-1058	Theravance Biopharma	TGFBR1	The Sponsor has decided to stop the study due to business reasons. Study was terminated before initiation of part C and D (Decision to not proceed with Parts C and D was not for safety reasons and do not impact the overall risk benefit of the IMP.)	Phase I

Note: This table lists only those clinical trials that were announced as "terminated" on the clinicaltrials website or in sponsor's press release.

Source: Clinicaltrials.gov, Frost & Sullivan Report

Growth Drivers of the Global IPF Drug Market

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

- *Increasing incidence and prevalence of IPF and improvement in IPF diagnosis.* The incidence and prevalence of IPF are increasing worldwide. In North America, adjusted prevalence rates range from 2.40 to 2.98 per 10,000 persons. Risk factors for IPF include age, smoking, race, body mass index, exposure to particulate matter, working around livestock and genetic predisposition. IPF is a chronic and progressive lung disease that often goes undiagnosed or misdiagnosed for years. However, with advances in diagnostic technologies and increased awareness of IPF, there has been a significant improvement in early diagnosis. This has created a higher demand for effective IPF drugs and therapies, thus increasing the development of the IPF drug market.

- *Government support for drugs targeting orphan disease.* Government support for orphan drugs has been established in China, the United States and the European Union. The Chinese government has made considerable efforts to gradually improve the situation of patients with rare diseases (including IPF) in terms of diagnosis and treatment, access to medication, and affordability of care. The National Health Commission implemented a raft of measures, including the first Catalog of Rare Diseases, establishment of a rare diseases alliance, establishment of the Network for Collaboration in Rare Disease Diagnosis and Treatment, formulation of the Guidelines for the Diagnosis and Treatment of Rare Diseases, sharing of diagnostic and treatment information, and creation of expert committees, to ensure the standardization of rare disease diagnosis and treatment and to promote the improvement of rare disease diagnosis and treatment capabilities nationwide. The Orphan Drug Act in the United States and similar legislation in the EU encourage research into orphan drugs for rare diseases. Approximately 800 orphan drugs have been approved by the European Medicines Agency and the FDA for the treatment of rare diseases. IPF is an orphan disease under the Orphan Drug Act, making efforts to develop a drug for IPF eligible for favorable government support, such as market exclusivity and tax incentives.

- *Potential for IPF drugs with greater therapeutic benefits.* Although many therapies have only been shown to slow the decline in lung function, recent evidence suggests that fibrosis may be reversible. Treatments can often reverse the effects of mild to moderate fibrosis. However, this condition often does not cause obvious symptoms until it has progressed. Researchers have reversed lung fibrosis in a mouse model of idiopathic pulmonary fibrosis, or IPF, as reported in the paper "Targeting Cpt1a-Bcl-2 interaction modulates apoptosis resistance and fibrotic remodeling" published in the journal *Cell Death and Differentiation*.

USP1 Inhibitor Drug Market

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

BRCA-mutant Cancers

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

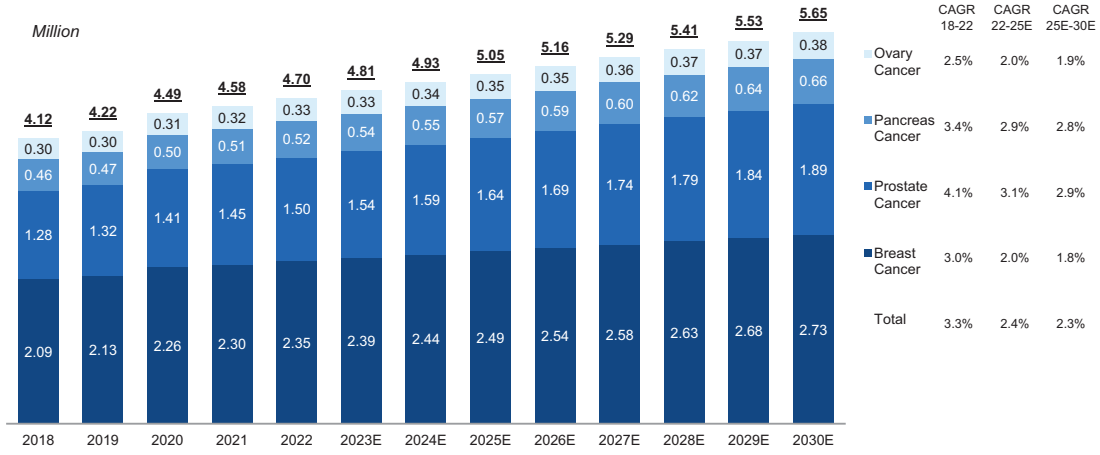
Individuals who inherit a harmful variant in one of these genes have an increased risk of developing certain types of cancer, including breast, ovarian, prostate, and pancreatic cancers. In particular, women who inherit a harmful BRCA1 or BRCA2 variant have up to an 80% risk of developing breast cancer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

Treatment options for BRCA-mutated cancers include synthetic lethality drugs, such as PARP inhibitors. These drugs are designed to take advantage of a specific weakness in BRCA-mutant cells that makes them more susceptible to damage from PARP inhibitors than non-mutant cells. However, some patients may develop resistance to PARP inhibitors over time. Recent studies have shown that resistance to PARP inhibitors may be overcome by the use of USP1 inhibitors. Inhibition of USP1 may be a useful treatment for a subset of PARP inhibitor resistant BRCA1 deficient tumors with acquired replication fork stabilization.

Global Incidence of Potential ISM3091 Indications

The Company has obtained IND approval for ISM3091 for the indication of BRCA-mutant cancers. The development of ISM3091 is expected to cover the indications of ovary cancer, pancreas cancer, prostate cancer and breast cancer. The incidence rate of cancer is increasing for each type of cancer potentially treatable by ISM3091. Among them, breast cancer accounted for the highest percentage of total cancer incidence, followed by prostate cancer.

Breakdown of Global Incidence of Potential ISM3091 Indications, 2018-2030E



Source: Frost & Sullivan Report

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

Competitive Landscape of USP1 Inhibitors

USP1 is upregulated in several BRCA1-deficient tumor types, making it a promising target for cancer therapy. As of the Latest Practicable Date, there were five drug candidates under clinical trials targeting USP1 for the treatment of advanced solid tumors. The table below illustrates the USP1 inhibitor compounds currently in development.

Drug Name	Company	Indication	Target	Phase	Trial Start	Trial Status	Expected/Actual Enrollment
ISM3091	Exelixis	BRCA-mutant Cancer	USP1	Phase I	2023-08-17	Recruiting	66
HSK39775	Haisco Pharmaceutical Group Co Ltd	Advanced Solid Tumors	USP1	Phase II Phase I	2024-02-27	Recruiting	243
TNG348	Tango Therapeutics, Medivir	Solid Tumors	USP1	Phase II Phase I	2023-10-08	Recruiting	NA
SIM0501	Simcere Pharmaceutical Group Limited Shanghai Xianxiang Pharmaceutical Technology Co Ltd Jiangsu Xiansheng Zaiming Pharmaceutical Co Ltd	Advanced Solid Tumors	USP1	Phase I	2024-02-26	NA	NA
KSQ-4279	KSQ Therapeutics, Inc.	Advanced Solid Tumors	USP1	Phase I	2021-08-16	Recruiting	140

Sources: Clinicaltrials.gov, Frost & Sullivan Report

3CL^{pro}/M^{pro} Inhibitor Drug Market

Drug development against SARS-CoV-2 has focused on blocking the spike protein from binding to ACE2, inhibiting viral membrane fusion with host cells, and preventing viral replication by targeting the 3C-like protease, also known as the main protease ("**3CL^{pro}/M^{pro}**"), and RNA-dependent RNA polymerase ("**RdRp**"). 3CL^{pro}/M^{pro} is critical for the translation of the virus and there are several types of 3CL^{pro}/M^{pro} inhibitors including peptidomimetic covalent inhibitors, non-peptidomimetic covalent inhibitors and small molecule non-covalent inhibitors. Paxlovid is a 3CL^{pro}/M^{pro} inhibitor approved by the FDA for emergency use that has brought in a total revenue of US$19 billion in 2022, according to Frost & Sullivan. Despite its commercial success, Paxlovid has issues such as CYP3A inhibition, which may cause drug interactions and limit its use in some patients, a complex drug synthesis

process that may pose challenges for mass production and limited evidence of its efficacy against emerging SARS-CoV-2 mutant variants. As a result, there remains a need for the development of $3CL^{pro}/M^{pro}$ inhibitors that can overcome these limitations and provide a more comprehensive approach to the treatment of COVID-19.

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

Drug Name	Company	Target Site	Listing Time / Phases of Clinical Trials
ISM3312	Insilico Medicine	$3CL^{pro}/M^{pro}$	Phase I
Atilotrelvir/Ritonavir	Fujian Cosunter Pharmaceutical Co., Ltd	$3CL^{pro}/M^{pro}$, HIV-1 protease	2023-11
Leritrelvir	Guangdong Huanan Pharmaceutical Group Co. Ltd.	$3CL^{pro}/M^{pro}$	2023-03
Simnotrelvir/Ritonavir	Simcere Pharmaceutical	$3CL^{pro}/M^{pro}$,CYP3A	2023-01
Nirmatrelvir/Ritonavir	Pfizer	$3CL^{pro}/M^{pro}$,CYP3A	2021-12
Ensitrelvir	Shionogi	$3CL^{pro}/M^{pro}$	NDA
Olgotrelvir	Sorrento Therapeutics, Hangzhou Essen Pharmaceutical Research Co Ltd	$3CL^{pro}/M^{pro}$,CTSL	Phase III
FB2001	Frontier Biotechnologies Inc. Shanghai Institute of Materia Medica	$3CL^{pro}/M^{pro}$	Phase III
QLS1128	Qilu Pharmaceutical Co Ltd	$3CL^{pro}/M^{pro}$	Phase III
WPV01	Westlake Pharmaceuticals Co Ltd	$3CL^{pro}/M^{pro}$	Phase III
HS-10517	Jiangsu Hansoh	$3CL^{pro}/M^{pro}$	Phase II
GS221	Grand Pharmaceutical Group Ltd	$3CL^{pro}/M^{pro}$	Phase I
SYH2055	CSPC Pharmaceutical Group Ltd	$3CL^{pro}/M^{pro}$	Phase I
SHEN-211	JKT Biopharma Co., Ltd.	$3CL^{pro}/M^{pro}$	Phase I
ASC11	Ascletis Pharmaceuticals	$3CL^{pro}/M^{pro}$	Phase I

Source: Frost & Sullivan Report
Note: Information as of Latest Practicable Date.

QPCTL Inhibitor Drug Market

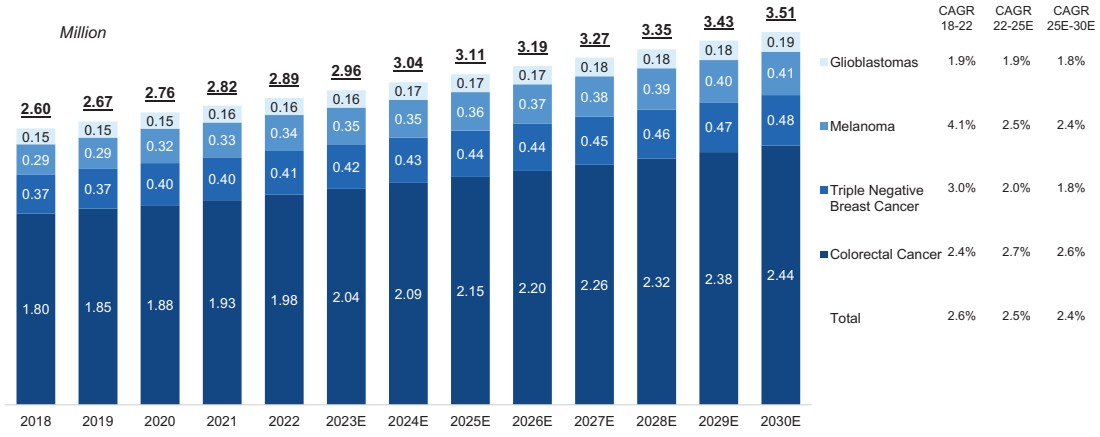
CD47 is a protein molecule expressed on the surface of tumor cells and red blood cells. Through the CD47-SIRPα signaling pathway, tumor cells can activate the downstream pathway of macrophages, inhibit rearrangement of the macrophage cytoskeleton, inhibit macrophage phagocytosis of tumor cells and escape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

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

Global Incidence of Potential ISM8207 Indications

The Company has obtained IND approval for ISM8207 for the indication of advanced/metastatic solid tumors and relapsed/refractory B-cell lymphoid malignancies. The development of ISM8207 is expected to cover the indications of glioblastomas, melanoma, triple negative breast cancer and colorectal cancer. The incidence rate of potential ISM8207 indications are increasing. Among them, breast cancer accounted for the highest percentage of total cancer incidence, followed by colorectal cancer.

Breakdown of Global Incidence of Potential ISM8207 Indications, 2018-2030E



Source: Frost & Sullivan Report

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

Competitive Landscape of QPCTL Inhibitors

QPCTL inhibitors act as boosters for cancer immunotherapy by promoting immune-mediated tumor killing and altering the tumor immune microenvironment to boost the patient's anti-tumor immune activity. As of the Latest Practicable Date, ISM8207 was the only QPCTL inhibitor that has received IND approval and can proceed to clinical stage.

PHD1/2 Inhibitor Drug Market

PHD enzyme inhibition can stabilize hypoxia-inducible factor ("**HIF**"), which stimulates erythropoietin ("**EPO**") synthesis. The HIF–PHD pathway regulates cellular responses to hypoxia and is involved in multiple diseases, including anemia. HIF undergoes oxidative degradation by PHD enzymes. There are three isoforms of PHD, namely, PHD1, PHD2, and PHD3. Inhibition of PHDs, especially PHD1 and PHD2, reduces the degradation of HIF and higher level of HIFs leads to barrier-protective gene expression for epithelial barrier healing and decreased proinflammatory cytokine expression.

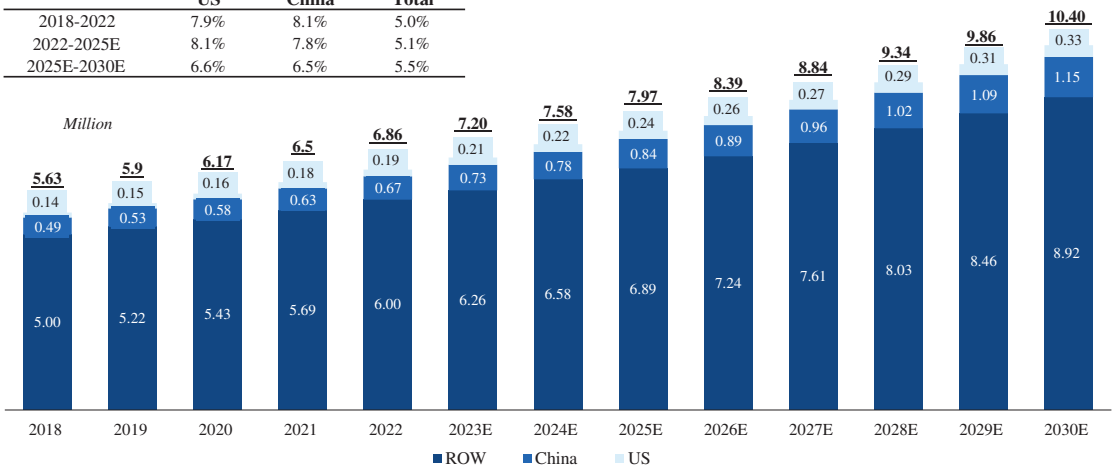
Inflammatory bowel disease ("**IBD**") results from the interaction between genetic and environmental factors which influence the immune responses. IBD are mainly divided into ulcerative colitis ("**UC**") and Crohn's disease ("**CD**"). UC is an immune-mediated disorder characterized by chronic mucosal inflammation of the colon and alternating periods of active disease and remission. CD is mucosal ulceration and inflammation, which may occur anywhere along the gastrointestinal tract but most commonly affects the distal small intestine. HIF has been recognized as a protective regulator of IBD by driving the expression of barrier protective genes, and thus PHD1/2 inhibitor may be an innovative clinical strategy for IBD patients.

Global Incidence of Potential ISM5411 Indications

The Company initiated an ISM5411 clinical trial in Australia for the IBD indication in October 2023. The incidence rate of IBD indications is increasing. Among the global prevalence of IBD, China contributes to a considerable number of patients.

Breakdown of Global Incidence of IBD, 2018-2030E

Period	CAGR		
	US	China	Total
2018-2022	7.9%	8.1%	5.0%
2022-2025E	8.1%	7.8%	5.1%
2025E-2030E	6.6%	6.5%	5.5%



Source: Frost & Sullivan Report

Competitive Landscape of HIF-PHD Inhibitors

The inhibitor targeting HIF-PHD is a fascinating area for potential future therapeutics for IBD. As of the Latest Practicable Date, there were only two inhibitors under clinical trial development. The table below illustrates the competitive landscape of ISM5411 for IBD indications.

In Development							
Drug Name	**Company**	**Indication**	**Target**	**Phase**	**Trial Start**	**Trial Status**	**Expected/ Actual Enrollment**
ISM5411	Insilico Medicine	IBD	HIF-PHD	Phase I	2023-10	Recruiting	76
AKB-4924	Aerpio Therapeutics	IBD	HIF-PHD	Phase I	2016-08	Completed	40

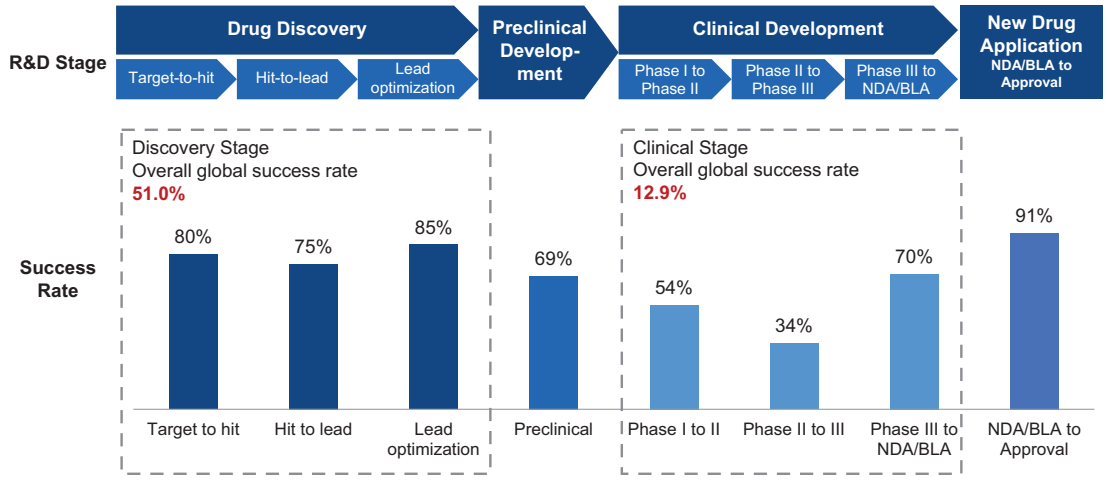
Source: FDA, EMA, NMPA, PMDA, Clinicaltrials.gov, Frost & Sullivan Analysis

PHARMACEUTICAL RESEARCH AND DEVELOPMENT

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

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

Phase Transition Success Rates in Drug Research and Development by Stage, Globally



Sources: *Paul, S., Mytelka, D., Dunwiddie, C. et al. How to improve R&D productivity: the pharmaceutical industry's grand challenge. Nat Rev Drug Discov 9, 203–214 (2010), Frost & Sullivan Report*

Note: *The success rate is defined as the number of drugs that advance from one phase to the next divided by the sum of the number of drugs that progress to the next phase and the number of drugs that were suspended.*

Drug discovery is becoming increasingly difficult as traditional drug discovery methods have exploited much of the low-hanging fruit for drug discovery and development. These targets are typically proteins or pathways that are well understood and have clear links to specific diseases. Over the years, many of these low-hanging fruits have been discovered and turned into successful drugs, leaving researchers with fewer options for finding new drugs using traditional methods. At the same time, the growth rate of drug discovery spending is continuing to accelerate, driven by increasing demand for innovative drugs worldwide. The CAGR for total drug R&D expenditure was 8.5% from 2018 to 2022 and is expected to be 6.8% from 2022 to 2027. The increased spending and reduced ROI may not be attractive enough for pharmaceutical companies, and some are turning to AI-based drug discovery and development drug discovery to reduce costs and increase returns.

AI-BASED DRUG DISCOVERY AND DEVELOPMENT ("AIDD")

Machine Learning, Deep Learning and Generative AI

Generative AI

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

According to Frost & Sullivan, there are more than ten thousand known rare diseases which affect approximately one in ten people in the U.S. However, according to the U.S. National Institutes of Health ("**NIH**"), 95% of rare diseases have no FDA-approved treatment option, highlighting the enormous unmet clinical need for patients. The findings underscore the urgent need for more research and drug discovery and development for rare and other diseases. Generative AI could aid in this regard by analyzing large databases of biological and chemical structures to generate a large selection of virtual molecules with desired properties. This approach can explore chemical space that is not easily accessible to traditional drug discovery methods and thereby provide potentially new therapeutic solutions for currently untreated diseases.

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

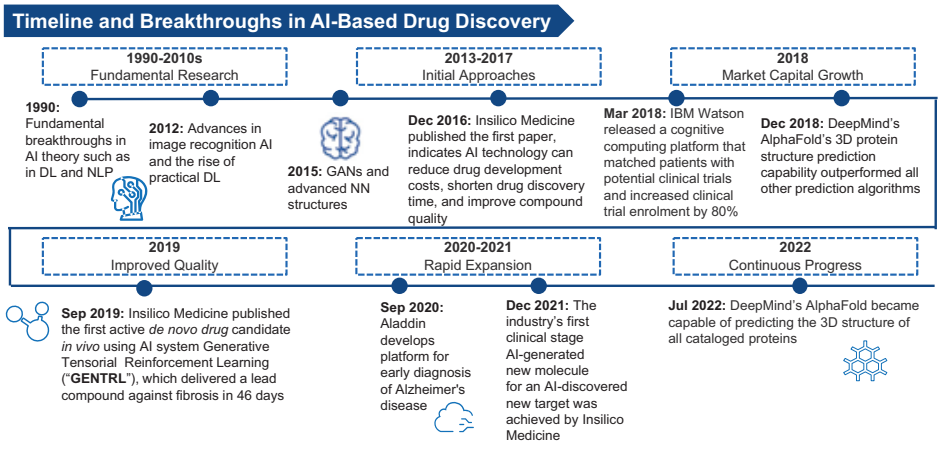
AI in Drug Discovery and Development

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

AIDD Development Timeline

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

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



Source: Frost & Sullivan Report

Application of AI for Drug Discovery to Address Pharmaceutical R&D Productivity Challenges

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

Key Advantages of AI-Based Drug Discovery

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

		Disease Hypothesis	Target Identification	Hit to Lead	Lead Optimization
Purpose		• Potential drug targets are identified through disease mechanisms and biological pathways	• The selected target is validated to confirm its role in the disease and to ensure it is a suitable target for drug development	• Discover and identify small molecule or compounds interacting with the target that has the potential to lead to a therapeutic effect	• The lead compounds are optimized and modified to improve their potency, specificity, and PK properties
Traditional Method		• Requires a long time to identify the molecular mechanisms of diseases	• Diseases are often multifactorial, thus challenging to identify a single molecular target • Many targets are intractable or undruggable	• Limited number of molecules that can be feasibly tested across drug properties with traditional methods • Sub-optimal hit	• Assays do not always reflect the complexities found within the physiological environment • Drugs may act on more than one target
Computational Powered Method		• Involving an entire multiscale analysis of genomics, metabolomics and proteomics relevant to the disease of interest	• Leverage analytical platforms and omics databases containing biological information • Facilitate the prospects of identifying targets	• Through a combination of free energy perturbation (**FEP**) calculations and automated ideation	• It is beneficial to apply computational tools in lead optimization to cover a wider chemical space while reducing the number of compounds
AI Method	Machine Learning	• Natural Language Processing and text mining algorithms to analyze literature • Facilitate multi-omics pathway analysis	• Train druggability models to predict druggable targets • Assess the efficacy of the target by multivariate feature selection	• Use "design layer"/random forest regression algorithms to create new biologically active chemical space	• Different machine learning algorithms are used to predict the various properties of ADME/T
	Deep Learning	• Convolutional Neural Network (**"CNN"**) - based methods have been extensively used in biomedical data for finding disease mechanism	• Deep learning has shown considerable capability in pose/affinity prediction and active/inactive detection of drug-target complexes	• Sample the entire chemical space • Predict the binding affinity of potential leads	• Optimize the structure of lead compounds through their chemical properties such as target binding affinity
	Generative AI	• Automatically learn from a knowledge graph that encodes a multitude of data about biology to predict properties of genes or to infer gene–disease associations	• Transformer-based architecture to identify relevant targets • Generate molecules with specific binding properties to a particular protein	• By generating molecules optimized for potency, selectivity and bioavailability	• By generating new molecules similar to the lead compound but with improved properties • These new molecules can be synthesized and tested for efficacy and safety

Source: Frost & Sullivan Report

Once a lead compound has been identified, the drug candidate still has to undergo preclinical and clinical research before potential regulatory approval. Preclinical and clinical research is typically considered resource-intensive and inefficient. Applying AI to the preclinical and clinical research process could bring significant efficiencies to the preclinical research stage by enabling the use of predictive models to evaluate the safety and efficacy of lead compounds. In the clinical research phase, the application of AI could improve trial design by deriving best practices from past clinical trials and improve resource allocation by identifying the programs most likely to succeed.

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

Current Status of AIDD

Long-term Paradigm Shift

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

Short-term Industry Consolidation

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

Competitive Landscape of AI Drug Companies

Company	AI Platform			Laboratories	Pipeline[1]	Nature of Targets	AI Technology	Lead Asset Phase I Duration	Focus Areas	Scientific Deliverables	2022 Drug Discovery and Development Services Revenue	Market Share[3]
	Target Discovery	Molecule Generation	Clinical Trial									
Insilico Medicine	√ (Commercially Available)	√ (Commercially Available)	√ (Commercially Available)	automated lab & wet lab	1 Ph2 3 Ph1	Mostly new targets	Generative AI/ Machine Learning/ Deep Learning	12 months	Fibrosis Oncology Immunology	Over 200 peer-reviewed publications	US$28.6 Million	Approximately 5.0%
Relay Therapeutics	No publicly available information	√ (In-house)	No publicly available information	No publicly available information	1 Ph2 1 Ph1 3 PCC	Well studied targets	Machine Learning/ Deep Learning	33 months	Oncology	Several presentations at conferences and symposiums	US$1.4 Million	Approximately 0.2%
Schrödinger	No publicly available information	√ (Commercially Available)	No publicly available information	No publicly available information	1 Ph1 2 PCC	1 new target	Machine Learning/ Deep Learning	Phase I incomplete	Oncology	Hundreds of publications in biologics and small molecule drug discovery	US$43.4 Million	Approximately 7.0%
Recursion	√ (Commercially Available)	No publicly available information	No publicly available information	wet lab & dry lab	3 Ph2 2 Ph1 1 PCC	2 new targets	Machine Learning/ Deep Learning	Undisclosed	Oncology Inflammation and immunology Rare diseases	Several publications and posters as well as open datasets	US$39.7 Million	Approximately 6.5%
Exscientia	√ (Commercially Available)	√ (Commercially Available)	No publicly available information	automated lab	1 Ph1 >1 PCC	Well studied targets	Machine Learning/ Deep Learning	25 months	Oncology	Over 20 publications	US$32.9 Million	Approximately 5.5%
BenevolentAI	√ (Commercially Available)	√ (Commercially Available)	No publicly available information	wet lab	1 Ph2[2] 3 PCC	1 new target	Machine Learning/ Deep Learning	Undisclosed	Oncology Inflammation Immunology Neuro disease	Over 30 publications	US$13.1 Million	Approximately 2.0%

Source: Frost & Sullivan Report
Notes:

(1) The chart includes only assets in each company's independent drug discovery and development pipeline and excludes drug assets that are out-licensed.
(2) Phase II terminated.
(3) Market share is calculated on the basis of global drug discovery and development services revenue in 2022.

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the [**REDACTED**], we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on our markets. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this Document because we believe such information facilitates an understanding of our markets for potential [**REDACTED**]. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB905,000 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**]. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

Due to the geographic diversity of our business, our operations are subject to a variety of rules and regulations. The following is a brief summary of the key laws and regulations that currently may materially affect us and our operations, and does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations and/or which may be important to potential [**REDACTED**]. [**REDACTED**] *should note that the following summary is based on the laws and regulations in force as at the Latest Practicable Date, which may be subject to change.*

Regulation of Pharmaceutical Product Research, Development, Approval and Registration

United States

The FDA and other regulatory authorities at federal, state, and local levels, extensively regulate, among other things, the research, development, testing, manufacture, quality control, import, export, safety, effectiveness, labeling, packaging, storage, distribution, record keeping, approval, advertising, promotion, marketing, post-approval monitoring and post-approval reporting of drugs such as those we are developing. We, along with third-party contractors, will be required to navigate the various preclinical, clinical and commercial approval requirements to conduct studies or seek approval or licensure of our product candidates.

Our product candidates are subject to regulation by the FDA and may be regulated as drugs or biologics. Drugs require the submission of a New Drug Application, or NDA. Biologics require the submission of a Biologics License Application, or BLA. The FDA must approve an NDA/BLA before the product candidate can be marketed in the United States. Failure to comply with applicable FDA or other requirements at any time during product development, clinical testing, the NDA/BLA approval process or after NDA approval may result in administrative or judicial actions, including the FDA's refusal to approve pending applications, suspension or revocation of approved applications, warning letters, product recalls, product seizures, total or partial suspensions of manufacturing or distribution, injunctions, fines, civil penalties or criminal prosecution.

The process required by the FDA before drug product candidates may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests and animal studies performed in accordance with the FDA's Good Laboratory Practices, or GLP, regulations;

- submission to the FDA of an Investigational New Drug application, or IND, which must become effective before clinical trials may begin and must be reported on annually and amended when significant changes are made;

- approval by an independent Institutional Review Board, or IRB, or ethics committee at each clinical site before the trial is commenced;

- performance of adequate and well-controlled human clinical trials to establish the safety and effectiveness of the proposed product candidate for its intended indications;

- preparation of and submission to the FDA of an NDA/BLA when adequate data are obtained from pivotal clinical trials;

- registration of the manufacturing facility or facilities at which the proposed product will be manufactured, packaged or labeled;

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

- satisfactory completion of a potential FDA Advisory Committee review, if applicable;

- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the proposed product is manufactured to assess compliance with cGMP and to assure that the facilities, methods and controls are adequate to preserve the drug's continued safety and efficacy or the biological product's continued safety, purity and potency, and of selected clinical investigation sites to assess compliance with Good Clinical Practices, or GCP regulations;

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

- FDA review and approval of the NDA/BLA to permit commercial distribution and marketing of the product for approved indications for use in the United States.

IND Application and Clinical Development

Prior to initiating the first clinical trial with a product candidate in the United States, we must submit an IND application to the FDA. An IND application is a request for authorization from the FDA to administer an investigational new drug product to humans. The central focus of an IND application is on the general investigational plan and the protocol(s) for clinical trials. The IND application also includes results of animal and *in vitro* studies assessing the toxicology, pharmacokinetics, pharmacology, and pharmacodynamic characteristics of the investigational product; chemistry, manufacturing, and controls information; and any available human data or literature to support the use of the investigational product. An IND must become effective before human clinical trials may begin. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises safety concerns or questions about the proposed clinical trial. If the IND sponsor is not able to address the FDA's concerns satisfactorily within the 30-day time frame, the IND may be placed on clinical hold. The IND sponsor and the FDA must resolve any outstanding concerns or questions before the clinical hold is removed by the FDA and the clinical trial can begin.

Submission of an IND therefore may or may not result in FDA authorization to begin a clinical trial. Clinical holds may also be imposed by the FDA at any time before or during trials due to safety concerns or non-compliance.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Generally, a separate submission to the existing IND must be made for each successive clinical trial conducted during product development and for any subsequent protocol amendments. Furthermore, an independent IRB for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial and its informed consent form before the clinical trial begins at that site, and must monitor the study until completed. Regulatory authorities, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk or that the trial is unlikely to meet its stated objectives.

A sponsor may choose, but is not required, to conduct a clinical trial at sites outside the United States under an IND. When a foreign clinical trial is conducted under an IND, all FDA IND requirements must be met unless waived. When a foreign clinical trial is not conducted under an IND, the sponsor must ensure that the study complies with certain regulatory requirements of the FDA in order to use the study as support for an IND or application for marketing approval or licensing. In particular, such studies must be conducted in accordance with GCP, including review and approval by an IRB or independent ethics committee, or IEC, and informed consent from volunteers. The FDA must be able to validate the data through an onsite inspection or remote regulatory assessment, if deemed necessary by the FDA.

For purposes of NDA/BLA approval, human clinical trials are typically conducted in three sequential phases that may overlap. Phase 1 clinical trials may be conducted in patients or healthy volunteers to evaluate the product's safety, dosage tolerance, structure-activity relationships, mechanism of action, absorption, metabolism distribution, excretion, and pharmacokinetics and, if possible, seek to gain an early indication of its effectiveness. Phase 2 clinical trials usually involve controlled trials in a larger but still relatively small number of subjects from the relevant patient population to evaluate dosage tolerance and appropriate dosage; identify possible short-term adverse effects and safety risks; and provide a preliminary evaluation of the efficacy of the drug or biologic product for specific indications. Phase 3 clinical trials evaluate clinical efficacy and safety in a larger, geographically dispersed patient population. These trials typically compare the product candidate to placebo, standard treatments, or other active comparators to provide statistically significant evidence for approval. The goal is to establish the overall risk-benefit profile and provide an adequate basis for physician labeling. Phase 3 trials are larger, more complex, and more costly than Phase 1 and Phase 2 trials. The FDA typically requires data from two adequate and well-controlled trials for approval, but in certain circumstances, a single trial plus confirmatory evidence or a single large multicenter trial may suffice.

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/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 biological characteristics of the product candidate, and must finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product, or for biologics, the safety, purity and potency. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

Additionally, NDAs or BLAs or supplements to NDAs or BLAs for a new active ingredient, dosage form, dosage regimen, or route of administration must contain data to assess the safety and effectiveness of the product for pediatric patients and to support pediatric dosing and administration. The FDA may, on its own initiative or at the request of the applicant, grant deferrals or partial waivers. This requirement does not generally apply to orphan designated products, but pediatric studies may be required if approval is sought for indications for which the product has not received orphan designation. Further, for product candidates intended for the treatment of adult cancer which are directed at molecular targets that the FDA determines to be substantially relevant to the growth or progression of pediatric cancer, with the application, sponsors must submit reports from molecularly targeted pediatric cancer investigations designed to yield clinically meaningful pediatric study data, gathered using appropriate formulations for each applicable age group, to inform potential pediatric labeling. The FDA may, on its own initiative or at the request of the applicant, grant deferrals or waivers of some or all of this data. Orphan products are not exempt from this requirement.

Premarket Submission and Review

Assuming successful completion of all required testing in accordance with all applicable regulatory requirements, the results of product development, preclinical studies and clinical trials are submitted to the FDA as part of an NDA/BLA requesting approval to market the product for one or more indications. The NDA/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/BLA requires payment of a substantial application user fee to the FDA unless a waiver or exemption applies.

Once an original NDA/BLA has been submitted, the FDA has 60 days to determine whether the application can be filed. If the FDA determines that an application is deficient on its face in a way that precludes a complete review, the FDA may not accept the application for review and may issue a refuse-to-file letter to the sponsor. If the FDA determines the application is fileable, the FDA's goal is to review standard applications within ten months after it accepts the application for filing, or, if the application qualifies for priority review, six months after the FDA accepts the application for filing. In both standard and priority reviews, the review process is often significantly extended by FDA requests for additional information or clarification. The FDA reviews an NDA/BLA to determine whether a drug is safe and effective for its intended uses. The FDA reviews the applications to determine whether the facilities in which products are manufactured, processed, packed, or held meet standards designed to assure the product's continued safety and efficacy. The FDA may convene an advisory committee to provide insight on application review questions. The FDA is not bound by the recommendation of an advisory committee, but it considers such recommendations carefully. Before approving an NDA/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/BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it may request additional testing or information.

Notwithstanding the submission of relevant data and information, the FDA may ultimately decide that the NDA/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/BLA in its present form, the FDA will issue a complete response letter that describes all of the specific deficiencies in the application identified by the FDA. The complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the NDA/BLA, addressing all of the deficiencies identified in the letter, request a hearing or withdraw the application.

If regulatory approval of a product is granted, such approval will be granted for particular indications and may entail limitations on the indicated uses for which such product may be marketed. For example, the FDA may approve the drug subject to a Risk Evaluation and Mitigation Strategy, or REMS, to ensure the benefits of the product outweigh its risks. A REMS is a safety strategy to manage a known or potential serious risk associated with a product and to enable patients to have continued access to such medicines by managing their safe use, and

could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling or the development of adequate controls and specifications. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing requirements is not maintained or if problems occur after the product reaches the marketplace. The FDA may require one or more Phase 4 post-market studies and surveillance to further assess and monitor the product's safety and effectiveness after commercialization, and may limit further marketing of the product based on the results of these post-marketing studies.

Expedited Development and Review Programs

The FDA offers a number of expedited development and review programs for qualifying product candidates. The Fast Track program is intended to expedite or facilitate the process for reviewing new products that meet certain criteria. Specifically, new products are eligible for Fast Track designation if they are intended to treat a serious or life-threatening disease or condition and nonclinical or clinical data demonstrate the potential to address unmet medical needs for the disease or condition. Fast Track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a Fast Track product has opportunities for frequent interactions with the review team during product development and, once an NDA/BLA is submitted, the product may be eligible for priority review. A Fast Track product may also be eligible for rolling review, in which case the FDA may consider for review sections of the NDA/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/BLA, the FDA agrees to accept sections of the NDA/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/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 beginning as early as Phase 1 and an organizational commitment to expedite the development and review of the product, including involvement of senior managers.

Any marketing application for a drug or biologic submitted to the FDA for approval, including a product with a Fast Track designation and/or breakthrough therapy designation, may be eligible for other types of FDA programs intended to expedite the FDA review and approval process, such as priority review and accelerated approval. A product is eligible for priority review if it has the potential to provide a significant improvement in the treatment, diagnosis or prevention of a serious disease or condition compared to marketed products. For

products containing new molecular entities, priority review designation means the FDA's goal is to take action on the marketing application within six months of the 60-day filing date (compared with ten months under standard review).

Additionally, products studied for their safety and effectiveness in treating serious or life-threatening diseases or conditions may receive accelerated approval upon a determination that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of accelerated approval, the FDA will generally require the sponsor to perform adequate and well-controlled post-marketing clinical trials to verify and describe the anticipated effect on irreversible morbidity or mortality or other clinical benefit. In fact, by the date of approval of an accelerated approval product, FDA must specify the conditions for the required post approval studies, including enrollment targets, the study protocol, milestones, and target completion dates. FDA may also require that the confirmatory Phase 4 studies be commenced prior to FDA granting a product accelerated approval. In addition, the FDA currently requires as a condition for accelerated approval pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant the orphan drug designation to a drug intended to treat a rare disease or condition, which is a disease or condition that affects fewer than 200,000 individuals in the United States, or to a drug intended to treat a disease or condition affecting more than 200,000 individuals in the United States if there is no reasonable expectation that the cost of developing and making available the drug to treat that disease or condition will be recovered from sales in the United States for that drug. Additionally, sponsors must present a plausible hypothesis for clinical superiority to obtain orphan designation if there is a product already approved by the FDA that that is considered by the FDA to be the same as the already approved product and is intended for the same indication. This hypothesis must be demonstrated to obtain orphan exclusivity. Orphan drug designation must be requested before submitting an application for marketing approval. The orphan drug designation must be requested before submitting an NDA/BLA. After the FDA grants the orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. The orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review or approval process.

If a product that has the orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusive approval (or exclusivity), which means that the FDA may not approve any other applications, including a full NDA/BLA, to market the same drug for the same indication for seven years, except in certain circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity. In recent years, however, the exact scope of the orphan

drug exclusivity protection has come under question. Specifically, a 2021 judicial decision, Catalyst Pharms., Inc. v. Becerra, challenged and reversed an FDA decision on the scope of orphan product exclusivity for the drug, Firdapse. Under this decision, orphan drug exclusivity for Firdapse blocked approval of another company's application for the same drug for the entire disease or condition for which orphan drug designation was granted, not just the disease or condition for which approval was received. In a January 2023 Federal Register notice, however, FDA stated that it intends to continue to apply its regulations tying the scope of orphan-drug exclusivity to the uses or indications for which a drug is approved. The exact scope of orphan drug exclusivity will likely be an evolving area. Orphan drug exclusivity does not prevent the FDA from approving a different drug for the same disease or condition, or the same drug for a different disease or condition. Among the other benefits of the orphan drug designation are tax credits for certain research and a waiver of the NDA/BLA application fee.

A designated orphan drug may not receive orphan drug exclusivity if it is approved for a use that is broader than the indication for which it received orphan designation. In addition, exclusive marketing rights in the United States may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantities of the product to meet the needs of patients with the disease or condition for which the drug was designated.

PRC

Clinical Trial application

According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), or the Circular 27, which was promulgated on January 22, 2020 and took effect on July 1, 2020, the Center for Drug Evaluation under the NMPA (the "**CDE**") is responsible for the application of conducting new drug clinical trials. According to Circular 27, drug clinical trials shall be divided into Phase I clinical trial, Phase II clinical trial, Phase III clinical trial, Phase IV clinical trial, and bioequivalence trial. In accordance with Circular 27 and the Announcement on Adjusting Evaluation and approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》) issued in July 2018, if a clinical trial applicant does not receive any negative or questioned opinions from the CDE within 60 days after the date when the trial application is accepted and the fees are paid, the applicant can proceed with the clinical trial in accordance with the trial protocol submitted to the CDE.

Conduction of Clinical Trial and the Communication with CDE

Clinical trials must be conducted in accordance with the Announcement on Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》), which was promulgated by NMPA and NHC on April 23, 2020 and took effect on July 1, 2020, which also sets forth the requirements for conducting the clinical trial, including preparation of clinical trials, clinical trial protocol, duties of the sponsor and investigators and protection of the trial subjects.

According to the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》), where the application for clinical trial of new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for Communication Session to CDE to discuss with CDE the key technical questions including the design of Phase III clinical trial protocol.

Supportive Measures for Orphan Drugs and Rare Diseases

According to the Provisions on the Administration of Special Examination and Approval of Registration of New Drugs (《新藥註冊特殊審批管理規定》) promulgated by the NMPA on January 7, 2009, special examination and approval for new drugs registration applications applies when new drugs with distinctive clinical treatment advantages for diseases such as AIDS, malignant tumor or other rare diseases; or new drugs for diseases that currently lacking effective treatment. According to the Opinions on Reform of the Review & Approval System of Drugs and Medical Devices (《關於改革藥品醫療器械審評審批制度的意見》) published on August 9, 2015 by the State Council, a special review and approval system shall be adopted for innovative drugs to accelerate the review and approval of innovative drugs for prevention and treatment of AIDS, cancer, major infectious diseases, rare diseases and other diseases.

Announcement on Several Policies Pertaining to the Review & Approval of Drug Registration (《關於藥品註冊審評審批若干政策的公告》) published on November 11, 2015 by the NMPA, further specifies that efforts shall be made to accelerate the review and approval of registration applications for several categories of innovative drugs including those for prevention and treatment of AIDS, malignant tumor, serious infectious diseases and other rare diseases. According to the Announcement on Matters Concerning the Optimisation of Drug Registration Review & Approval 《(關於優化藥品註冊審評審批有關事宜的公告》) jointly issued by the NMPA and the NHC on May 17, 2018 and effective from the same date, the CDE will prioritize the allocation of resources for review, inspection, examination and approval of registration applications that have been included in the scope of priority review and approval.

According to the Priority Review and Approval Procedures for Drug Marketing Authorizations (for Trial Implementation) (《藥品上市許可優先審評審批工作程序(試行) 》) issued on July 8, 2020 by the NMPA, an applicant for drug marketing authorization may apply for priority review and approval procedures for the following drugs with obvious clinical value: (i) drugs in urgent clinical demand and in shortage, innovative drugs and modified new drugs for prevention and treatment of serious infectious diseases, rare diseases and other diseases; (ii) new varieties, dosage forms and specifications of children's drugs that conform to children's physiological characteristics; (iii) vaccines and innovative vaccines that are in urgent need for disease prevention and control; (iv) drugs that have been included in the procedures for breakthrough therapy designation; (v) drugs that are subject to conditional approval; and (vi) other circumstances under which priority review and approval shall be provided for by the NMPA.

According to the "14th Five-Year Plan for National Drug Safety and Promotion of High-quality Development" (《"十四五"國家藥品安全及促進高品質發展規劃》) jointly published by the NMPA and other seven agencies on December 30, 2021, innovative drugs with obvious clinical value, urgently needed drugs for the prevention and treatment of AIDS, malignant tumors, major infectious diseases, rare diseases and other diseases, as well as drugs for children, shall be given priority review and approval if meet the relevant requirements.

Other Healthcare Laws and Compliance Requirements

Other United States Healthcare Laws and Compliance Requirements

Pharmaceutical companies are subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and foreign jurisdictions in which they conduct their business. Such laws include, without limitation:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering or paying remuneration, to induce, or in return for, either the referral of an individual, or the purchase or recommendation of an item or service for which payment may be made under any federal healthcare program;

- federal civil and criminal false claims laws, including the civil False Claims Act, and Civil Monetary Penalties Law, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval to the federal government, including federal healthcare programs, that are false or fraudulent;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes which prohibit, among other things, executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters, and which, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, also imposes certain requirements on HIPAA covered entities (*i.e.,* certain healthcare providers, health plans and healthcare clearinghouses) and their business associates (and covered subcontractors) relating to the privacy, security and transmission of individually identifiable health information;

- the U.S. federal Physician Payments Sunshine Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to annually report to the federal government, information related to payments or other transfers of value made to physicians, as defined by such law, certain other health care providers beginning in 2022, and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and

- U.S. state law equivalents of each of the above federal laws, which, in some cases, differ from each other in significant ways, and may not have the same effect, thus complicating compliance efforts.

If our operations are found to be in violation of any of such laws or any other governmental regulations that apply, we may be subject to significant penalties, including, without limitation, civil, criminal and administrative penalties, damages, fines, exclusion from government-funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, integrity oversight and reporting obligations to resolve allegations of non-compliance, disgorgement, imprisonment, contractual damages, reputational harm, diminished profits and the curtailment or restructuring of our operations.

Coverage and Reimbursement

In the United States, sales of any product depend, in part, on the extent to which such product will be covered by third-party payers, such as federal, state and foreign government healthcare programs, commercial insurance and managed healthcare organizations, and the level of reimbursement for such product by third-party payers. Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical or biological product for which we obtain regulatory approval. Decisions regarding the extent of coverage and amount of reimbursement to be provided are made on a plan-by-plan basis. As there is no uniform policy of coverage and reimbursement for drug products among third-party payers in the United States, coverage and reimbursement policies for drug products can differ significantly from payer to payer. There may be significant delays in obtaining coverage and reimbursement as the process of determining coverage and reimbursement is often time-consuming and costly which will require us to provide scientific and clinical support for the use of our products to each payer separately, with no assurance that coverage or adequate reimbursement will be obtained. It is difficult to predict at this time what government authorities and third-party payers will decide with respect to coverage and reimbursement for any of our drug products that may receive marketing approval. Additionally, separate reimbursement for the product itself or the treatment or procedure in which the product is used may not be available, which may impact physician utilization.

In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on coverage and reimbursement and requirements for substitution of generic products. Third-party payers are increasingly challenging the prices charged for medical products and services, examining the medical necessity and reviewing the cost effectiveness of pharmaceutical or biological products, medical devices and medical services, in addition to questioning safety and efficacy. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit sales of any product. Decreases in third-party reimbursement for any product or a decision by a third-party payer not to cover a product could reduce physician usage and patient demand for the product.

Privacy and Security

We may be subject to data privacy and security regulations by both the federal government and the states in which we conduct our business. For example, under the administrative simplification provisions of HIPAA, as amended by HITECH, HHS issued regulations that establish uniform standards governing the conduct of certain electronic healthcare transactions and requirements for protecting the privacy and security of protected health information, or PHI, used or disclosed by covered entities. Covered entities and their business associates (and their covered subcontractors) are subject to HIPAA and HITECH.

HIPAA and HITECH include privacy and security rules, breach notification requirements and electronic transaction standards. The HIPAA Privacy Rule generally prohibits the use or disclosure of PHI except as permitted under the rule. The rule also sets forth individual patient rights, such as the right to access or amend certain records containing his or her PHI, or to request restrictions on the use or disclosure of his or her PHI. The HIPAA Security Rule requires those subject to HIPAA to safeguard the confidentiality, integrity, and availability of electronically transmitted or stored PHI by implementing administrative, physical and technical safeguards. Under HITECH's breach notification rule, a covered entity must notify individuals, the Secretary of the HHS, and in some circumstances, the media of breaches of unsecured PHI.

If found to be in violation of HIPAA as the result of a breach of unsecured PHI, a complaint about their privacy practices or an audit by HHS, entities may be subject to significant civil and criminal fines and penalties and/or additional reporting and oversight obligations if such entities are required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance.

In addition, we may be subject to state health information privacy, security and data breach notification laws, which may govern the collection, use, disclosure and protection of health-related and other personal information. State laws may be more stringent, broader in scope or offer greater individual rights with respect to health-related information or other personal information than HIPAA. California, for example, has enacted the Confidentiality of Medical Information Act, or the CMIA, which sets forth standards in addition to HIPAA and HITECH with which all California health care providers like us must abide. In addition, the California Consumer Privacy Act, or the CCPA, was signed into law on June 28, 2018, and went into effect January 1, 2020. The CCPA contains new disclosure obligations (among other things) for covered businesses that collect personal information about California residents and affords those individuals new rights relating to their personal information that may affect our ability to use personal information. The CCPA authorizes private lawsuits to recover statutory damages for certain data breaches. Although the CCPA exempts health related information regulated by HIPAA or the CMIA and certain data regarding clinical trials, the CCPA, to the extent applicable to our business and operations, may increase compliance costs and potential liability with respect to other personal information we maintain about California residents. Furthermore, the California Privacy Rights Act of 2020, or the CPRA, amended the CCPA and added new additional privacy protections that began on January 1, 2023. The CPRA will

(among other things) give California residents the ability to limit use of certain sensitive personal information, establish restrictions on the retention of personal information, expand the types of data breaches subject to the CCPA's private right of action, and establish a new California Privacy Protection Agency to implement and enforce the new law. Other states in the United States have also enacted data privacy laws. For example, Virginia recently passed its Consumer Data Protection Act, and Colorado recently passed the Colorado Privacy Act, both of which differ from the CPRA and became effective in 2023. Additionally, U.S. federal and state consumer protection laws may, among other things, require us to publish statements that accurately and fairly describe how we handle personal information and choices individuals may have about the way we handle their personal information. Complying with these various state laws and regulations, which may differ from state to state, requires significant resources and may complicate our compliance efforts. Penalties for violation of any of these laws and regulations may include sanctions against a laboratory's licensure, as well as civil and/or criminal penalties.

The U.S. regulatory framework for privacy, data security and data transfers is rapidly evolving, and there has been an increasing focus on privacy and data protection issues. As a result, interpretation and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future.

PRC Regulations Relating to Sampling and Collecting Human Genetic Resources Filing

The Regulations on Human Genetic Resources Management (《人類遺傳資源管理條例》) promulgated by the State Council on May 28, 2019 and implemented on July 1, 2019, stipulates that foreign organizations and institutions established or actually controlled by foreign organizations or individuals that need to make use of PRC's genetic resources to carry out scientific research activities shall abide by PRC laws, administrative regulations and relevant provisions, and shall cooperate with PRC scientific research institutions, higher education institutions, medical institutions and enterprises. In order to obtain marketing authorization for relevant drugs in China, no approval is required in international clinical trial cooperation using PRC's human genetic resources at clinical institutions without export of human genetic resource materials. However, the two corresponding parties shall file the type, quantity and usage of the human genetic resource to be used with the administrative department of science and technology under the State Council before commencing clinical trial.

The PRC Biosecurity Law (《中華人民共和國生物安全法》), or Biosecurity Law, was promulgated by the Standing Committee of the National People's Congress ("**SCNPC**") on October 17, 2020 and became effective on April 15, 2021. The Biosecurity Law establishes a comprehensive legislative framework for the preexisting regulations in such areas as: epidemic control of infectious diseases for humans, animals and plants; research, development, and application of biology technology; biosecurity management of pathogenic microbial laboratories; security management of human genetic resources and biological resources; countermeasures for microbial resistance; and prevention of bioterrorism and defending threats of biological weapons. As per the Biosecurity Law, the research and development activities of high-risk and medium-risk biotechnology shall be carried out by a legal person organization

established within the territory of the PRC, upon obtaining the approval or record-filing; the establishment of a pathogenic microorganism laboratory shall be subject to approval or record-filing requirements in accordance to the law, including using the PRC's human genetic resources to carry out international scientific research cooperation.

The Ministry of Science and Technology promulgated the Implementation Rules for the Administrative Regulation on Human Genetic Resources (《人類遺傳資源管理條例實施細則》) (the "Implementation Rules") on May 26, 2023, which took effect on July 1, 2023. The Implementation Rules refined the Administrative Regulations on Human Genetic Resources of the PRC, including but not limited to refining the definition of "human genetic resources information", improving the identification standard of "foreign entities", adjusting the scope of application of collection licensing, adjusting and improving the approval procedures for international cooperative scientific research and administrative supervision rules.

LAWS AND REGULATIONS OF AUSTRALIA

Laws and Regulations of Clinical Development

Clinical trials conducted in Australia are regulated by the Therapeutic Goods Administration ("**TGA**"). Clinical trials must comply with a number of laws and regulations in Australia at the Commonwealth and State/Territory levels, including the *Therapeutic Goods Act 1989* (Cth) and the *Therapeutic Goods Regulations 1990* (Cth). Clinical trials must also comply with: the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) Guidelines for Good Clinical Practice, as adopted and annotated by the TGA (the "**ICH GCP Guidelines**"); and the National Statement on Ethical Conduct in Human Research (the "**National Statement**").

There are two schemes for the approval of clinical trials in Australia: the Clinical Trial Notification ("**CTN**") scheme; and the Clinical Trial Approval ("**CTA**") scheme. The CTN scheme involves the TGA being notified of the clinical trial, but not undertaking any evaluation of the clinical trial. The CTA scheme involves the TGA not only being notified of the clinical trial, but also conducting an evaluation and assessment of the clinical trial prior to its commencement. The CTN scheme is generally used for earlier phase studies when there is adequate preclinical information about the product, particularly in relation to safety. The CTA scheme is generally used for high-risk or new treatments, where there is little known or no knowledge about the safety of the goods. The decision regarding which scheme to follow is generally up to the sponsor of the trial and the applicable Human Research Ethics Committee ("**HREC**"), although the CTA scheme is mandatory for certain types of biological medicines. Clinical trials in Australia require the approval of the research institute that is conducting the trial, following a review by its HREC before the trial commences. HRECs are also responsible for overseeing clinical trials.

Clinical trials conducted in Australia must have a trial sponsor that is an Australian company. It is permissible for a foreign corporation to engage an Australian company to act as the sponsor of a clinical trial in Australia, often referred to as the Local Sponsor. In this

situation, the foreign corporation does not, itself, need to obtain any licenses or authorizations in respect of the clinical trial. The Australian trial sponsor is responsible for the initiation, management and financing (or arranging the financing) for the clinical trial and is legally responsible for the conduct of the clinical trial, including obtaining the requisite licenses or authorizations. The trial sponsor does not need to be the manufacturer of the product being trialed. The product manufacturer may rely on the results the trial when seeking to have the product registered on the Australian Register of Therapeutic Goods.

Clinical trials in Australia must follow the ICH GCP Guidelines as annotated by the TGA. The TGA's annotations provide additional guidance regarding compliance with the National Statement, obtaining informed consent in special cases, responsibility for the conduct of the trial (including management, data handling and record keeping), the manufacturing, packaging, labelling and coding of investigational products, and reporting for adverse drug reactions. The approval of a clinical trial in Australia is conditional upon compliance with the ICH GCP Guidelines as annotated by the TGA.

Clinical trials in Australia must also comply with the National Statement. The National Statement sets out the Australian ethical standards against which all research involving humans, including clinical trials, are reviewed. The approval of a clinical trial in Australia is conditional upon compliance with the National Statement.

In relation to safety reporting requirements, clinical trials conducted in Australia must follow: the Note for Guidance on Clinical Safety Data Management: Definitions and Standards for Expedited Reporting (CPMP/ICH/377/95), as annotated by the TGA; and the National Health and Medical Research Council ("**NHMRC**") Guidance: Safety Monitoring and Reporting in Clinical Trials Involving Therapeutic Goods.

Additionally, per the ICH GCP Guidelines as annotated by the TGA, products used in clinical trial must comply with the applicable good manufacturing practices ("**GMP**"). For investigational products manufactured in Australia, the relevant manufacturing standards are set out in the *Therapeutic Goods (Manufacturing Principles) Determination 2020 (Cth)*. Generally, therapeutic goods (other than blood, blood components, haematopoietic progenitor cells and biologicals that do not comprise or contain live animal cells, tissues or organs) must be manufactured in accordance with the Guide to Good Manufacturing Practice of Medicinal Products (PE 009-15, 1 May 2021) published by PIC/S.

Under both the CTN and CTA schemes, the clinical trial sponsor for a trial involving medicines or biological products must provide to the TGA information about the proposed dosage form, route of administration, formulation, dosage, and frequency of administration of the product (amongst other information), prior to the commencement of the clinical trial. If a change to the dosage is proposed to be made following the completion of a phase I clinical trial, then that change must be either notified to the TGA (if the clinical trial falls under the CTN scheme), or approved by the TGA (if the clinical trial falls under the CTA scheme). The change would also require review and approval by the HREC overseeing the trial.

Regulations Relating to Intellectual Property Rights

United States

Patent Term Restoration, Extension and Marketing Exclusivity

The term of a patent (other than a design patent) begins on the date the patent issues and ends on the date that is twenty years from the date on which the application for the patent was filed in the United States. A patent claiming a new drug product may be eligible for a limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, which permits a patent restoration of up to five years for patent term lost during the FDA regulatory review process. The restoration period granted on a patent covering a product is typically one-half the time between the effective date of an IND and the submission date of a NDA/BLA, plus the time between the submission date of the NDA/BLA and the ultimate approval date, less any time the sponsor did not act with due diligence during such periods. Patent term restoration cannot be used to extend the remaining term of a patent past a total of 14 years from the product's approval date. Only one patent applicable to an approved product is eligible for the extension, and only those claims covering the approved product, a method for using it, or a method for manufacturing it, may be extended. Additionally, the application for the extension must be submitted within 60 days of the product's approval date and prior to the expiration of the patent in question. A patent that covers multiple products for which approval is sought can only be extended in connection with one of the approvals. The United States Patent and Trademark Office reviews and approves the application for any patent term extension or restoration in consultation with the FDA.

Market exclusivity provisions under the Federal Food, Drug and Cosmetic Act (FDCA) also can delay the submission or the approval of certain applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to gain approval of an NDA for a New Chemical Entity, or NCE. A drug is an NCE if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the physiological or pharmacological action of the drug substance excluding those appended portions of the molecule that cause the drug to be an ester, salt or other noncovalent derivative of the molecule. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application, or ANDA, or a 505(b)(2) NDA submitted by another company for a 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.

FDA also provides a different period of exclusivity for BLA approved biologic products. Specifically, an application for a biosimilar product may not be submitted to the FDA until four years after the approval of the reference biologic. The FDA may not approve a biosimilar product until 12 years from the approval of the reference biologic. However, certain changes and supplements to an approved BLA, and subsequent applications filed by the same sponsor, manufacturer, licensor, predecessor in interest, or other related entity do not qualify for this exclusivity. Moreover, even if a biologic product is eligible exclusivity, another company could market a competing version of that product if the FDA approves a full BLA for such product.

Hong Kong

Patent

The Patents Ordinance (Chapter 514 of the Laws of Hong Kong), or the Patents Ordinance, is the primary legislation governing patent law in Hong Kong. The Patents Ordinance provides for the protection of inventions through the granting of patents. Subject to the Patents Ordinance, for standard patent by original grant, an application must be filed with the Intellectual Property Department ("**IPD**") in order to obtain the patent. The application must include a description of the invention, claims defining the scope of the invention, and any necessary drawings or diagrams. The IPD will examine the application to determine whether the invention is patentable. The examination process may include a search for prior art, a review of the claims, and an assessment of the inventive step. If the application is successful, a patent will be granted for a period of 20 years from the date of filing. In addition, the Patents Ordinance provides a framework for the protection of patent infringement, where a person carries out certain activities without the permission of the patent owner, such as making, using, or selling the patented invention.

Trademark

Trade Mark Ordinance (Chapter 559 of the Laws of Hong Kong), or the Trade Mark Ordinance, is the primary legislation governing trademark law in Hong Kong. The Trade Mark Ordinance provides for the registration and protection of trademarks, which are signs used to distinguish goods or services of one trader from those of another. To obtain trademark protection, an application must be filed with the IPD. The application must include a representation of the trademark and a list of the goods and services for which the trademark will be used. The IPD will examine the application to determine whether the trademark is registrable. The examination process may include a search for prior trademarks and an assessment of the distinctiveness of the trademark which may be renewed for a further period of 10 years upon the expiry of the previous registration period. If the application is successful, the trademark will be registered for a period of 10 years from the date of filing. In addition, the Trade Mark Ordinance provides a framework for the protection of trademark infringement where a person uses a trademark that is identical or similar to a registered trademark in relation to goods or services that are the same or similar to those covered by the registered trademark.

Copyright

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), or the Copyright Ordinance is the primary legislation governing copyright law in Hong Kong. The Copyright Ordinance provides protection for recognized categories of literary, dramatic, musical, and artistic works, as well as for films, television broadcasts and cable diffusion and works made available to the public on the internet. Copyright is an automatic right, which arises when a work is created. It is not necessary to register a copyright in Hong Kong in order to get protection under Hong Kong law. In fact, there is no official registry in Hong Kong for registration of copyright works. Pursuant to the Copyright Ordinance, copyright infringement occurs when a person carries out certain activities without the permission of the copyright owner, such as reproducing, distributing, or communicating a work to the public. A copyright owner can also take civil legal action against any person who infringes the copyright in the work.

PRC

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), or the Patent Law, which was promulgated by the Standing Committee of NPC on March 12, 1984, and the most recent amendment took effect on June 1, 2021, patent protection is divided into three categories, namely, invention patents, utility model patents and design patents. Invention patents are valid for twenty years from the date of application, utility patents are valid for ten years from the date of application while design patents are valid for fifteen years from the date of application. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Once an invention patent, or an utility model patent is granted, unless otherwise permitted by law, no individual or entities are permitted to engage in the manufacture, use, sale, offer for sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale, offer for sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder, otherwise, the use will constitute an infringement of the patent rights.

Trademark

The Trademark Law (《中華人民共和國商標法》) was promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019, and became effective on November 1, 2019. According to the Trademark Law, the Trademark Office of the National Intellectual Property Administration, or the Trademark Office, handles trademark registrations and grants a term of 10 years to registered trademarks. The registration may be renewed for a consecutive 10-year period upon request by the trademark owner within 12 months prior to the expiry date of the trademark if continued use is intended. For licensed use of a registered trademark, the licensor shall file record of the licensing of such trademark with the Trademark Office. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark under registration application is identical or similar to another trademark that has already been registered or been subject to a preliminary examination, the application for registration of such trademark may be rejected.

Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the PRC Copyright Law (《中華人民共和國著作權法》), or Copyright Law, which was promulgated by Standing Committee of NPC on September 7, 1990 and the most recent amendment came into effect on June 1, 2021. Under the Copyright Law, PRC citizens, legal persons or other organizations enjoy copyright over their works which refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form including written works, oral works, computer software and other intellectual achievements which comply with the characteristics of the works, whether published or not.

Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) which was promulgated by the State Council on June 4, 1991 and amended on January 30, 2013 and came into effect on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection. The term of protection for software copyright is fifty years.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the Ministry of Industry and Information Technology, or the MIIT, on August 24, 2017, and became effective on November 1, 2017. The MIIT is the main regulatory authority responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Regulations Relating to Data Privacy and Cybersecurity

General Data Protection Regulation 2016/679, or the GDPR, and the UK GDPR

The collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the European Union, including personal health data, is subject to the GDPR which became effective on May 25, 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing health and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third- party

processors. The 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. For example, the use of Standard Contractual Clauses (SCCs) (one of the primary alternatives to the Privacy Shield, which was invalidated in July 2020) for such cross-border data transfers must now be assessed on a case-by-case basis taking into account the legal regime applicable in the destination country, in particular, applicable surveillance laws and rights of individuals and additional measures and/or contractual provisions may need to be put in place. However, the nature of these additional measures is currently uncertain. Additionally, the European Commission recently adopted new SCCs that will repeal the SCCs adopted under the Data Protection Directive, which means we may need to update our contracts that involve the transfer of personal data outside of the European Union to the new SCCs.

Fines for non-compliance with the GDPR are significant — up to the greater of €20 million or 4% of global turnover. In addition to administrative fines, a wide variety of other potential enforcement powers are available to competent supervisory authorities in respect of potential and suspected violations of the GDPR, including extensive audit and inspection rights, and powers to order temporary or permanent bans on all or some processing of personal data carried out by non-compliant actors. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. Compliance with the GDPR is a rigorous and time-intensive process that increases the cost of doing business and has required companies to change their business practices.

Since the United Kingdom, or the UK, ceased to be a member of the European Union in January 2020, often referred to as "Brexit", data processing in the UK is governed by a UK version of the GDPR (combining the GDPR and the Data Protection Act 2018). Although the UK GDPR is substantially similar to the GDPR, ongoing developments in the UK have created uncertainty with regard to data protection regulation, which could result in new UK data privacy and protection laws and standards.

Hong Kong

We may be subject to data privacy and security regulations by the local authorities in which we conduct our business. For example, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) ("**PDPO**") in Hong Kong provides guidance on the ethical development and use of AI in relation to personal data protection. The Privacy Commissioner for Personal Data ("**PCPD**") has issued Guidance on Ethical Development and Use of AI which recommends that organizations embrace three fundamental Data Stewardship Values when they develop and use AI, namely, being respectful, beneficial and fair to stakeholders. In line with international standards, the Guidance on Ethical Development and Use of AI sets out the following seven ethical principles for AI: (1) accountability — Organizations should be

responsible for what they do and be able to provide sound justifications for their actions; (2) human oversight — Organizations should ensure that appropriate human oversight is in place for the operation of AI; (3) transparency and interpretability — Organizations should disclose their use of AI and relevant policies while striving to improve the interpretability of automated decisions and decisions made with the assistance of AI; (4) data privacy — Effective data governance should be put in place; (5) fairness — Organizations should avoid bias and discrimination in the use of AI; (6) beneficial AI — Organizations should use AI in a way that provides benefits and minimizes harm to stakeholders; and (7) reliability, robustness and security — organizations should ensure that AI systems operate reliably, can handle errors and are protected against attacks.

In addition, the PCPD has issued Guidance on Collection and Use of Biometric Data, to assist data users who wish to collect biometric data to comply with PDPO. Under the Guidance on Collection and Use of Biometric Data, biometric data includes the physiological data with which individuals are born with and behavioral data developed by an individual after birth. Biometric data is therefore data directly related to an individual. While it may not be reasonably practicable for a lay person to ascertain the identity of an individual by merely looking at the individual's fingerprint images or their numeric representations, when the biometric data is linked with personal data in another database, a particular individual can be identified. Pursuant to the Guidance on Collection and Use of Biometric Data, data users should derive biometric data templates from the original biometric samples/images for storage and subsequent use, and discard the original samples/images safely afterwards. The templates derived from biometric samples/images should be stored in such a form from which it is technically infeasible or difficult to convert back to the original graphical images. Data users need to be aware of the sensitivity of the data concerned before deciding what data to collect and in what format they are to be kept. In this regard, the cost and the availability of biometric data readers and scanners should not be the prime consideration of the data users.

PRC Regulations Relating to Data Privacy and Cybersecurity

The Data Security Law of the PRC (《中華人民共和國數據安全法》), or the DSL, was promulgated by the SCNPC on June 10, 2021 and became effective on September 1, 2021. The primary purpose of the DSL is to regulate data-related activities, which include data collection, storage, usage, processing, transmission, provision and disclosing of data, safeguarding data security, promoting data development and usage, protecting individuals and entities' legitimate rights and interests, and safeguarding state sovereignty, state security and development interests. The DSL will apply to both data activities conducted within the territory of the PRC and data activities conducted outside the PRC that may harm the national security or public interests of the PRC, or the legitimate rights of PRC citizens or entities. The DSL provides that China shall establish a data classification and grading protection system and data security review system, under which data processing activities that affect or may affect national security shall be reviewed for national security. A decision on security review made in accordance with the law shall be final. Processors of data shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (《個人信息保護法》), which took effect from November 1, 2021. The Personal Information Protection Law stipulates, among other things, the circumstances under which a personal information processor could process personal information, such as: (i) with the consent of individual; (ii) if necessary for the execution or performance of a contract to which the individual is a party; (iii) if necessary to fulfill statutory duties and statutory obligations; (iv) in order to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (v) such information that has been made public is processed within a reasonable scope in accordance with this Law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation.

The SCNPC promulgated the PRC Cybersecurity Law (《中華人民共和國網絡安全法》) on November 7, 2016. According to the PRC Cybersecurity Law, personal information refers to all kinds of information that are recorded electronically or in other forms that can be used to independently identify or be combined with other information to identify natural persons' personal information, including but not limited to natural persons' names, dates of birth, identification numbers, biologically identified personal information, addresses and telephone numbers. Any network operators or providers of network products and services that violate the privacy protection requirements under the PRC Cybersecurity Law and related laws and regulations may be ordered to turn in illegal gains generated from unlawful operations and pay a fine of no less than one but no more than ten times of the illegal gains and may be ordered to cease the relevant business operations when the violation is serious.

On December 28, 2021, the Cyberspace Administration of China, or the CAC, together with other PRC governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**MCR**"), or the Cybersecurity Measures. Pursuant to the Cybersecurity Measures, online platform operators holding personal information of more than one million users and seeking a listing outside China must file for a cybersecurity review with the Cybersecurity Review Office before conducting any listing on a foreign stock exchange. In addition, the purchase of network products and services of a critical information infrastructure operator (the "**CIIO**") and data processing activities of an online platform operator that affect or may affect national security shall be subject to the cybersecurity review. Alternatively, relevant governmental authorities in the PRC may initiate cybersecurity review if such governmental authorities determine any network products and services, and data processing activities affect or may affect national security. According to the Critical Information Infrastructure Security Protection Regulations (《關鍵信息基礎設施安全保護條例》), competent authorities as well as the supervision and administrative authorities of the specific important industries and sectors are responsible for the security protection of CIIO (the "**Protection Authorities**"). The Protection Authorities shall formulate the recognition rules for the critical information infrastructure (the "**CII**"), and shall, according to such recognition rules, be responsible for organizing the recognition of the CII in the industry or field concerned, and informing the relevant operators of the recognition results in a timely manner.

On March 25, 2024, our PRC Legal Advisor and the Sponsors' PRC legal advisor conducted an oral consultation and notified our proposed [**REDACTED**] with the China Cybersecurity Review Technology and Certification Center (the "**Center**"), which is authorized by the Cybersecurity Review Office of the CAC to accept public consultation and cybersecurity review submissions and is the competent authority to provide views and interpretation relating to the MCR. According to the Center, (i) the [**REDACTED**] in Hong Kong is not required to proactively apply for cybersecurity review under the MCR; (ii) if we are not identified by relevant governmental authorities as CIIOs, then we are not required to proactively apply for cybersecurity review under the MCR which is applicable to CIIOs.

As of the Latest Practicable Date, (i) we have not been notified of the results of any determination that we have been identified as a CIIO or that any of our systems have been identified as CII by the relevant governmental authorities; (ii) the MCR provides no further explanation or interpretation for "affect or may affect national security", which remains to be clarified and elaborated by the CAC. As of the Latest Practicable Date, we have not been subject to any investigation or received any notification of cybersecurity review from relevant governmental authorities due to our impact or potential impact on national security; and (iii) we have taken reasonable and adequate technical and management measures to ensure cybersecurity and data security. Considering each factor set out in Article 10 of the MCR, we are of the view that the likelihood that our business operation or the [**REDACTED**] might give rise to national security risks is low.

Therefore, as advised by our PRC Legal Advisor, our Directors believe that as long as there is no material change to our current business and if no further rules are introduced and no significant changes to the enforcement of the MCR by governmental authorities, we are not required to proactively apply for the cybersecurity review for the [**REDACTED**] under the article 2 and article 7 of the MCR. Based on the above, with the support of the foregoing opinion from our PRC Legal Advisor, we believe the MCR would not have a material adverse impact on our business operations or the [**REDACTED**].

Having taken into account the view and analysis of our Company and the PRC Legal Advisor as described above as well as the due diligence conducted, nothing material has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the reasonableness of our Directors' view that (i) as long as there is no material change to our current business and if no further rules are introduced and no significant changes to the enforcement of the MCR by governmental authorities, we are not required to proactively apply for the cybersecurity review for the [**REDACTED**] under the article 2 and article 7 of the MCR; and (ii) the MCR would not have a material adverse impact on our business operations or the [**REDACTED**].

Other Regulations

PRC Regulations Relating to Overseas Securities Offering and Listing by Domestic Companies

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Measures, and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, PRC domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. If an issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering and listing by PRC domestic companies: (i) the operating revenue, total profits, total assets or net assets of domestic enterprises in the latest financial year account for more than 50% of the respective data in such issuer's audited consolidated financial statements for the same period, and (ii) the main parts of such issuer's business activities are conducted in China, or its main place(s) of business are located in China, or the majority of the senior management in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in China.

OVERVIEW

Our Group was founded by Mr. Alex Zhavoronkov, Ph.D., who is our chairman of the Board, executive Director, founder and CEO, and has been responsible for the overall business operations and management of our Group since establishment. For the biography and industry experience of Mr. Alex Zhavoronkov, Ph.D., please refer to the section headed "Directors and Senior Management."

Our Group commenced our business operation through Insilico Inc., a corporation established in Delaware, United States on February 10, 2014. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 19, 2018 and became the holding company of our Group after the Reorganization, details of which are set out in "— Reorganization" in this section.

OUR BUSINESS MILESTONES

The following table sets forth the key business development milestones of our Group:

Year	Event
2014	Insilico Inc. was established in Delaware, United States
	We began development of PandaOmics
2016	We began development of Chemistry42
	We began development of inClinico
	We published "The cornucopia of meaningful leads: Applying deep adversarial autoencoders for new molecule development in oncology" in Oncotarget
2018	Our Company was established in the Cayman Islands
	We completed our Series A financing
2019	We opened our Hong Kong headquarters
	We completed our Series B financing
	We published "Deep learning enables rapid identification of potent DDR1 kinase inhibitors" in Nature Biotechnology
	We entered into an inClinico collaboration with a global pharmaceutical company
	We initiated the drug discovery and development program that ultimately led to the development of our Core Product, ISM001-055.

Year	Event
2020	We officially launched PandaOmics and Chemistry42
	We designed the small molecule drug candidate ISM001-055
	We profiled ISM001-055 in the primary assays
	We performed the first PK study of ISM001-055 in mice
	We carried out the first tests of ISM001-055 in cell-based fibrosis assays
	We performed translational studies of ISM001-055 in human fibroblasts and epithelial cells We completed 14-day toxicity evaluation of ISM001-055 study in mice
	We carried out *in vivo* efficacy studies of ISM001-055 in bleomycin-induced lung fibrosis model in mice
2021	We nominated two AI-designed PCCs for TNIK
	We entered into a strategic collaboration agreement with Fosun
	We entered into a collaboration with an agricultural company
	We completed our Series C financing
	We obtained Human Research Ethics Committee approval for Phase 0 FIH study of ISM001-055 in Australia and completed Clinical Trial Notification filing with the Therapeutic Goods Administration in Australia.
2022	We completed Phase 0 FIH study of ISM001-055. Phase 0 study was exploratory and considered for checking the primary pharmacokinetics of the drug candidate in microdoses in humans. This study was done with the 100 micrograms dose and showed no adverse effects.
	We officially launched inClinico
	We nominated eight AI-designed PCCs for our drug development pipeline and one for our pharma customer

Year	Event
	We received approval from the New Zealand Medicines and Medical Devices Safety Authority to initiate a Phase I clinical trial of ISM001-055 in healthy volunteers in New Zealand, and initiated such clinical trial
	We received an umbrella clinical trial approval from the NMPA for Phase I-III clinical trials, and initiated a Phase I clinical trial of ISM001-055 in healthy volunteers in China
	We entered into a strategic collaboration agreement with Sanofi
	We launched our wholly owned, generative AI-driven automated laboratory in Suzhou, China
	We completed our Series C+ financing
	We completed our Series D financing
2023	We received the orphan drug designation of ISM001-055 for treatment of IPF from the FDA
	We published "AlphaFold accelerates artificial intelligence powered drug discovery: efficient discovery of a newly identified CDK20 small molecule inhibitor" in Chemical Science
	We completed the New Zealand Phase I clinical trial of ISM001-055 in healthy volunteers. Phase I study was performed to show safety in healthy volunteers in the single and multiple ascending doses and determine the dose range which could be used in the Phase II
	We published "Precious1GPT: multimodal transformer-based transfer learning for aging clock development and feature importance analysis for aging and age-related disease target discovery"
	We completed the China Phase I clinical trial of ISM001-055 in healthy volunteers. Phase I study was performed to show safety in healthy volunteers in the single and multiple ascending doses and determine the dose range which could be used in the Phase II
	We received clinical trial approval from the NMPA for a Phase I clinical trial for ISM3312 for the treatment of COVID-19

Year	Event
	We announced a peptide-based drug design strategy and Generative Biologics at the PEGS Boston Conference
	We received IND approval for a Phase IIa clinical trial of ISM001-055 for the treatment of IPF from the FDA
	We received IND approval for a Phase I clinical trial of ISM3091 from the FDA.
	We further nominated three PCCs
	We closed two out-licensing deals with Exelixis and Stemline
2024	We published "A small-molecule TNIK inhibitor targets fibrosis in preclinical and clinical models" in Nature Biotechnology
	We nominated one PCC (KIF18A) for our drug development pipeline
	We dosed our first patient in the United States

OUR SUBSIDIARIES

The principal business activities and the dates of incorporation of our subsidiaries during the Track Record Period are shown below.

Name of subsidiary	Place of incorporation	Date of incorporation	Principal business activities
Insilico SubCo	Cayman Islands	November 19, 2018	Holding company
Insilico US	Delaware, United States	February 11, 2019	North American business operations, business development, R&D collaboration and clinical trial operations
Insilico Hong Kong	Hong Kong	January 11, 2019	R&D collaboration and Software solution
Mir Pharma	Hong Kong	June 1, 2021	Holding company
Insilico IP	Hong Kong	June 21, 2019	IP ownership

Name of subsidiary	Place of incorporation	Date of incorporation	Principal business activities
Insilico Taiwan	Taiwan	April 16, 2018	New drug discovery and business development
Insilico Canada	Canada	June 6, 2022	AI development and business development
Insilico AI	United Arab Emirates	July 29, 2022	AI development
Insilico Shanghai	China	June 13, 2019	New drug discovery and R&D collaboration
Insilico Suzhou	China	September 1, 2021	Research facility (laboratory) operations
Insilico Beijing	China	December 22, 2023	No business operations
Insilico Yixing	China	March 22, 2024	No business operations

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we had not conducted any acquisitions, disposals or mergers that we consider to be material to us.

ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

1. Establishment of Insilico Inc.

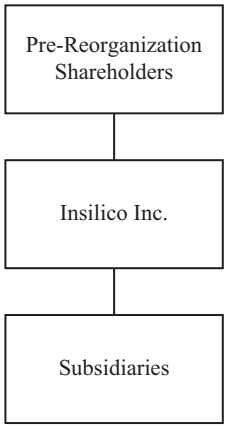
Our Group was founded by our founder, Mr. Alex Zhavoronkov, Ph.D. and commenced operations through Insilico Inc., a corporation established in Delaware, the United States, on February 10, 2014. The initial shareholder of Insilico Inc. was Pathway Pharmaceuticals, Limited, of which Mr. Alex Zhavoronkov, Ph.D. was a founder and director.

2. Series A preferred share financing of Insilico Inc. in June 2018

On June 1, 2018, Insilico Inc. entered into the series A preferred stock purchase agreement pursuant to which the Series A Investors agreed to subscribe for an aggregate of 904,888 series A preferred shares issued by Insilico Inc., at the price of US$6.63 per share, for an aggregate consideration of approximately US$6.0 million, which was fully settled on June 12, 2018. For details, see "— [**REDACTED**] Investments" in this section.

REORGANIZATION

Immediately prior to the commencement of the Reorganization, Insilico Inc. was the holding company of our Group. The following chart sets forth our Group's corporate structure immediately prior to the commencement of the Reorganization:



In order to re-domicile our Group's holding company from the United States to the Cayman Islands, we underwent the following Reorganization steps:

1. Incorporation of our Company

On November 19, 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and the ultimate holding company of our Group, as part of the Reorganization. Upon incorporation, the authorized share capital of our Company was US$109.04888 divided into 10,000,000 Ordinary Shares with a par value of US$0.00001 each, and 904,888 Preferred Shares with a par value of US$0.00001 each.

2. Incorporation of Insilico SubCo

On November 19, 2018, Insilico SubCo was incorporated in the Cayman Islands as an exempted company with limited liability and an intermediate holding company of our Group, with our Company as the sole common shareholder. Our Company held all the common shares with a par value of US$1 issued by Insilico SubCo since its incorporation.

3. Acquisition of assets of Insilico Inc. by Insilico SubCo

Effective on March 15, 2019, pursuant to a master contribution agreement entered into between Insilico SubCo and Insilico Inc., Insilico Inc. transferred all of its assets and business operations to Insilico SubCo in exchange for 1 preferred share issued by Insilico SubCo. Insilico Inc. has remained dormant since the completion of the Reorganization.

4. Allotment and issuance of Shares of our Company to then existing shareholders of Insilico Inc.

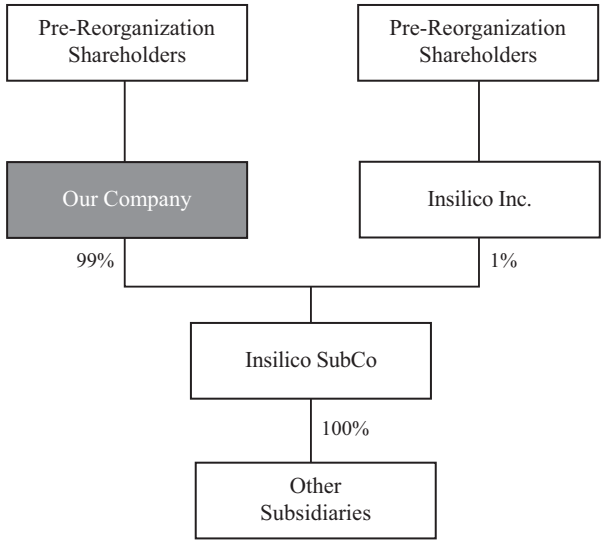
For the purpose of reflecting and mirroring the then shareholding structure of Insilico Inc. before the Reorganization, on March 15, 2019, our Company entered into (i) subscription agreements with each of the then existing shareholders of Insilico Inc. (the "**Pre-Reorganization Shareholders**"), pursuant to which the Pre-Reorganization Shareholders agreed to purchase an aggregate of 6,288,327 Ordinary Shares, for a nominal consideration at par value of US$0.00001 per Ordinary Share, and (ii) a series A preferred share purchase agreement with, among others, the Series A Investors, pursuant to which the Series A Investors agreed to purchase an aggregate of 904,888 Series A Preferred Shares, for a nominal consideration at par value of US$0.00001 per Series A Preferred Share, with shareholding ratio and shareholder rights identical to the series A preferred shares issued by Insilico Inc..

On March 15, 2019, the Company allotted in aggregate 6,288,327 Ordinary Shares and 904,888 Series A Preferred Shares to the Pre-Reorganization Shareholders or their nominees, in proportion to their then respective equity interests in Insilico Inc., as follows.

Name of Shareholder	Number of Ordinary Shares Allotted	Number of Series A Preferred Shares Allotted	Corresponding shareholding interest in the Company
Mr. Alex Zhavoronkov, Ph.D	3,187,886	–	44.32%
Deep Knowledge Ventures Limited ("**DKV**")	1,349,513	–	18.76%
Juvenescence Limited	1,076,777	152,584	17.09%
WuXi PharmaTech Healthcare Fund I L.P. ("**WuXi**")	–	316,713	4.40%
Palace Investments Pte. Ltd. ("**Palace Investments**")	–	301,631	4.19%
Synaro Corporation ("**Synaro**")	156,875	28,295	2.57%
Bold Capital Partners II, L.P. ("**Bold Capital II**")	83,656	75,407	2.21%
Qingsong Zhu	125,000	–	1.74%
Garri Zmudze	98,047	–	1.36%
Galloway Limited	58,829	10,611	0.97%
James Mellon	39,219	7,073	0.64%
Ted M. Routt	23,550	4,247	0.39%
Agronomics Limited (formerly Port Erin Biopharma Investments Limited)	19,610	3,537	0.32%
Palingenetic, LLC	23,089	–	0.32%

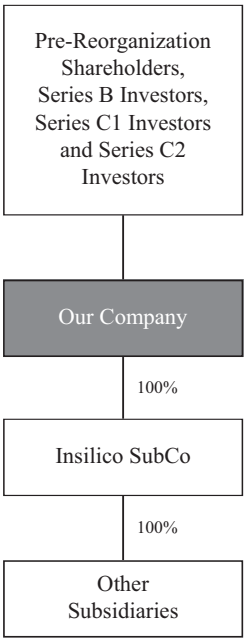
Name of Shareholder	Number of Ordinary Shares Allotted	Number of Series A Preferred Shares Allotted	Corresponding shareholding interest in the Company
Biomedical Research and Longevity Society, Inc. (formerly Life Extension Foundation) ("**BRLS**")	9,804	–	0.14%
RyanChow Pty Ltd Super Fund ("**RyanChow Super Fund**")	5,000	901	0.08%
BMH Capital Limited ("**BMH Capital**")	4,903	884	0.08%
Bridget Jane Holmewood	4,903	884	0.08%
STBS Consultants Ltd. ("**STBS Consultants**")	4,902	884	0.08%
Richard Redmond and Aileen Redmond (jointly) (formerly through Papertech Limited)	4,902	884	0.08%
Andrew Garazha	5,000	–	0.07%
Bruce Chou, RP	4,902	–	0.07%
A-level Capital I, L.P. ("**A-level Capital**")	1,960	353	0.03%
Total:	**6,288,327**	**904,888**	**100%**

The following chart sets forth our Group's corporate structure immediately after the Company's allotment of Common Shares and Series A Preferred Shares to the Pre-Reorganization Shareholders:



5. Redemption of one preferred share of Insilico SubCo

As part of the Series C Preferred Share financing, on June 30, 2021, the one preferred share of Insilico SubCo held by Insilico Inc. was fully redeemed at a total redemption price of approximately US$19.4 million. The following chart sets forth our Group's corporate structure immediately following the redemption of the one preferred share of Insilico SubCo:



DISPOSAL OF INSILICO LLC

In October 2022, as part of the Company's commercial decision to shift the geographical focus of certain of its AI development operations from Russia to the Middle East, the Group disposed of its 100% equity interest in InSilico LLC, a wholly owned subsidiary incorporated in Russia on June 2, 2016, to an independent third party at a nominal cash consideration of RUB21,000 (equivalent to approximately US$341) after arms-length negotiations and taking into account the then registered capital and market conditions with respect to InSilico LLC. Upon completion of the disposal, the Company no longer owned the assets of InSilico LLC and did not have any continuing obligations with respect to InSilico LLC. Set forth below are certain key financial information of InSilico LLC prior to disposal:

	For the year ended December 31, 2021	For the period ended October 31, 2022	As of October 31, 2022
		(US$ in thousands)	
Revenue[(1)]	631	–	–
Net Profit/(loss)	**(1,804)**	**(2,318)**	**–**
Total assets	–	–	2,518
Total liabilities	–	–	(329)
Net assets	**–**	**–**	**2,189**

Note:

(1) The revenue generated by InSilico LLC for the year ended December 31, 2021 was nil after taking into account intra-group eliminations.

[REDACTED] INVESTMENTS

Overview

We underwent the following rounds of [**REDACTED**] investments, details of which are set forth below.

No.	Round	Date of share purchase agreement	Date of settlement of consideration (last payment)	Number of Shares subscribed for	Total funds raised by our Company	Post-money valuation of our Company	Cost per Share without taking into account the effect of the [REDACTED]	Cost per Share after taking into account the effect of the [REDACTED]	Discount to the [REDACTED][(2)]
					(USD)	*(USD)*	*(USD)*	*(HK$)*	
1	Series A[(1)]	June 1, 2018	June 12, 2018	904,888	6.0 million	54.4 million	6.63	[REDACTED]	[REDACTED]%
2	Series B[(3)]	August 12, 2019	September 4, 2019	4,403,933	36.8 million	106.8 million	8.35	[REDACTED]	[REDACTED]%
3	Series C1[(4)(5)]	June 16, 2021	July 6, 2021	3,001,366	68.2 million	570.3 million	22.73	[REDACTED]	[REDACTED]%
4	Series C2[(4)(5)]	June 16, 2021	July 6, 2021	5,908,299	186.8 million	570.3 million	31.62	[REDACTED]	[REDACTED]%
5	Series C+[(4)]	November 12, 2021	January 10, 2022	176,535 (C1)/	15.0 million	585.3 million	22.73 (C1)/	[REDACTED]	[REDACTED]%
				347,516 (C2)			31.62 (C2)[(6)]	[REDACTED]	[REDACTED]%
6	Series D[(7)]	May 13, 2022	May 23, 2022	1,539,594	60.2 million	860.2 million	39.12	[REDACTED]	[REDACTED]%
7	Series D (Second Closing)[(8)(9)]	July 18, 2022	July 21, 2022	882,098	34.5 million	894.7 million	39.12	[REDACTED]	[REDACTED]%

Notes:

(1) For the avoidance of doubt, in the case of our Series A Preferred Share financing, the information presented in this table reflects the details of the issuance of the Series A preferred shares by Insilico Inc. prior to the Reorganization, with the corresponding number of shares and shareholding of each shareholder of Insilico Inc. subsequently reflected in and mirrored to our Company as part of the Reorganization. For more details, see "— Reorganization — 4. Allotment and issuance of shares of our Company to then existing shareholders of Insilico Inc." in this section.

(2) The discount to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**], assuming the [**REDACTED**] and the conversion of the Preferred Shares into Shares on a one-to-one basis have been completed prior to the [**REDACTED**].

(3) The difference between the valuation of our Company between the Series A Preferred Share financing and Series B Preferred Share financing was primarily due to (i) our PandaOmics and Chemistry42 platforms were validated; and (ii) we entered into a collaboration with a global pharmaceutical company in 2019 to use AI to predict clinical trial outcomes.

(4) The difference between the valuation of our Company between the Series B Preferred Share financing and Series C Preferred Share financing was primarily due to (i) our Company launched our PandaOmics and Chemistry42 platforms in 2020; and (ii) we nominated our Core Product as our first preclinical candidate.

(5) We entered into the Series C share purchase agreement ("**Series C SPA**") on June 16, 2021, pursuant to which we issued both Series C1 and C2 Preferred Shares to each Series C Investor at different costs per Share. Pursuant to the Series C SPA, and in order to avoid further dilution effect from the issuance of the Series C Preferred Shares, the Company issued the Series C1 Preferred Shares to each Series C Investor, using the proceeds of the issuance to repurchase 2,631,231 Ordinary Shares, 173,805 Series A Preferred Shares and 196,329 Series B Preferred Shares (collectively, the "**Repurchased Shares**") from the respective then Shareholders (including Mr. Alex Zhavoronkov,

Ph.D. and certain employees), being the same aggregate total of Series C1 Preferred Shares issued, so as to not affect the then existing total issued Share capital of our Company. The cost per Share of the Series C1 Preferred Shares was based on the repurchase price of US$22.13, US$25.29 and US$28.46 per share for Ordinary Shares, Series A Preferred Shares and Series B Preferred Shares, respectively. The Series C2 Preferred Shares were new Shares issued to each Series C Investor pursuant to the Series C SPA. The cost per Share of the Series C2 Preferred Shares was based on the pre-money valuation of the Company after arms-length negotiations with Series C Investors.

(6) We entered into the Series C+ share purchase agreement on November 12, 2021, pursuant to which we issued both Series C1 and C2 Preferred Shares to the Series C+ Investor at the same costs per Share respectively as the Series C Investors.

(7) The difference between the valuation of our Company between the Series C Preferred Share financing and Series D Preferred Share financing was primarily due to (i) our Company nominated seven new preclinical candidates using our AI platform; (ii) we began Phase I trials for our Core Product in New Zealand in February 2022; and (iii) we entered into a strategic collaboration with Fosun in November 2021.

(8) The difference between the valuation of our Company between the Series D Preferred Share financing and Series D Preferred Share (Second Closing) financing was primarily due to the fact that our Company began a Phase 1 trial for our Core Product in China in July 2022 evidenced by the first healthy volunteer dosing in.

(9) The difference between the valuation of our Company between the Series D Preferred Share (Second Closing) financing and the [**REDACTED**] was primarily due to our Company (i) completed the New Zealand Phase I clinical trial of ISM001-055 in healthy volunteers; (ii) completed the China Phase I clinical trial of ISM001-055 in healthy volunteers; (iii) received clinical trial approval from the NMPA for Phase I clinical trials for ISM3312 for the treatment of COVID-19; (iv) received IND approval for a Phase IIa clinical trial of ISM001-055 for the treatment of IPF from the FDA; (v) received IND approval for Phase I clinical trial of ISM3091 from the FDA; (vi) further nominated three PCCs; (vii) started strategic collaboration with Sanofi to carry out target-based research programs leveraging our technology to accelerate the identification of development candidates for up to six collaboration targets, and as of the Latest Practicable Date, three collaboration targets have been identified by Sanofi, which (a) provided us with positive gross profit margin; (b) extended our cash runway, and (c) helped our team to accumulate experience, optimize team work and internal process to improve delivery efficiency with higher quality; (viii) launched our generative AI-driven automated laboratory in Suzhou, China that complements our end-to-end generative AI platform, considering the combination of the robotics laboratory with our generative AI platform has the potential to enhance our internal drug discovery efforts, particularly in the areas of target validation, analysis of target biology and biomarkers, indication selection, combination strategy analysis and boost our translational medicine capabilities; and (ix) launched inClinico.

Other Principal Terms of the [REDACTED] Investments

Basis of determining the consideration paid	The consideration for the [**REDACTED**] Investments were determined based on arm's length negotiations between the Company and the [**REDACTED**] Investors after taking into consideration the timing of the investments and the status of our business.
Lock-up	Pursuant to the Third Amended and Restated Right of First Refusal and Co-Sale Agreement entered into among the then Shareholders of our Company on May 20, 2022, and various adoption agreements entered into between our Company and the [**REDACTED**] Investors who became our Shareholders after May 20, 2022, the [**REDACTED**] Investors shall not, without the prior written consent of the managing [**REDACTED**] of the [**REDACTED**], transfer any Shares of our Company during a period not exceeding 180 days commencing on the date of the Document.
Use of proceeds from the [**REDACTED**] Investments	We utilized the proceeds for funding pre-clinical and clinical research and development of our Core Product and other drug candidates, development and expansion of our automated lab, development of our generative AI-platform, working capital and other general corporate purposes. As of the Latest Practicable Date, approximately 70% of the net proceeds from the [**REDACTED**] Investments has been utilized.
Strategic benefit from the [**REDACTED**] Investments to our Group	At the time of each of the [**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the [**REDACTED**] Investors' investment knowledge and experience in healthcare sectors and the [**REDACTED**] Investments demonstrated the [**REDACTED**] Investors' confidence in the operation and development of our Group.

Special Rights of the [REDACTED] Investors

Our Company and, among others, the [**REDACTED**] Investors entered into certain agreements ("**Shareholders' Agreements**") including but not limited to the Investors' Rights Agreement and the Voting Agreement, pursuant to which certain shareholder rights were agreed among the parties. Pursuant to the Shareholders' Agreements and the then memorandum and articles of association of our Company, certain [**REDACTED**] Investors were granted, among other rights, (i) information rights; (ii) the right to elect directors; (iii) registration rights; (iv) right of first-refusal; (v) right of co-sale; (vi) redemption rights; (vii) prior consent to corporate actions; and (viii) liquidation preferences.

(i) The redemption rights under the then memorandum and articles of association of our Company and (ii) the drag-along rights given in connection with such redemption rights under the Voting Agreement (the "**Redemption and Drag-along Rights**") have ceased to be effective immediately before our Company's submission of [**REDACTED**] for the [**REDACTED**] of our Shares on the Stock Exchange (the "[**REDACTED**]"). The Redemption and Drag-along Rights shall be automatically reinstated upon the earliest of: (i) the return or rejection of the [**REDACTED**] from the Stock Exchange; (ii) the Company serving a notice of withdrawal of the [**REDACTED**] to the Stock Exchange; (iii) the non-renewal of the [**REDACTED**] to the Stock Exchange within six months after the [**REDACTED**] has lapsed; or (iv) the failure by the Company to achieve a qualified [**REDACTED**] as defined in the Shareholders' Agreements within 12 months after the effective date of the sixth amended and restated memorandum and articles of association of our Company, being June 27, 2023.

No special rights granted to the [**REDACTED**] Investors will survive after the [**REDACTED**].

Joint Sponsors' Confirmation

The Joint Sponsors confirm that the [**REDACTED**] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

Information about the [REDACTED] Investors

Our [**REDACTED**] Investors include certain Sophisticated Investors identified pursuant to the Chapter 2.3 of the Guide for New Listing Applicants issued by the Stock Exchange, namely Qiming Venture Partners ("**Qiming**") entities and Lilly Asia Ventures ("**LAV**") entities. The background information of our [**REDACTED**] Investors is set out below.

Qiming entities

*Qiming Venture Partners VI, L.P. ("**QVP VI**") and Qiming Managing Directors Fund VI, L.P. ("**QMD VI**")*

QVP VI and QMD VI are exempted limited partnerships registered in the Cayman Islands. Qiming GP VI, L.P. is the general partner of QVP VI, whereas Qiming Corporate GP VI, Ltd. is the general partner of both Qiming GP VI, L.P. and QMD VI. To the best of our knowledge, information and belief, each of QVP VI and QMD VI, their respective general partners and limited partners is an Independent Third Party.

*Qiming Venture Partners VII, L.P. ("**QVP VII**") and Qiming VII Strategic Investors Fund, L.P. ("**SIF VII**")*

QVP VII and SIF VII are exempted limited partnerships registered in the Cayman Islands. Qiming GP VII, LLC is the general partner of both QVP VII and SIF VII. To the best of our knowledge, information and belief, each of QVP VII and SIF VII, their respective general partners and limited partners is an Independent Third Party.

QVP VI, QMD VI, QVP VII and SIF VII are venture capital funds which are operated under Qiming Venture Partners, focusing on investments in companies in the technology & consumer and healthcare sectors across China and are Sophisticated Investors which have made meaningful investment in the Company more than six months before the [**REDACTED**] for the purpose of paragraph 10 of Chapter 2.3 of the Guide for New Listing Applicants issued by the Stock Exchange.

Qiming Venture Partners is a leading venture capital firm with over US$9.4 billion of assets under management. Its portfolio companies include some of today's most influential brands in their respective sectors, such as Xiaomi Corporation (HKSE: 1810), Meituan (HKSE: 3690), Beijing Roborock Technology Co., Ltd. (SSE: 688169), Bilibili Inc. (NASDAQ: BILI, HKSE: 9626), Gan & Lee Pharmaceuticals (SSE: 603087), Venus Medtech (Hangzhou) Inc. (HKSE: 2500), Hangzhou Tigermed Consulting Co., Ltd. (SZSE: 300347, HKSE: 3347), Zai Lab Limited (NASDAQ: ZLAB, HKSE: 9688) and CanSino Biologics Inc. (HKSE: 6185, SSE: 688185).

LAV entities

*LAV Biosciences Fund V, L.P. ("**LAV Biosciences Fund V**")*

LAV Biosciences Fund V is an exempted limited partnership incorporated under the laws of the Cayman Islands. The general partner of LAV Biosciences Fund V is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman Islands incorporated company wholly owned by Dr. Yi Shi, who is an Independent Third Party.

*LAV Fund VI, L.P. ("**LAV Fund VI**")*

LAV Fund VI is an exempted limited partnership incorporated under the laws of the Cayman Islands. The general partner of LAV Fund VI is LAV GP VI, L.P., whose general partner is LAV Corporate VI GP, Ltd., a Cayman Islands incorporated company wholly owned by Dr. Yi Shi, who is an Independent Third Party.

*LAV Fund VI Opportunities, L.P. ("**LAV Fund VI Opportunities**")*

LAV Fund VI Opportunities is an exempted limited partnership incorporated under the laws of the Cayman Islands. The general partner of LAV Fund VI Opportunities is LAV GP VI Opportunities, L.P., whose general partner is LAV Corporate VI GP Opportunities, Ltd., a Cayman Islands incorporated company wholly owned by Dr. Yi Shi, who is an Independent Third Party.

LAV Biosciences V, LAV Fund VI and LAV Fund VI Opportunities are the investment arms of LAV, it is a leading Asia-based life science investment firm with portfolios covering all major sectors of the biomedical and healthcare industry including biopharmaceuticals, medical devices, diagnostics and healthcare services. LAV is managed by a team of professionals with substantial biomedical domain expertise, as well as extensive investing experiences. LAV has invested in multiple biotech companies including CanSino Biologics Inc. (HKSE: 6185), Jacobio Pharmaceuticals Group Co., Ltd. (HKSE: 1167), RemeGen Co., Ltd. (HKSE: 9995) and New Horizon Health Limited (HKSE: 6606).

LAV is a Sophisticated Investor which has made meaningful investment in the Company more than six months before the [**REDACTED**] for the purpose of paragraph 10 of Chapter 2.3 of the Guide for New Listing Applicants issued by the Stock Exchange.

Mr. Alex Zhavoronkov, Ph.D.

Mr. Alex Zhavoronkov, Ph.D. is our Company's founder, chairman of the Board, executive Director, founder and CEO. For more information on Mr. Alex Zhavoronkov, Ph.D., please see the section headed "Directors and Senior Management."

A-level Capital

A-level Capital is a limited partnership established under the laws of the State of Delaware. The general partner of A-level Capital is A-Level Capital GP, LLC., which is an Independent Third Party.

BMH Capital

BMH Capital is a limited company established under the laws of Hong Kong, focusing on investments in early-stage private companies in the consumer, healthcare/life sciences and technology sectors. Its shareholders are Paul Barton, Phil Holmewood, David Millhouse and Jonathan Broughton, each of whom are Independent Third Parties.

BOLD Capital Partners entities

Bold Capital II

Bold Capital II is a limited partnership organized under the laws of the State of Delaware, and principally invests and holds equity and equity-oriented securities in privately held companies in technology related fields, with a focus in the fields of health & life sciences and deep tech & productivity. The general partner of Bold Capital II is BOLD Capital Management II, LLC, which is in turn managed by BOLD Management Partners, LLC, which is an Independent Third Party.

*Bold Capital Partners Select, LP ("**Bold Capital Select**")*

Bold Capital Select is a limited partnership established under the laws of the State of Delaware, and principally invests and holds equity and equity-oriented securities in privately held companies in technology related fields, with a focus in the fields of health & life sciences and deep tech & productivity. The general partner of Bold Capital Select is BOLD Capital Management Select, LLC, which is in turn managed by BOLD Management Partners, LLC, which is an Independent Third Party.

Bridget Jane Holmewood

Bridget Jane Holmewood is the Enterprise GTM General Manager at Telstra Health who has over 10 years experience investing in early-stage companies in the healthcare, life sciences and technology sectors, and is a private investor and an Independent Third Party.

Richard Redmond and Aileen Redmond

Richard Redmond and Aileen Redmond are retired directors of other companies, and each is a private investor and an Independent Third Party.

RyanChow Super Fund

RyanChow Super Fund is a self-managed superannuation fund established under the laws of Australia, which invests in companies listed on the Australian Securities Exchange. The trustee of RyanChow Super Fund is Ryanchow Pty Ltd, which is in turn wholly owned by Julian Chow and Kerry Chow, each of whom are Independent Third Parties.

STBS Consultants

STBS Consultants is a holding company established under the laws of the Bahamas. STBS Consultants invests in companies for long term growth, including PepsiCo, Inc. (NASDAQ: PEP), McDonald's Corporation (NYSE: MCD), Exxon Mobil Corporation (NYSE: XOM), Sysco Corporation (NYSE: SYY) and Microsoft Corporation (NASDAQ: MSFT). STBS Consultants is wholly owned by the FFFF Foundation, which is in turn a private interest foundation established under the laws of the Republic of Panama with the descendants of Richard H. Harrison and Frances j. Y. Harrison as the beneficiaries.

Synaro

Synaro is a corporation established under the laws of the State of Delaware. Synaro is controlled by Vchieve Union Limited, a British Virgin Islands registered limited entity, which is an Independent Third Party. Synaro focuses on investing in high technology start-ups, including Navitas Semiconductor (NASDAQ: NVTS), Saguna Network Ltd and Fusen Technologies, Inc.

Ted M. Routt

Ted M. Routt is a private investor and a retired IT professional who formerly worked as an Application Development Manager for United Parcel Service, Inc.. He has 20 to 25 years of experience trading on U.S. exchanges, including NYSE and NASDAQ, and over 15 years of experience investing in privately held organizations. He is an Independent Third Party.

Palace Investments

Palace Investments is an indirectly wholly-owned subsidiary of Pavilion Capital Holdings Pte. Ltd. ("**Pavilion Capital**"), which in turn is an indirectly wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"). Pavilion Capital is independently managed. Temasek is not involved in the business or operating decisions of Pavilion Capital or Palace Investments, including their decisions in relation to our Group.

WuXi

WuXi is an exempted limited partnership incorporated under the laws of the Cayman Islands, and specializes in the investment of pharmaceutical, biotech and healthcare companies. The general partner of WuXi is a wholly owned subsidiary of WuXi AppTec Co., Ltd. (SSE: 603259; HKSE: 2359) and its sole limited partner is WuXi AppTec (Hong Kong) Holding Limited, also wholly owned by WuXi AppTec Co., Ltd., which is listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange.

Sinovation entities

*Sinovation Fund IV, L.P. ("**Sinovation Fund IV**")*

Sinovation Fund IV is an exempted limited partnership incorporated under the laws of the Cayman Islands, with its general partner being Sinovation Fund Management IV, L.P. ("**Sinovation Fund Management IV**"). Sinovation Fund IV GP, Ltd. ("**Sinovation Fund IV GP**") is the general partner of Sinovation Fund Management IV, which is an Independent Third Party.

*SV China Healthcare Fund, L.P. ("**SV China**")*

SV China is a limited partnership incorporated under the laws of the Cayman Islands, with its general partner being SV China Healthcare Holding, Ltd., which is an Independent Third Party.

Sinovation Fund IV and SV China are investment entities managed by Sinovation Ventures, a leading Chinese technology venture capital firm, started in 2009 by a team led by Dr. Kai-Fu Lee. Sinovation Ventures currently manages approximately US$3 billion AUM across its funds, and over 400 portfolio companies across the technology spectrum in China.

Bruce Chou, RP

Bruce Chou, RP is a qualified retirement plan established under the laws of the United States, with AUM of approximately US$2.7 million. Its investments have included a basket of U.S. stocks, such as Berkshire Hathaway (NYSE: BRK.B), Planet Fitness (NYSE: PLNT), IBM (NYSE: IBM) and Clorox (NYSE: CLX), as well as investments in private companies such as Oisin Biotechnologies, OncoSenX and Immusoft. The beneficiaries are Bruce Chou and Charlotte Bottrell, each of whom are Independent Third Parties.

Baidu Ventures, L.P. ("Baidu Ventures")

Baidu Ventures is an exempted limited partnership registered in the Cayman Islands and a venture capital institution initiated by Baidu, Inc. (NASDAQ: BIDU; HKSE: 9888), which is listed on NASDAQ Global Market and the Main Board of the Hong Kong Stock Exchange, and is an Independent Third Party. Baidu Ventures concentrates on early-stage AI-based technological innovation companies, devoting to several major fields such as, among others, technological innovation and life sciences.

Longevity Vision Fund I, LP ("Longevity Fund I")

Longevity Fund I is a Delaware incorporated private fund providing venture funding to and holding investments in health tech, longevity and biotech companies. Longevity Vision Fund I GP, LLC is the general partner of Longevity Fund I, which is in turn wholly owned by Dmitry Vorontsov, an Independent Third Party. Amerigo Worldwide Limited is a limited partner of Longevity Fund I, holding more than 30% partnership interest. The sole beneficiary of Amerigo Worldwide Limited is Anthony Miles, who is an Independent Third Party.

Eight Roads entities

*ERVC Healthcare IV, L.P. ("**ERVC Healthcare IV**")*

ERVC Healthcare IV is an exempted limited partnership registered under the laws of Bermuda. The general partner of ERVC Healthcare IV is ERVC Healthcare Advisors IV LP, and the general partner of ERVC Healthcare Advisors IV LP is Eight Roads GP.

*ERVC Technology IV LP ("**ERVC Technology IV**")*

ERVC Technology IV is an exempted limited partnership registered under the laws of Bermuda. The general partner of ERVC Technology IV is ERVC Technology Advisors IV LP, and the general partner of ERVC Technology Advisors IV LP is Eight Roads GP.

*Eight Roads Ventures Japan II L.P. ("**Eight Roads Japan II**")*

Eight Roads Japan II is an exempted limited partnership registered under the laws of Bermuda. The general partner of Eight Roads Japan II is Eight Roads Ventures Japan Advisors II LP, and the general partner of Eight Roads Ventures Japan Advisors II LP is Eight Roads GP.

Each of ERVC Healthcare IV, ERVC Technology IV and Eight Roads Japan II is part of Eight Roads, a global proprietary investment firm backed by Fidelity, which mainly focuses on private investments in the healthcare (therapeutics, healthcare IT, healthcare services, med tech) and technology (enterprise tech, fintech, consumer/consumer tech) sectors in China and globally. Eight Roads is an Independent Third Party.

Eight Roads GP is indirectly wholly owned by Eight Roads Holdings Limited and Eight Roads Holdings Limited is owned as to more than one-third by Eight Roads Shareholdings Limited and Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. Therefore, under the SFO, each of Eight Roads Shareholdings Limited, Pandanus Partners L.P. and Pandanus Associates Inc. is deemed to be interested in the Shares in which Eight Roads Holdings Limited is interested.

F-Prime Capital Partners Life Sciences Fund VI LP ("F-Prime Capital Fund VI")

F-Prime Capital Fund VI is a limited partnership established under the laws of the State of Delaware. F-Prime Capital Fund VI is a global venture capital fund and it and its affiliated funds invest in the healthcare (therapeutics, healthcare IT, healthcare services, med tech) and technology (enterprise tech, fintech) sections in the U.S., Europe and Asia. The general partner of F-Prime Capital Fund VI is F-Prime Capital Partners Life Sciences Advisors Fund VI LP, which is solely managed by Impresa Management LLC, as its investment manager and the managing member of its general partner.

***Tubus LLC* ("*Tubus*")**

Tubus is a limited liability company established under the laws of the State of Delaware. Tubus focuses on a broad range of investments ranging from private ventures to mature public companies. Tubus is wholly owned by The Michael Antonov 2014 Delaware Trust. The sole manager of Tubus is Michael Antonov, an Independent Third Party.

Michael Antonov Charitable Foundation Inc. ("Michael Antonov Charitable Foundation")

Michael Antonov Charitable Foundation is a nonprofit public benefit corporation established under the laws of the State of California which mostly invests in public companies with some private investments, and is solely managed by Michael Antonov, an Independent Third Party. As a nonprofit public benefit corporation, it has no shareholders or beneficial owners.

Formic Ventures ("Formic Ventures")

Formic Ventures is a limited liability company established under the laws of the State of Delaware. Formic Ventures focuses on venture capital investments in the healthcare/life sciences and technology sectors. Formic Ventures is a wholly owned subsidiary of Tubus and is an Independent Third Party.

Mesolite Gem Investments Ltd ("Mesolite")

Mesolite is an exempted company incorporated under the laws of the Cayman Islands with limited liability on March 12, 2021. Mesolite is wholly owned by certain investment funds managed by their fund manager, Warburg Pincus LLC, among which, approximately 52.10% of Mesolite is owned by Warburg Pincus China-Southeast Asia II (Cayman), L.P. ("**WPC-SEA II Cayman**"). The general partner of WPC-SEA II Cayman is Warburg Pincus (Cayman) China-Southeast Asia II GP, L.P., the general partner of which is Warburg Pincus (Cayman) China-Southeast Asia II GP LLC ("**WPC-SEA II Cayman GP LLC**"). The managing member of WPC-SEA II Cayman GP LLC is Warburg Pincus Partners II (Cayman), L.P., the general partner of which is Warburg Pincus (Bermuda) Private Equity GP Ltd.

Mesolite is an investment vehicle of Warburg Pincus, a leading global private equity firm focused on thesis-driven growth investing at scale, with more than $83 billion in assets under management, and an active portfolio of more than 250 companies highly diversified by stage, sector and geography. Warburg Pincus has raised 21 private equity funds and 2 real estate funds, which have invested more than US$112 billion in over 1,000 companies in more than 40 countries.

SCC Growth VI Holdco E, Ltd. ("Sequoia Capital China Growth")

Sequoia Capital China Growth is an exempted company with limited liability incorporated under the laws of the Cayman Islands. Sequoia Capital China Growth is wholly owned by Sequoia Capital China Growth Fund VI, L.P. ("**Sequoia Capital China GVI Fund**"). The general partner of Sequoia Capital China GVI Fund is SC China Growth VI Management, L.P., whose general partner is SC China Holding Limited, a wholly owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and is an Independent Third Party.

B Capital Group entities

*B Capital China III — LLC ("**B Capital China III**")*

B Capital China III is a limited liability company registered in the Cayman Islands. It is controlled by B Capital Fund II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. B Capital Fund II, L.P. is managed by B Capital Group Management, L.P.. B Capital Fund II, L.P. focuses on investing in technology-enabled retail, transportation, financial services, and healthcare sectors, and is an Independent Third Party.

*B Capital (China) I HoldCo IV Pte. Ltd. ("**B Capital (China) I**")*

B Capital (China) I is a private company limited by shares incorporated under the laws of Singapore. It is controlled by B Capital China I, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. B Capital China I, L.P. is managed by B Capital Group Management, L.P.. B Capital China I, L.P. focuses on investing in high-growth startups within the enterprise technology, industrial technology, digital health and life science sectors, and is an Independent Third Party.

Deerfield entities

*Deerfield Partners, L.P. ("**Deerfield Partners**")*

Deerfield Partners is a limited partnership established under the laws of the State of Delaware. The General Partner of Deerfield Partners is Deerfield Mgmt, L.P., a limited partnership established under the laws of the State of Delaware. The General Partner of Deerfield Mgmt, L.P. is J. E. Flynn Capital, LLC, a limited liability company established under the laws of the State of Delaware. The sole member of J. E. Flynn Capital, LLC is James E. Flynn, who is an Independent Third Party.

*Deerfield Private Design Fund V, L.P. ("**Deerfield Private Design Fund V**")*

Deerfield Private Design Fund V is a limited partnership established under the laws of the State of Delaware. The General Partner of Deerfield Private Design Fund V is Deerfield Mgmt V, L.P., a limited partnership established under the laws of the State of Delaware. The General Partner of Deerfield Mgmt V, L.P. is J. E. Flynn Capital V, LLC, a limited liability company established under the laws of the State of Delaware. The sole member of J. E. Flynn Capital V, LLC is James E. Flynn, who is an Independent Third Party.

Mirae entities

*Mirae Asset Growth 6 Investment Company Limited ("**Mirae Asset Growth 6**")*

Mirae Asset Growth 6 is a company established under the laws of the British Virgin Islands. Mirae Asset Growth 6 is indirectly wholly owned by Mirae Asset Global Investments (Hong Kong) Limited, a limited company established under the laws of Hong Kong. Mirae Asset Growth 6 is a special vehicle for private equity investments. To the best of our knowledge, information and belief, each of Mirae Asset Growth 6 and Mirae Asset Global Investments (Hong Kong) Limited is an Independent Third Party.

*Mirae Asset New Economy Fund L.P. ("**Mirae Asset New Economy**")*

Mirae Asset New Economy is an exempted limited partnership incorporated under the laws of the Cayman Islands and its general partner is Mirae Asset General Partners. Mirae Asset Securities (HK) Limited is a limited partner holding 30% or more partnership interest in Mirae Asset New Economy. The shareholder of Mirae Asset Securities (HK) Limited is Mirae Asset Securities Co Ltd. which is a company listed on the Korea Exchange (KRX: 006800). Mirae Asset New Economy mainly invests in growth stage companies in healthcare, consumer, telecommunications, media and technology (TMT) sectors in Greater China. To the best of our knowledge, information and belief, each of Mirae Asset General Partners and Mirae Asset Securities (HK) Co., Ltd is an Independent Third Party.

Mirae Asset Sage New Technology Investment Fund I ("***Mirae Asset Sage Fund I***")

Mirae Asset Sage Fund I is a limited partnership established under the laws of the Republic of Korea. Mirae Asset Sage Fund I is a venture capital fund, managed by its general partner, Mirae Asset Capital Co., Ltd., with assets under management of approximately US$41 million, focusing on investment in industries covering healthcare, deep technology, and commerce platforms, including Akili Interactive Labs Inc (NASDAQ: AKLI), BaroPharm, and Motion2AI, Inc.. Mirae Asset Securities Co., Ltd. is a limited partner with 84.9% partnership interest. Each of Mirae Asset Sage Fund I and Mirae Asset Capital Co., Ltd. are Independent Third Parties.

*Mirae Asset Global Innovation Fund I ("**Mirae Innovation Fund I**")*

Mirae Asset Innovation Fund I is a limited partnership established under the laws of the Republic of Korea, with assets under management of approximately US$26 million, focusing on investment in industries covering healthcare/life science and technology both domestically in Korea and internationally. Its investments include our Company and HiFiBiO Therapeutics. The general partner of Mirae Asset Innovation Fund I is Mirae Asset Capital Co., Ltd., while Mirae Asset Securities Co., Ltd. is a limited partner with 84.8% partnership interest. Each of Mirae Innovation Fund I, Mirae Asset Capital Co., Ltd. and Mirae Asset Securities Co., Ltd. are Independent Third Parties.

President (BVI) International Investment Holdings Ltd ("President")

President is a company established under the laws of the British Virgin Islands. President is an investment company with assets under management of approximately US$200 million focusing on investment in the technology, healthcare and AI application sectors. Its invested companies include Uni-President China Holdings Ltd. (HKSE: 220) and SEA Ltd. (NYSE: SE). President is a wholly owned subsidiary of President International Development Corp., which is in turn owned as to approximately 69.37% by Uni-President Enterprises Corporation (統一企業股份有限公司) (TWSE: 1216), which is listed on the Taiwan Stock Exchange and is an Independent Third Party.

LBC Sunshine Healthcare Fund II L.P. ("LBC Sunshine Fund II")

LBC Sunshine Fund II is an exempted limited partnership registered in the Cayman Islands managed by Lake Bleu Capital (Hong Kong) Limited. Its general partner is LBC GP II Limited, an exempted company incorporated in the Cayman Islands, which is an Independent Third Party. LBC Sunshine Fund II is a professional investor specializing in investing in healthcare companies in Asia and the Greater China. The investment scope of LBC Sunshine Fund II includes pharmaceuticals, biotech, medical devices, and healthcare services. Each of LBC Sunshine Fund II, Lake Bleu Capital (Hong Kong) Limited and LBC GP II Limited are Independent Third Parties.

CYX Technology Investment Limited ("CYX Technology")

CYX Technology is a limited liability company established under the laws of the British Virgin Islands, and is an investment holding company set up to invest in the Company. CYX Technology is wholly owned by CPE Global Opportunities Fund II, L.P. ("**CPE GOF II**"), an exempted limited partnership formed under the laws of Cayman Islands. CPE GOF II is principally engaged in private equity investments. Its general partner is CPE GOF GP Limited, a company incorporated in the Cayman Islands with limited liability. CPE GOF GP Limited is directly and wholly owned by CPE Management International Limited, which is in turn wholly owned by CPE Management International II Limited, both of which are companies incorporated in Cayman Islands with limited liability and are Independent Third Parties.

Hillhouse entities

Each of MSPR III Holdings Limited ("**MSPR III**") and GSUM VI Holdings Limited ("**GSUM VI**") is a exempted company with limited liability incorporated under the laws of Cayman Islands. Both MSPR III and GSUM VI are ultimately managed and controlled by Hillhouse Investment Management, Ltd. ("**Hillhouse Investment**"), an exempted company incorporated under the laws of Cayman Islands, which is an Independent Third Party.

Founded in 2005, Hillhouse Investment is a global private equity firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse's investment approach. Hillhouse partners with exceptional entrepreneurs and management teams to create value, often with a focus on innovation and growth. Hillhouse invests in the fields of healthcare, business services, broad consumption and industrials. Hillhouse manages assets on behalf of institutional clients from across the globe.

OrbiMed Asia Partners IV, L.P. ("OAP IV")

OrbiMed Asia Partners IV, L.P. ("**OAP IV**") is an exempted limited partnership established under the laws of the Cayman Islands. OAP IV's general partner is OrbiMed Asia GP IV, L.P. ("**OAP IV GP**"), and OAP IV GP's general partner is OrbiMed Advisors IV Limited ("**OAP IV Limited**"). OrbiMed Advisors LLC ("**OrbiMed Advisors**") acts as the advisory company to OAP IV. By virtue of such relationships, Asia GP IV, Advisors IV, and OrbiMed Advisors may be deemed to have voting power and investment power over the securities held by OAP IV and, as a result, may be deemed to have beneficial ownership over such securities. OrbiMed Advisors exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and W. Carter Neild, each of whom disclaims beneficial ownership over the securities held by OAP IV, and are Independent Third Parties. OAP IV invests across the global healthcare industry, but primarily in Asia, from seed-stage venture capital to large publicly-traded companies.

MS Sublime Limited ("MS Sublime")

MS Sublime is an investment holding company established under the laws of Hong Kong, which is wholly owned by Maison Capital Fund LP (Cayman Islands) ("**Maison Capital**"), an exempted limited partnership established in the Cayman Islands, the general partner of which is Maison Capital GP LP (Cayman Islands), and the limited partner of which is Mr. WU Wei (鄔煒). The general partner of Maison Capital GP LP (Cayman Islands) is Maison Capital GP Limited (Cayman Islands), which is owned by Mr. CUI Wenli (崔文立), Mr. WU Wei (鄔煒) and Mr. TIAN Zirui (田子睿) as to 40%, 30% and 30%, respectively, each of whom are Independent Third Parties. Maison Capital is a private equity fund management institute with assets under management of approximately US$200 million focusing on investment in industries covering consumption, healthcare and technology.

WS Investment Company, LLC ("WS Investment")

WS Investment (21A) and WS Investment (22A) are limited liability companies established under the laws of the State of Delaware for the benefit of the partners and certain eligible employees of Wilson Sonsini Goodrich & Rosati, PC and its affiliates ("**WSGR**") for investments made in different calendar years. No individual participant in WS Investment (21A) or WS Investment (22A) owned an interest of 1% or more in each respective entity. WS Investment has assets under management of approximately US$225 million, investing in private technology and life science companies across all stages, including early, growth and pre-IPO stages. WS Investment Management Company, the Managing Member of WS Investment (21A) and WS Investment (22A), is a wholly owned subsidiary of WSGR, which is an Independent Third Party.

Sage Partners Alpha 1 L.P. ("Sage Partners")

Sage Partners is an exempted limited partnership established under the laws of the Cayman Islands. The general partner of Sage Partners is Sage Partners Private Fund, which is an Independent Third Party. Sage Partners is a pooled-investment fund with Sage Partners Limited as the investment manager. Sage Partners Limited is licensed by the SFC to carry out type 9 regulated activities, and mainly focuses on investment opportunities in the healthcare sector by deploying a long-term fundamental-based approach. Each of Sage Partners, Sage Partners Private Fund and Sage Partners Limited are Independent Third Parties.

Anchor International Limited ("Anchor")

Anchor is a company established under the laws of the British Virgin Islands. Anchor is a wholly owned subsidiary of Antibiotics Hong Kong International Limited, which is in turn a wholly owned subsidiary of Qilu Pharmaceutical Group Co., Ltd, which is an Independent Third Party.

Dream Team Ventures Limited ("Dream Team Ventures")

Dream Team Ventures is a limited company established under the laws of the British Virgin Islands, and is wholly owned by an individual who is an Independent Third Party.

Fosun

Fosun is company incorporated in Hong Kong with limited liability, and is a wholly owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司) (SSE: 600196; HKSE: 2196), whose businesses include pharmaceutical manufacturing, medical devices, medical diagnosis and healthcare services as well as a presence in pharmaceutical commerce, with its H shares and A shares are listed and traded on the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively, and is an Independent Third Party.

SMALLCAP World Fund, INC. ("SMALLCAP")

SMALLCAP is a registered investment company incorporated in the State of Maryland, United States, which normally invests at least 80% of its net assets in common stocks and other equity-type securities of companies with market capitalizations of US$6 billion or less, including growth-oriented stocks. Its current assets under management is approximately US$67.2 million. Capital Research and Management Company ("**CRMC**"), an investment management firm incorporated in the State of Delaware, United States, serves as the investment adviser to SMALLCAP. CRMC is a wholly owned subsidiary of The Capital Group Companies, Inc., which is an Independent Third Party.

Sino Biopharmaceutical Limited ("Sino Biopharm")

Sino Biopharm is a limited liability company incorporated in the Cayman Islands and is listed on the Main Board of the Hong Kong Stock Exchange (HKSE: 1177), and is an Independent Third Party.

BHR Investment Fund X, L.P. ("BHR Investment Fund X")

BHR Investment Fund X is an exempted limited partnership established under the laws of the Cayman Islands. The general partner of BHR Investment Fund X is BHR (Cayman) GP II, Limited ("**BHR (Cayman) II**"), while CAM Dragon Fund holds 60% partnership interest. BHR (Cayman) II is controlled by BHR Partners. BHR Partners is a private equity fund management institute with assets under management of approximately US$1.4 billion. Its major investment sectors include cross-border mergers and acquisitions (M&A) and high-tech investments. In the high-tech sector, it focuses on investing in promising early-stage high-tech enterprises, such as CATL (SZSE: 300750), Megvii and DiDi (OTC Pink: DIDIY). CAM Dragon Fund is a wholly owned subsidiary of Complus Investment Ltd, which is in turn a subsidiary of Complus Holdings Ltd. Complus Holdings Ltd is wholly owned by Kwok Ching Kam, who is an Independent Third Party.

Aramco Ventures Investments Limited ("Aramco Ventures")

Aramco Ventures invests in our Company through its venture capital fund, Prosperity7 Ventures. Prosperity7 Ventures is the diversified growth fund of Aramco Ventures, a subsidiary of Aramco, the world's leading integrated energy and chemicals company. It invests globally, with a long term-view, in breakthrough technologies and transformational business models that will bring prosperity and positive impact on a vast scale, including Fourier Intelligence and Noah Medical. Aramco Ventures is a company established under the laws of Guernsey. Aramco Ventures is wholly owned by Aramco Ventures LLC, which is in turn wholly owned by Saudi Aramco Oil Company (Saudi Aramco), whose shares are listed on the Saudi Stock Exchange (TADAWUL:2222), and is an Independent Third Party.

PUBLIC FLOAT

Shares held by the existing Shareholders (except for Mr. Alex Zhavoronkov, Ph.D. and Mr. Feng Ren, Ph.D., who are Directors of our Company, and Yen-Chu Lin, who is a director of Insilico Taiwan, a subsidiary of our Group) will all be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Over [**REDACTED**]% of our Company's total issued Shares with a [**REDACTED**] of substantially over HK$[**REDACTED**] will be held by the public upon completion of the [**REDACTED**] and the [**REDACTED**] in accordance with Rules 8.08(1)(a) and 18A.07, respectively, of the Listing Rules.

CAPITALIZATION

The below table summarizes the capitalization of our Company as of the Latest Practicable Date and immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plans).

Shareholder	Ordinary Shares	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Aggregate number of Shares as of the Latest Practicable Date	Aggregate shareholding percentage as of the Latest Practicable Date	Aggregate number of Shares upon the completion of the [REDACTED] and the [REDACTED]	Aggregate shareholding percentage upon the completion of the [REDACTED] and the [REDACTED]
Mr. Alex Zhavoronkov, Ph.D.	2,115,116	–	–	–	14,059	2,129,175	10.32%	[REDACTED]	[REDACTED]%
DKV[1]	142,513	–	–	–	–	142,513	0.69%	[REDACTED]	[REDACTED]%
DKAIT[1]	385,000	–	–	–	–	385,000	1.87%	[REDACTED]	[REDACTED]%
A-level Capital	1,960	353	–	–	–	2,313	0.01%	[REDACTED]	[REDACTED]%
BMH Capital	4,903	884	3,039	2,630	–	11,456	0.06%	[REDACTED]	[REDACTED]%
Bridget Jane Holmewood	4,903	884	3,039	2,630	–	11,456	0.06%	[REDACTED]	[REDACTED]%
Bruce Chou, RP	4,902	–	2,574	10,000	2,556	20,032	0.10%	[REDACTED]	[REDACTED]%
BRLS[2]	4,902	–	–	–	–	4,902	0.02%	[REDACTED]	[REDACTED]%
Palingenetic, LLC[3]	23,089	–	–	–	–	23,089	0.11%	[REDACTED]	[REDACTED]%
Richard Redmond and Aileen Redmond	4,902	884	3,038	2,630	–	11,454	0.06%	[REDACTED]	[REDACTED]%
RyanChow Super Fund	5,000	901	3,099	–	–	9,000	0.04%	[REDACTED]	[REDACTED]%
STBS Consultants	4,902	884	–	–	771	6,557	0.03%	[REDACTED]	[REDACTED]%
Synaro	100,000	28,295	–	–	–	128,295	0.62%	[REDACTED]	[REDACTED]%
Ted M Routt	23,550	4,247	–	–	–	27,797	0.13%	[REDACTED]	[REDACTED]%
WuXi	–	316,713	838,564	174,710	–	1,329,987	6.45%	[REDACTED]	[REDACTED]%

Shareholder	Ordinary Shares	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Aggregate number of Shares as of the Latest Practicable Date	Aggregate shareholding percentage as of the Latest Practicable Date	Aggregate number of Shares upon the completion of the [REDACTED] and the [REDACTED]	Aggregate shareholding percentage upon the completion of the [REDACTED] and the [REDACTED]
Palace Investments	–	301,631	239,589	698,735	12,781	1,252,736	6.07%	[REDACTED]	[REDACTED]%
Bold Capital II	83,656	75,407	419,282	78,607	–	656,952	3.18%	[REDACTED]	[REDACTED]%
Bold Capital Select	–	–	–	131,013	6,390	137,403	0.67%	[REDACTED]	[REDACTED]%
QVP VI	–	–	816,591	340,213	–	1,156,804	5.61%	[REDACTED]	[REDACTED]%
QMD VI	–	–	21,973	9,155	–	31,128	0.15%	[REDACTED]	[REDACTED]%
QVP VII	–	–	–	346,177	65,854	412,031	2.00%	[REDACTED]	[REDACTED]%
SIF VII	–	–	–	3,190	607	3,797	0.02%	[REDACTED]	[REDACTED]%
LAV Biosciences Fund V	–	–	359,384	104,810	–	464,194	2.25%	[REDACTED]	[REDACTED]%
LAV Fund VI	–	–	–	209,620	–	209,620	1.02%	[REDACTED]	[REDACTED]%
LAV Fund VI Opportunities	–	–	–	209,620	–	209,620	1.02%	[REDACTED]	[REDACTED]%
Sinovation Fund IV	–	–	239,589	244,557	–	484,146	2.35%	[REDACTED]	[REDACTED]%
SV China	–	–	–	104,810	–	104,810	0.51%	[REDACTED]	[REDACTED]%
Tubus	–	–	359,384	–	–	359,384	1.74%	[REDACTED]	[REDACTED]%
Michael Antonov Charitable Foundation	–	–	59,897	–	–	59,897	0.29%	[REDACTED]	[REDACTED]%
Formic Ventures	–	–	–	69,873	–	69,873	0.34%	[REDACTED]	[REDACTED]%
Baidu Ventures	–	–	59,897	350	–	60,247	0.29%	[REDACTED]	[REDACTED]%
Longevity Fund I	–	–	299,487	–	–	299,487	1.45%	[REDACTED]	[REDACTED]%
ERVC Healthcare IV	–	–	179,692	209,620	–	389,312	1.89%	[REDACTED]	[REDACTED]%
ERVC Technology IV	–	–	179,692	209,620	–	389,312	1.89%	[REDACTED]	[REDACTED]%
F-Prime Capital Fund VI	–	–	119,794	–	–	119,794	0.58%	[REDACTED]	[REDACTED]%
Mesolite	–	–	–	1,746,836	255,621	2,002,457	9.71%	[REDACTED]	[REDACTED]%
Sequoia Capital China Growth	–	–	–	174,684	–	174,684	0.85%	[REDACTED]	[REDACTED]%

Shareholder	Ordinary Shares	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Aggregate number of Shares as of the Latest Practicable Date	Aggregate shareholding percentage as of the Latest Practicable Date	Aggregate number of Shares upon the completion of the [REDACTED] and the [REDACTED]	Aggregate shareholding percentage upon the completion of the [REDACTED] and the [REDACTED]
B Capital China III	–	–	–	349,367	–	349,367	1.69%	[REDACTED]	[REDACTED]%
Deerfield Partners	–	–	–	174,684	23,301	197,985	0.96%	[REDACTED]	[REDACTED]%
Deerfield Private Design Fund V	–	–	–	174,684	23,301	197,985	0.96%	[REDACTED]	[REDACTED]%
Mirae Asset Growth 6	–	–	–	34,937	–	34,937	0.17%	[REDACTED]	[REDACTED]%
Mirae Asset New Economy	–	–	–	244,557	–	244,557	1.19%	[REDACTED]	[REDACTED]%
Mirae Asset Sage Fund I	–	–	–	52,406	–	52,406	0.25%	[REDACTED]	[REDACTED]%
Mirae Innovation Fund I	–	–	–	69,873	–	69,873	0.34%	[REDACTED]	[REDACTED]%
President	–	–	–	174,684	–	174,684	0.85%	[REDACTED]	[REDACTED]%
LBC Sunshine	–	–	–	174,684	–	174,684	0.85%	[REDACTED]	[REDACTED]%
CYX Technology	–	–	–	524,051	–	524,051	2.54%	[REDACTED]	[REDACTED]%
MSPR III	–	–	–	314,431	–	314,431	1.52%	[REDACTED]	[REDACTED]%
GSUM VI	–	–	–	209,620	–	209,620	1.02%	[REDACTED]	[REDACTED]%
OAP IV	–	–	–	524,051	–	524,051	2.54%	[REDACTED]	[REDACTED]%
MS Sublime	–	–	–	209,620	–	209,620	1.02%	[REDACTED]	[REDACTED]%
WS Investment (21A)	–	–	–	17,469	–	17,469	0.08%	[REDACTED]	[REDACTED]%
Sage Partners	–	–	–	87,342	–	87,342	0.42%	[REDACTED]	[REDACTED]%
Eight Roads Japan II	–	–	–	139,747	–	139,747	0.68%	[REDACTED]	[REDACTED]%
Anchor	–	–	–	174,684	–	174,684	0.85%	[REDACTED]	[REDACTED]%
Dream Team Ventures	–	–	–	174,684	–	174,684	0.85%	[REDACTED]	[REDACTED]%
Fosun	–	–	–	524,051	–	524,051	2.54%	[REDACTED]	[REDACTED]%
B Capital (China) I	–	–	–	–	511,242	511,242	2.48%	[REDACTED]	[REDACTED]%
SMALLCAP	–	–	–	–	605,423	605,423	2.94%	[REDACTED]	[REDACTED]%

Shareholder	Ordinary Shares	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Aggregate number of Shares as of the Latest Practicable Date	Aggregate shareholding percentage as of the Latest Practicable Date	Aggregate number of Shares upon the completion of the [REDACTED] and the [REDACTED]	Aggregate shareholding percentage upon the completion of the [REDACTED] and the [REDACTED]
Aramco Ventures	–	–	–	–	639,052	639,052	3.10%	[REDACTED]	[REDACTED]%
BHR Investment Fund X	–	–	–	–	127,810	127,810	0.62%	[REDACTED]	[REDACTED]%
Sino Biopharm	–	–	–	–	127,810	127,810	0.62%	[REDACTED]	[REDACTED]%
WS Investment (22A)	–	–	–	–	5,114	5,114	0.02%	[REDACTED]	[REDACTED]%
Employees and consultants[4]	924,595	–	–	–	–	924,595	4.48%	[REDACTED]	[REDACTED]%
Other public Shareholders	–	–	–	–	–	–	–	[REDACTED]	[REDACTED]%
Total	3,833,893	731,083	4,207,604	9,433,716	2,421,692	20,627,988	100%	[REDACTED]	[REDACTED]%

Notes:

(1) Deep Knowledge entities:

(a) DKV, DKV is a limited company incorporated under the laws of Hong Kong, and is wholly owned by Dmitrii Caminschii, who is an Independent Third Party.

(b) Deep Knowledge AI Technologies Ltd ("**DKAIT**"), DKAIT is a company incorporated under the laws of the British Virgin Islands. The largest shareholder of DKAIT is Dmitrii Caminschii, who is an Independent Third Party.

DKV and DKAIT are part of Deep Knowledge Group, a consortium of commercial and non-profit organizations active on many fronts in the realm of DeepTech and Frontier Technologies (AI, Longevity, FinTech, GovTech, and InvestTech). The Deep Knowledge Group runs a number of diversified investment portfolios, including out of its Swiss entity Deep Knowledge Ventures Swiss based in Geneva, investing in global equities, fixed income and private markets. The preferred fields of investment in private markets include healthcare & biotech, technology, blockchain, spacetech and more generally deeptech.

(2) BRLS is a nonprofit organization established under the laws of the State of Florida, formed exclusively to advance social welfare purposes including conducting, promoting, encouraging and funding research and study in the fields of cryobiology, interventive gerontology and cryonics. BRLS provides research funding in the form of grants and other financial assistance, including program investments, to companies and nonprofit organizations in the biotechnology space, with an emphasis on the study of aging and age-related disease, cryobiology, and cryonics, such as Intervene Immune, Inc. and Ichor Therapeutics. As a nonprofit organization, BRLS has no shareholders or beneficial owners, and is an Independent Third Party.

(3) Palingenetic, LLC is a limited liability company established under the laws of the State of Nevada, and is wholly owned by William Gelpi, an Independent Third Party.

(4) Employees and consultants refer to current and former employees and consultants who (i) were transferred Ordinary Shares from Mr. Alex Zhavoronkov, Ph.D. as incentives for their contributions to our Group; (ii) exercised their options under the [**REDACTED**] Equity Incentive Plans; and/or (iii) held Ordinary Shares by virtue of the mirrored shareholding as described in "— Reorganization — 4. Allotment and issuance of Shares of our Company to then existing shareholders of Insilico Inc.", of which (i) Mr. Feng Ren, Ph.D., who is a Director of our Company, held 23,770 Ordinary Shares; (ii) Mr. Aleksandr Aliper, Ph.D., who is the President of our Company, held 70,000 Ordinary Shares; (iii) Ms. Michelle Chen, Ph.D., who is the Chief Business Officer of our Company, held 42,000 Ordinary Shares; and (iv) Ms. Jun Wang, who is the General Counsel and Board Secretary of our Company, held 16,000 Ordinary Shares.

[REDACTED] EQUITY INCENTIVE PLANS

Our Company adopted the [**REDACTED**] Equity Incentive Plans, which included (i) 2019 Share Plan adopted on March 15, 2019 as amended and restated on December 31, 2019; (ii) 2019 Equity Incentive Plan adopted on December 31, 2019; (iii) 2021 Equity Incentive Plan adopted on June 30, 2021; and (iv) 2022 Equity Incentive Plan adopted on November 25, 2022. See "Appendix IV — Statutory and General Information — [**REDACTED**] Equity Incentive Plans" for details.

[REDACTED] AND CONVERSION OF PREFERRED SHARES INTO ORDINARY SHARES

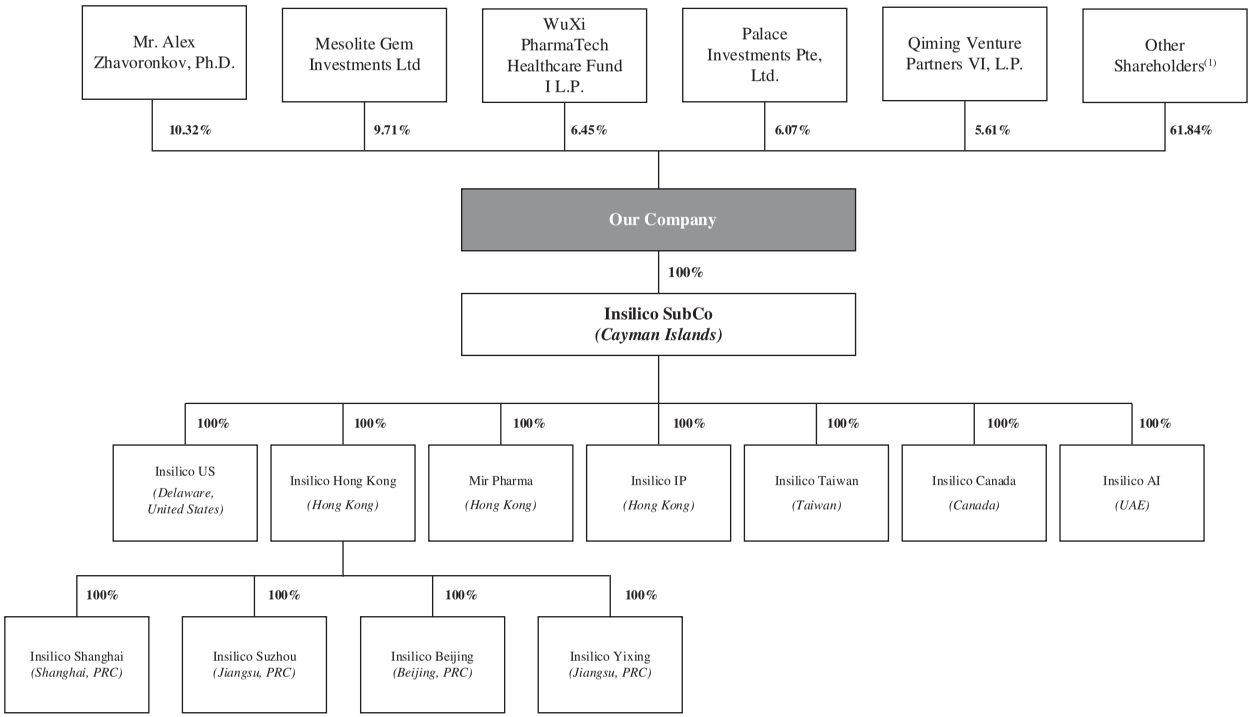
To enlarge our Company's Share number, on [●], 2024, our Shareholders resolved to, among other things, conduct the [**REDACTED**] pursuant to which each Share in our then issued and unissued share capital with a par value of US$0.00001 was split into [**REDACTED**] Shares of the corresponding class with a par value of US$[**REDACTED**] each effective upon the conditions of the [**REDACTED**] being fulfilled.

Our Shareholders also resolved to, immediately upon completion of the [**REDACTED**], conduct the conversion of each Preferred Share such that each Preferred Share shall be re-designated and reclassified into Ordinary Share on a one-to-one basis. For details, please refer to the section headed "Share Capital" in this Document.

OUR CORPORATE STRUCTURE

Corporate Structure Immediately Before the Completion of the [REDACTED]

The following chart sets forth our Group's corporate structure immediately upon the completion of the [**REDACTED**] and prior to the completion of the [**REDACTED**], assuming that (i) all of the Preferred Shares have been converted to Ordinary Shares on a one-to-one basis and (ii) no further Shares are issued under the [**REDACTED**] Equity Incentive Plans:

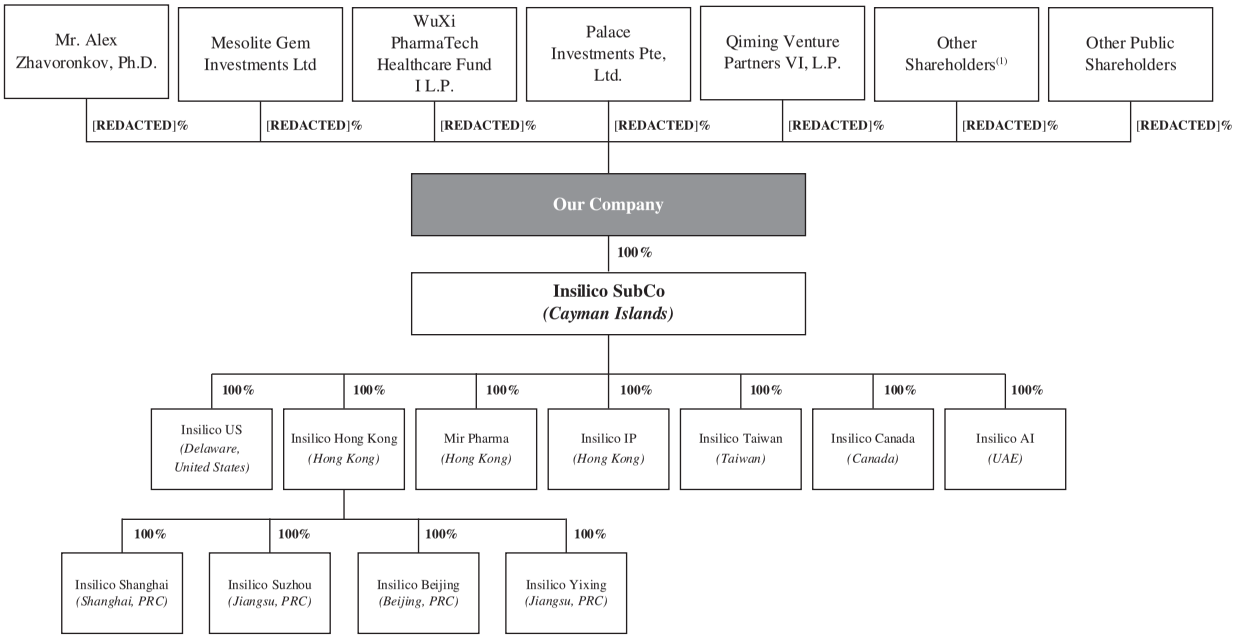


Note:

(1) For information in relation to other Shareholders which are [**REDACTED**] Investors, please refer to the section headed "— Information about the [**REDACTED**] Investors."

Corporate Structure Immediately Following the Completion of the [REDACTED]

The following chart sets forth our Group's corporate structure immediately following the completion of the [**REDACTED**] and the [**REDACTED**], assuming that (i) all of the Preferred Shares have been converted to Ordinary Shares on a one-to-one basis, (ii) the [**REDACTED**] is not exercised, and (iii) no further Shares are issued under the [**REDACTED**] Equity Incentive Plans:



Note:

(1) Please refer to note (1) in the section headed "— Corporate Structure Immediately Before the Completion of the [**REDACTED**]."

OVERVIEW

Founded in 2014, we are a leading and global AI-driven biotech company. Our Core Product, ISM001-055 is a small-molecule drug candidate primarily designed to treat fibrosis-related indications by inhibiting TNIK, a newly identified anti-fibrotic target identified through our Pharma.AI platform. As of the Latest Practicable Date, our pipeline of drug candidates covered fibrosis, oncology, immunology and other therapeutic areas.

The following chart only includes the Core Product and 14 other drug candidates that are more advanced in terms of stage of development.

Product Candidate	Target	Mechanism	Indication	Stage of Development	Current Status / Upcoming Milestones
★ ISM001-055	**TNIK**	EMT, FMT, fibroblast macrophage activation	Idiopathic Pulmonary Fibrosis (IPF)[2]	China (NMPA)	Expect to complete Phase IIa in Q4 2024 in China
				U.S. (FDA)	First patient dosed for Phase IIa in February 2024 in the U.S.
			Kidney Fibrosis (KF)		Expect to file an IND application in the first half of 2025
			IPF (Inhalable)		Expect to file an IND application in the third quarter of 2024
ISM3091	**USP1**	Synthetic lethality	BRCA-mutant Cancer	U.S. (FDA) — Out-licensed to Exelixis[3]	Initiated the multicenter Phase Ia in the U.S. in August 2023; clinical development has been transfered to Exelixis
ISM3312	**3CL^{pro}**	Virus replication	COVID-19	China (NMPA)	Expect to complete Phase Ia in April 2024 in China
ISM8207	**QPCTL**	Immune modulation	Advanced / Metastatic Solid Tumors and Relapsed / Refractory B-cell Lymphoid Malignancies	China (NMPA) — Jointly owned and in Collaboration with Fosun[4]	IND approved in China and expect to dose the first patient for Phase I in Q2 2024 in China
ISM5411	**PHD1/2**	Epithelial integrity & anti-inflammation	Inflammatory Bowel Disease (IBD)	China (NMPA)	Expect to complete the Phase I in Australia in the end of 2024; received the IND approval in December 2023 in China, and expect to file an IND application in the U.S. in 2024
ISM4808		EPO induction and iron utilization	Anemia of Chronic Kidney Disease	China (NMPA)	IND approved in August 2023 in China
ISM6331	**TEAD**	Cell proliferation and survival	Solid Tumors		Expect to file an IND application in the second half of 2024
ISM5939	**ENPP1**	Immune modulation	Solid Tumors		Expect to file an IND application in the second half of 2024
ISM5043	**KAT6**	Epigenetics	ER+ / HER2- Breast Cancer	Out-licensed to Stemline[5]	Expect to file an IND application in the first half of 2024
ISM3412	**MAT2A**	Synthetic lethality	MTAP$^{-/-}$ Cancer		Filed the IND application in China in February 2024; Filed an IND application in the U.S. in March 2024
ISM4312A	**DGKA**	Immune modulation	Solid Tumors	1st Generation	Nominated PCC in December 2022
ISM4525	**DGKA**	Immune modulation	Solid Tumors	2nd Generation	Expect to file an IND application in the second half of 2024
ISM9274	**CDK12/13**	Tumor cell proliferation	Solid Tumors		Expect to file an IND application in the first half of 2025
ISM8001	**FGFR2/3**	Tumor cell proliferation	Solid Tumors		Expect to file an IND application in the first half of 2025
ISM9682	**KIF18A**	Mitotic arrest	Chromosomally Unstable Cancers		Expect to file an IND application in the first half of 2025

★ Core Product Fibrosis Oncology Immunology Others

Abbreviations: TNIK = TRAF2 and NCK interacting kinase; PHD1/2 = prolyl hydroxylase domain-1/2; QPCTL = glutaminyl-peptide cyclotransferase-like; $3CL^{pro}/M^{pro}$ = 3-chymotrypsin-like protease; USP1 = ubiquitin specific peptidase 1; MAT2A = methionine adenosyltrasnferase 2α; DGKA = diacylglycerol kinase alpha; KAT6 = K (lysine) acetyltransferase 6; ENPP1 = ectonucleotide pyrophosphatase/phosphodiesterace 1; CDK12/13 = cyclin dependent kinase 12/13; EMT = epithelial-mesenchymal transition; FMT = fibroblast-to-myofibroblast transition; EPO = erythropoietin; BRCA = breast cancer gene; MTAP = methylthioadenosine phosphorylase; ER = estrogen receptor; HER2 = receptor tyrosine-protein kinase ErbB-2; TEAD = transcriptional enhanced associate domain; FGFR = fibroblast growth factor receptors; KIF18A = kinesin family member 18A; PCC = pre-clinical candidate

Notes:

(1) The discovery stage includes drug target identification, hit identification, hit-to-lead optimization and lead optimization.

(2) FDA granted ISM001-055 the orphan drug designation for its IPF indication.

(3) We entered into an out-licensing agreement with Exelixis in September 2023 that granted Exelixis the right to the research, development, manufacturing and commercialization of ISM3091 worldwide. We completed the transfer of sponsorship of Phase Ia clinical trial of ISM3091 to Exelixis in December 2023 and expect to complete the transition of remaining know-how of ISM3091 according to the agreed development and manufacturing transition plan in the second half of 2024. We are continuously working on the resupply for Phase Ia study during the transition period. As of the Latest Practicable Date, Exelixis was conducting the Phase Ia clinical trial and will be responsible for conducting the Phase Ib clinical trial in the U.S. and all subsequent development, manufacturing and commercialization activities. For additional information, see "Business — Pipeline Drug Development — ISM3091: A Small Molecule Inhibitor of USP1 as a Potential Treatment of Tumors with Homologous Recombination DNA Repair Deficiency — Licenses, Rights and Obligations."

(4) We entered into an agreement with Fosun in November 2021 to co-develop ISM8207. We take the leading role in the clinical development of ISM8207 through Phase I trial, with the roles of each party for the development of ISM8207 from Phase II trial to be negotiated after Phase I trial completion. For additional information, see "Business — Drug Discovery Services — Collaboration with Fosun."

(5) We entered into an exclusive license agreement with Stemline in December 2023 to out-license ISM5043 for its research, development, manufacturing and commercialization for any uses worldwide. For additional information, see "Business — Pipeline Drug Development — ISM5043 — Out-License of ISM5043."

(6) All programs are designed for oral administration unless otherwise indicated.

Our most advanced clinical candidate and our Core Product, ISM001-055, is a small-molecule drug candidate primarily designed to treat fibrosis-related diseases such as idiopathic pulmonary fibrosis ("**IPF**"). ISM001-055 is a potent inhibitor of TNIK, a newly identified, anti-fibrotic target with broad potential across multiple fibrotic indications. We used PandaOmics to identify TNIK and Generative Chemistry to guide the design and testing of small molecule drug candidates directed against TNIK. The target was selected due to its role as a hub regulator of several profibrotic signaling pathways including the Wnt, NF-kB and TGF-ß signaling pathways. The inhibition of TNIK has the potential to address the underlying disease associated with fibrosis. ISM001-055 has shown a potent inhibitory effect against TNIK and has demonstrated anti-fibrotic properties in *in vivo* studies utilizing the well-established bleomycin-induced pulmonary fibrosis mouse model. A three-week treatment of mice with bleomycin-induced pulmonary fibrosis resulted in observed improvements in respiratory function, a dose-dependent reduction of the fibrotic area and a significant decrease in the fibrotic biomarker α-SMA. In addition, the mouse model also demonstrated that a combination of the lowest active dose of our ISM001-055 with sub-therapeutic dose of pirfenidone, one of the current standards of care for IPF, significantly attenuated fibrosis development, demonstrating benefits in reduction of pulmonary fibrosis-related markers,

improvement in lung function and decrease of fibrotic area. We initiated a multi-center,randomized, double-blind, placebo- controlled Phase IIa clinical trial for ISM001-055 in China in April 2023 to evaluate the safety, tolerability, pharmacokinetics and efficacy of ISM001-055 administered as an oral dose for 12 weeks in patients with IPF. We submitted an IND application to the FDA for the Phase IIa clinical trials in the U.S. and received approval in June 2023. The first patient for the Phase IIa trial in the U.S. was randomized and dosed in February 2024.

Our generative AI-driven platform, Pharma.AI, consists of Biology42, Chemistry42 and Medicine 42, and is designed to be integrated across the broad drug discovery and development process to identify new drug targets, design *de novo* molecules against both new and known targets and optimize clinical development of our pipeline. Pharma.AI platform is the only generative AI-powered drug discovery and development platform that provides end-to-end drug discovery and development services from discovery of new target to generation of new small molecule and prediction of clinical outcome. In addition, it can be integrated with external tools to take advantage of the latest technological breakthroughs and create customized solutions for different customer needs. Pharma.AI receives data collected from our pipeline development progress and from our strategic drug discovery and development collaborations, creating a flywheel effect that feeds into the deep machine learning element of our platform to drive the continuous improvement of our end-to-end capabilities. This technology is augmented by a robust team of biologists, chemists and AI specialists guided by a management team and advisors with deep industry experience in drug development.

OUR STRENGTHS

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

While fibrotic disease represents an attractive opportunity for new therapies, there are currently limited therapeutic options on the market. Previous attempts to develop drugs for the fibrotic disease market using traditional drug development methods have met with limited success. This is because drug discovery and development for fibrotic diseases presents specific challenges, such as complex pathophysiology, poor diagnosis rates and poor understanding of disease biology. However, our generative AI-driven approach has enabled us to identify a promising target that modulates multiple fibrotic pathways, and we have developed a promising small molecule candidate that we believe could represent a newly-identified, clinically differentiated therapy.

Our Core Product and our lead clinical-stage product candidate, ISM001-055, is an orally available small molecule drug candidate designed by the Generative Chemistry application to treat IPF and kidney fibrosis by inhibiting TNIK, a newly-identified anti-fibrotic target identified through PandaOmics. ISM001-055 is the first clinical-stage AI-designed new molecule for an AI-discovered newly-identified target, according to Frost & Sullivan. ISM001-055 also serves as an important demonstration of the capabilities of Pharma.AI to expedite the drug development timeline and reduce costs.

For the treatment of IPF, there are only two therapies currently approved by the FDA, pirfenidone (Esbriet) and nintedanib (Ofev), both approved in 2014. While both products have demonstrated an ability to modestly attenuate the decline of lung function, neither halts disease progression nor significantly improves the survival rate of IPF patients. Despite these limitations, pirfenidone and nintedanib generated combined worldwide sales of approximately US$3.5 billion in 2020, demonstrating the extent of the unmet need in the IPF market. In contrast to Esbriet and Ofev, our Core Product is designed to address the underlying pathology of fibrosis by inhibiting TNIK, the hub regulator of several profibrotic signaling pathways, and therefore could potentially halt or reverse IPF disease progression. A successful drug that can halt or reverse IPF could have a greater market potential than the currently approved treatments.

ISM001-055 has been investigated in two randomized, double-blind, placebo-controlled Phase I clinical trials in China and New Zealand, respectively, in healthy volunteers. The data from the New Zealand and China Phase I trials showed that the observed human PK data of ISM001-055 in healthy volunteers was in line with our preclinical modeling with no significant accumulation after seven days and the drug candidate exhibited a favorable PK profile. ISM001-055 was generally safe and well tolerated by enrolled volunteers. Following the completion of Phase I clinical trials in New Zealand and China, we initiated a multi-center, multi-region Phase IIa clinical trial in China to further evaluate the safety and efficacy of ISM001-055 in patients with IPF. The trial was initiated in China in April 2023 and we expect to complete this trial in the fourth quarter of 2024. We submitted an IND application to the FDA for Phase IIa clinical trial in the U.S. and received approval in June 2023. The Phase IIa trial was initiated in the U.S. in November 2023. The first patient for the Phase IIa trial in the U.S. was randomized and dosed in February 2024.

There are currently no treatments approved or available to reverse or halt kidney fibrosis, a final, common condition in chronic kidney disease ("**CKD**"), which can lead to worsening kidney functioning and potential failure. Angiotensin-converting enzyme ("**ACE**"), inhibitors and diuretics are typically used as first-line treatment of CKD to address proteinuria and fluid retention, respectively. Erythropoietin stimulating agents ("**ESA**s") are also used for the treatment of anemia of CKD, which is a common complication among patients with CKD. However, these drugs do not reverse or halt the pathophysiological processes responsible for the progression of fibrotic changes and loss of kidney function. Patients who progress to end-stage renal failure require dialysis or kidney transplantation, both of which are associated with a poor prognosis. As TNIK is implicated in multiple profibrotic pathways, our ISM001-055 has the potential to be developed as a treatment for CKD, which is recognized as a growing public health concern worldwide, and it is estimated that CKD affects half of the adults above age 70 and 10% of the global population. According to Frost & Sullivan, the global prevalence of anemia of CKD has reached 389.4 million in 2021. It is estimated to reach 447.2 million in 2025 and 514.7 million in 2030, at a CAGR of 3.5% and 2.8%, respectively. Our current Phase I and II studies on IPF indication can provide valuable data for our future investigation of ISM001-055 as applied to CKD.

ISM001-055 is also a promising potential treatment for kidney fibrosis, as both *in vitro* and *in vivo* studies have shown potential inhibitory effects of kidney fibrosis. *In vitro*, ISM001-055 inhibited cx-SMA expression, a key fibrotic marker, in HK-2 cells at an IC_{50} of 0.104 μM. In an *in vivo* study on mice with unilateral ureteral obstruction-induced kidney fibrosis, ISM001-055 significantly inhibited kidney fibrosis formation when administered at doses of 3, 10 and 30 mg/kg BID for two weeks. This was evident by a reduction in the Sirius-red staining area and immunohistochemical staining intensity of collagen type 1 in kidney tissues compared to the vehicle control group. ISM001-055 also reduced kidney hydroxyproline content at doses of 10 and 30 mg/kg BID. Further studies on other kidney fibrosis models are planned to further explore the underlying mechanisms of action and other potential indications. We expect to file an IND application for the treatment of kidney fibrosis in the first half of 2025.

We are also exploring inhalation as an alternative route of administration for ISM001-055 for the treatment of IPF. Inhalation can deliver ISM001-055 directly to the respiratory tract, providing a more targeted treatment with potentially more rapid and effective local therapeutic effects, lower systemic exposure and reduced likelihood of systemic side effects. We expect to file an IND for the inhaled formulation for the treatment of IPF in the third quarter of 2024.

Comprehensive and diversified pipeline targeting multiple therapeutic areas with considerable market potential

Our pipeline covers fibrosis, oncology, immunology and other therapeutic areas. We chose these disease areas because these areas have high unmet medical needs and a high amount of available patient omics data, allowing us to fully utilize our PandaOmics target discovery AI engine to identify potential new targets.

ISM3091 — an orally available small molecule inhibitor of USP1 as a potential treatment of HRD-related cancers

ISM3091 is a small molecule inhibitor targeting ubiquitin-specific protease 1 ("**USP1**") for the potential treatment of homologous recombination deficiency ("**HRD**")-related cancer, particularly those linked with BRCA mutations, such as breast cancer, ovarian cancer and prostate cancer. ISM3091 can be used as a monotherapy or in combination with platinum-based drugs or PARP inhibitors to reverse cancer cell resistance to these treatments.

ISM3091 leverages the concept of synthetic lethality to target HRD cancer cells, including those with BRCA mutations. Typically, cancer cells that only have one mutated gene in a specific pair of genes can depend on the normal partner gene for survival. Interfering with the function of the normal partner gene may cause cancer cells to die. In our case, cells deficient in either BRCA1 or USP1 can still survive, but cells that are deficient in both BRCA1 and USP1 will undergo apoptosis. BRCA1 mutated cancer cells depend on the presence of USP1 enzymes to stabilize their DNA replication forks during DNA replication. By inhibiting USP1, ISM3091 selectively causes BRCA1 mutated cells to undergo apoptosis.

Our ISM3091 has demonstrated its ability to induce cell apoptosis in the MDA-MB-436 human breast carcinoma cell line in a more potent manner than olaparib, one of the only two FDA-approved PARP inhibitors for the treatment of cancers in people with BRCA1 or BRCA2 mutations. In *in vitro* studies, ISM3091 showed nM level potency on both enzymatic and MDAMB-436 cell viability assays, while demonstrating excellent selectivity between BRCA-mutated and wild-type cells. In addition, ISM3091 has shown great physicochemical properties, a good ADME profile with a moderate to low rate of metabolism in humans and an excellent *in vitro* safety profile with a hERG inhibition IC_{50} of 26.57 μM. In *in vivo* studies, ISM3091 demonstrated excellent PK profiles across different preclinical animal species with moderate to low CL, a high F% and a high AUC.

We received IND approval from the FDA in April 2023, and we initiated a Phase Ia clinical trial in the U.S. in August 2023. We entered into an out-licensing agreement with Exelixis in September 2023 that granted Exelixis the right to the research, development, manufacturing and commercialization of ISM3091 worldwide. We completed the transfer of sponsorship of Phase Ia clinical trial of ISM3091 to Exelixis in December 2023 and expect to complete the transition of remaining know-how of ISM3091 according to the agreed development and manufacturing transition plan in the second half of 2024. We are continuously working on the resupply for Phase Ia study during the transition period. Exelixis is conducting the Phase Ia clinical trial and will be responsible for conducting the Phase Ib clinical trial in the U.S. and all subsequent development, manufacturing and commercialization activities.

ISM3312 — an irreversible covalent inhibitor of $3CL^{pro}$ as a potential treatment of COVID-19

ISM3312 is an orally available irreversible covalent inhibitor of $3CL^{pro}$ with the potential to treat COVID-19 and other coronaviruses. ISM3312 has a different binding mode compared to the currently approved COVID-19 antiviral medications such as Paxlovid and Simnotrelvir. In addition, ISM3312 does not need to be used in combination with Ritonavir, as is the case with currently approved products, giving it a potentially low drug-drug interaction issue in clinical usage.

The coronavirus $3CL^{pro}$ is a conservative cysteine protease that has been proven to be a druggable target for the treatment of many coronaviruses. Inhibition of the protease activity of $3CL^{pro}$ blocks the release of nsp4 to nsp16 of SARS-CoV-2 that are essential for viral replication and makes $3CL^{pro}$ a promising target for COVID-19 treatment.

In *in vitro* enzymatic assay, ISM3312 inhibited the activity of $3CL^{pro}$, with an IC_{50} of 14 nM against SARS-CoV-2. Additionally, ISM3312 showed broad antiviral activity against the $3CL^{pro}$ of other coronaviruses, including SARS-CoV, MERS-CoV, HCoV-229E, HCoV-OC43, HCoV-NL63, HCoV-HKU1 and SARS-CoV-2 omicron variant with IC_{50}s of 14 nM, 52 nM, 11 nM, 10 nM, 14 nM, 4 nM and 22 nM, respectively. In *in vivo* transgenic hACE2 mice models, ISM3312 displayed dose-dependent antiviral activity against SARS-CoV-2.

Pursuant to the IND approval issued by the NMPA in February 2023, we initiated a randomized, double-blind, placebo-controlled, dose-escalation Phase Ia clinical trial of ISM3312 in China in March 2023 and expect to complete it in April 2024. The Phase Ia clinical trial is designed to evaluate the safety, tolerability and PK profile in healthy volunteers, and the Phase II clinical trial is designed to evaluate the antiviral effect of ISM3312 compared to

placebo in patients with symptoms of mild and moderate categories of SARS-CoV-2 infection and at high risk of heavy/critical categories of infection. We plan to initiate the Phase II clinical trials following analysis of the data from the Phase Ia clinical trial.

ISM8207 — a small molecule inhibitor of QPCTL for application in cancer immunotherapy

ISM8207 is an orally available small molecule inhibitor targeting QPCTL with applications in cancer immunotherapy. The drug candidate was identified within nine months after the initiation of the program. ISM8207 is being developed as a potential treatment for advanced or metastatic solid tumors and relapsed or refractory B-cell lymphoid malignancies. Several *in vivo* studies using mouse models (breast cancer, colon cancer and B-cell non-Hodgkin lymphoma) have shown promising pharmaceutical properties and potential antitumor activity when combined with standard-of-care therapies. ISM8207 has favorable *in vitro* ADME, *in vivo* PK profiles and showed an acceptable safety profile in preclinical toxicology studies.

In collaboration with Fosun, we applied for pre-IND communication with the Center for Drug Evaluation ("**CDE**") and filed an IND application with the NMPA in April 2023. We received the Phase I IND approval from the NMPA in July 2023. Together with Fosun, we are planning to initiate a first-in-human, open-label, multi-center Phase I study in China to evaluate the safety, tolerability, PK/pharmacodynamics and preliminary anticancer activity of ISM8207 in subjects with advanced/metastatic solid tumors and relapsed/refractory B-cell lymphoid malignancies in the second quarter of 2024.

ISM5411 — small molecule inhibitor of PHD1/2 as potential treatments of IBD

ISM5411 is an oral small molecule inhibitor of prolyl hydroxylase domain 1/2, PHD1/2. The identification of the compound was achieved within 12 months and the compound received an official preclinical candidate nomination in November 2021 as a potential treatment for patients with IBD.

ISM5411 could stabilize HIFα and promote intestinal barrier protection. The mechanism of action of ISM5411 enables potential combination therapies with available anti-inflammatory drugs. ISM5411 demonstrated high enzymatic inhibitory potency against PHD1/2, with an IC_{50} of 1.2 nM and 3.1 nM, respectively, and showed good selectivity in the Safety 44 Mini-tox panel. ISM5411 exhibited *in vitro* HIF1α induction activity in the colonic epithelial Caco2 cell line. In addition, ISM5411 induced expression of the barrier protection gene in colonic epithelial T84 monolayer cells in a dose dependent manner. ISM5411 also showed *in vivo* efficacy in both monotherapy and combinational therapy with anti-inflammatory drugs.

We initiated the Phase I clinical trial in Australia in October 2023 and expect to complete Phase I by the end of 2024. We filed another IND application for a Phase I clinical trial in China in October 2023 and received the IND approval in December 2023. We plan to initiate the Phase I clinical trial in China in the second quarter of 2024. In addition, we plan to file an IND application for a Phase I clinical trial in the U.S. in 2024.

End-to-end generative AI-driven platform designed to integrate biology, chemistry and clinical development.

Our integrated generative AI-driven drug discovery platform, Pharma.AI, has end-to-end capabilities in target discovery, molecule generation and clinical trial optimization for both small molecule and biologics drugs, aiming to address major opportunities to innovate the drug discovery and development process. Our Pharma.AI consists of Biology42, Chemistry42 and Medicine42.

The Biology42 platform is composed of three applications: PandaOmics, Generative Biologics and Life Star 1. PandaOmics is a powerful generative AI software designed for therapeutic target and biomarker discovery. It includes more than 20 models, which are produced with a combination of generative AI techniques and human expert validation. PandaOmics uses *in silico* pathway activation network decomposition analysis and generative AI approaches to identify new targets and biomarkers, making it a valuable tool for discovering new targets in a variety of therapeutic areas. One of the most impressive features of PandaOmics is its knowledge graph for target-disease associations. The knowledge graph is generated by transformer-based natural language processing models applied to scientific publications, clinical trials, and grant applications related to target-disease associations. These models are a type of generative AI technology that can understand and generate human-like language. They extract relevant information from sources to create knowledge graphs that can aid in target discovery.

The Chemistry42 platform is composed of four applications: Generative Chemistry, Golden Cubes, ADMET Predictors and Alchemistry. Generative Chemistry benefits from a strong foundation in generative AI. The over 40 AI models used to optimize the properties of generated molecular structures were built through an extensive deep learning process. More than 300 AI models were developed, and through testing and validation, the number was narrowed down to just over 40 validated AI models for use by Generative Chemistry. This method has the advantage of producing more accurate generative chemistry models and is a key differentiator between Generative Chemistry and its competitors, who would require many more resources and much more time to generate such a large number of accurate, validated models. In addition, Generative Chemistry's generative AI-driven molecule generation method dramatically reduces drug discovery time and enables the selection of superior molecular candidates by exploring new chemical space and optimizing for superior therapeutic properties. This approach tends to generate molecules with new structures rather than "me-too" drugs with similar chemical structures to existing drugs. Because the therapeutic effects of a small molecule drug is generally related to its chemical structure, "me-too" drugs tend to offer limited improvements while drugs with new structures have the potential to offer significant improvements. To ensure the accuracy and relevance of the generated molecules for their intended application, trained experts review the chemical structures generated by the AI.

The Medicine42 platform is composed of the inClinico application. inClinico is a multi-engine, generative AI clinical trial analysis application designed to predict the outcome of Phase II to Phase III conversion. inClinico's predictive accuracy has been verified through quasi-prospective and prospective validation studies. In these studies, inClinico assesses the probability of success of ongoing clinical trials. The trials are then tracked, and their ultimate success or failure is used to validate inClinico's predictions. The platform combines an ensemble of clinical trial outcome prediction engines that use generative AI and multimodal data, including omics, text, clinical trial design, and small molecule properties. It uses more than 20 models, with the performance of each model evaluated and recorded. The inClinico application integrates scoring approaches, multimodal data sources and biological context combined with an advanced deep learning model to provide a powerful framework for clinical trial outcome prediction.

Our robust, next-generation generative AI-platform has enabled us to discover newly identified drug targets and generate new product candidates at a pace and scale difficult to attain through traditional research and development approaches. We have utilized Generative Chemistry to design and generate new molecules against both newly identified targets and established targets that could benefit from a more optimized approach. As an illustration of the efficiency of Pharma.AI-driven drug discovery and development, we were able to nominate ISM001-055 as a preclinical candidate within 18 months from the commencement of the program. In addition to our Core Product, we were able to nominate two drug candidates, ISM4808 and ISM5411, as small molecule inhibitors for prolyl hydroxylase domain 1/2 ("**PHD1/2**"), for the potential treatment of anemia of chronic kidney disease ("**CKD**") and inflammatory bowel disease ("**IBD**"), respectively, within only 12 months after initiation of the programs. We also explored synthetic lethality, which is a promising area of cancer therapy, and nominated two drug candidates, ISM3091, targeting ubiquitin-specific protease 1 ("**USP1**") and ISM3412, targeting methionine adenosyltransferase 2α ("**MAT2A**"), as potential cancer treatments within 10 months and approximately 12 months after initiation of the respective programs. In addition, in collaboration with Fosun, we nominated a drug candidate, ISM8207, as a small molecule inhibitor of glutaminyl-peptide cyclotransferase-like protein ("**QPCTL**") for immuno-oncology application in February 2022 — within nine months after initiation of the program.

We are committed to continuous innovation and consistent validation of our generative AI platform. As a result of our work in the space, we had over 200 peer-reviewed publications and over 50 AI-related patents issued or filed as of the Latest Practicable Date. Our Pharma.AI platform has continued to evolve since our founding in 2014, driven by advances in the field of deep learning and generative learning, including our industry insights, as detailed in numerous publications. In a featured review entitled *Big Techs and Startups in Pharmaceutical R&D — A 2020 Perspective on Artificial Intelligence* that ranked both large technology and startup companies in AI-driven pharmaceutical research and development, we ranked the highest amongst the 398 AI startup companies analyzed in the study in terms of the total number of scientific publications covering the use of AI in pharmaceutical research and development, and we were among the top three in terms of the number of AI-related patent applications.

A global organization focused on technological innovation and R&D execution

We have a dual CEO structure that allows us to leverage the respective strengths of each leader and is the basis of a management partnership that provides additional focus on technological innovation and operational execution. Our founder and CEO, Mr. Alex Zhavoronkov, Ph.D., is an expert in the field of generative AI. He oversees the innovation of our generative AI platform and the implementation of other business and strategic initiatives at the firm, such as the launch of an automated laboratory and our expansion into new strategic markets. Our CSO and CEO, Mr. Feng Ren, Ph.D. is a pharmaceutical industry veteran, and he guides our R&D strategy and operational oversight and execution of our growing R&D organization. Mr. Alex Zhavoronkov, Ph.D. and Mr. Feng Ren, Ph.D. also respectively oversee our sizable generative AI and drug development R&D teams. Our in-house R&D capabilities are complemented by an external network of over 40 CROs and CDMOs that support our discovery, preclinical and clinical activities.

The performance of our R&D organization is demonstrated by the rapid advancement of our Core Product, ISM001-055, into the clinic. It took less than 18 months to advance ISM001-055 to the preclinical candidate stage and only an additional nine months to Phase I clinical trial. Furthermore, we were able to nominate nine preclinical candidates within the span of just one year, a pace that is substantially higher than the industry average of nominating one preclinical candidate per approximately 4.5 years.

We have established an advanced target discovery and validation lab at our Suzhou location that complements our end-to-end generative AI platform. Dubbed the "Life Star 1," the automated lab serves to couple our Pharma.AI backbone, with its full suite of generative capabilities, with comprehensive lab capabilities to automate certain drug R&D workstreams, reduce experimental bias and aid with decision- making. The combination of the automated laboratory with our generative AI platform will have the potential to enhance our internal drug discovery efforts, particularly in the areas of target validation, analysis of target biology and biomarkers, indication selection, combination strategy analysis and boost our translational medicine capabilities. As a next-generation automated lab, the Life Star 1's objective is to phase out human intervention from the drug discovery process to reduce experimental errors, human bias and other possible issues. The Life Star 1 endeavors to minimize human intervention in the decision-making process. The generative AI-enabled Life Star 1 will be able to automate target selection, experimental design and execution of experiments to collect experimental data to generate and test disease hypotheses and further validate and train our AI models. Our automated lab eliminates human target selection bias and opens up the potential for the discovery of new drugs and treatments. We will work to optimize the design of the Life Star 1 to expand its range of capabilities, miniaturize its physical footprint and optimize its construction and operating costs.

We have a global team of experienced scientists, AI engineers and business leaders focused on developing a pipeline of new potential therapies by leveraging our generative AI platform. These drug candidates will be advanced through a combination of our internal efforts and partnerships. Our team is distributed globally, allowing us to establish a local presence in key geographies to support the recruitment of top scientific talent, build relationships with new and potential biopharma partners, investors and other stakeholders and support our global business development function. For instance, our New York and Hong Kong offices serve as headquarters for our operations, allowing us to coordinate our efforts to take advantage of talent and opportunities in both Greater China and North America, two key markets. Our Shanghai and Taipei offices focus on drug discovery and development, our Suzhou office houses our automated lab, and our UAE and Montreal offices house much of our Pharma.AI scientific team. The map below summarizes the global footprint of our operations.

We have received external validation of our platform with collaborations with industry partners around the globe, including 11 of the top 20 global pharmaceutical companies in terms of 2022 reported sales. We also work with top institutions, universities, and industry leaders on our AI projects. We work with the University of Cambridge, Fosun, Sumitomo Dainippon Pharma, Teva, Centogene and others on our PandaOmics application. We also work with the Bill & Melinda Gates Foundation, Merck, Fosun, UCB Pharma and others on our Generative Chemistry application.

We have enjoyed long-term support from global financial and strategic investors in technology, healthcare and AI industries, including Warburg Pincus, Qiming Venture Partners, Wuxi AppTec, B Capital Group, Prosperity 7, OrbiMed, Deerfield, Pavilion Capital, PIDC, CPE fund, Mirae Asset Capital, Lilly Asia Ventures, Eight Roads, Lake Bleu Capital, Baidu Ventures and Sinovation Ventures. We have raised over US$400 million as of the Latest Practicable Date and will continue to fund our future growth through internal and external resources.

OUR STRATEGIES

Advance the development of our drug candidate for the treatment of IPF while pursuing additional fibrosis indications

Our AI-identified TNIK is a hub regulator of several profibrotic signaling pathways. These pathways are implicated in the underlying disease pathology of multiple fibrotic diseases and our small molecule drug candidate could have therapeutic value in multiple fibrotic settings, supported by early promising data in IPF, and kidney fibrosis.

We remain focused on the development of our Core Product, ISM001-055, a drug candidate with a potent inhibitory effect on TNIK. We have completed a Phase I clinical trial in New Zealand, which showed the drug to be safe in healthy volunteers. We have also received umbrella approval from the NMPA to conduct Phase I, II and III clinical trials in China. Based on this approval, we initiated a Phase I clinical trial in healthy volunteers in China in July 2022 as evidenced by the first healthy volunteer dosing in, and completed it in January 2023.

Our next step is to complete a multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trial for ISM001-055. This trial is being conducted in China and will evaluate the safety, tolerability, pharmacokinetics and efficacy of ISM001-055 administered as oral doses for 12 weeks in patients with IPF. We initiated the China Phase IIa clinical trial under the NMPA umbrella approval in April 2023. We filed an IND application with the FDA for the Phase IIa trial in the U.S. in February 2023 and received the IND approval in June 2023. After successfully completing a Phase IIa study, we intend to initiate Phase IIb and Phase III studies for ISM001-055 for the IPF indication. We are currently also exploring inhalation as an alternative administration route for ISM001-055 for the treatment of IPF. Inhalation administration can deliver ISM001-055 directly into the respiratory tract and offer a more lung-specific treatment with fast and effective local therapeutic effects, lower systemic exposure and reduced possible side effects. We expect to file an IND application of inhalation administration for the treatment of IPF in China in the third quarter of 2024. For more details on our clinical development plan for ISM001-055, see "— Core Product ISM001-055: A Small Molecule Inhibitor of TNIK for the Potential Treatment of IPF — Clinical Development Plan."

We are evaluating ISM001-055 for the treatment of kidney fibrosis. Both *in vitro* and *in vivo* studies have shown that ISM001-055 has inhibitory effects on kidney fibrosis. In an *in vitro* study, ISM001-055 inhibited α-SMA expression in HK-2 cells at an IC_{50} of 0.104 μM. In an *in vivo* study using mice with induced kidney fibrosis, ISM001-055 reduced Sirius-red staining and collagen type 1 staining intensity in kidney tissues, as well as decreased kidney hydroxyproline content.

Advance our pipeline in a rapid and focused manner

Leveraging our Pharma.AI platform and automated laboratory, we plan to advance our pipeline in a rapid and focused manner. We plan to utilize our network of over 40 CROs and CDMOs for our nominated preclinical candidates and advance those programs into the clinical stage. We expect to advance our internal discovery-stage programs and nominate four to five additional preclinical candidates in the next 12 months. We also expect to advance two programs into the clinical trial stage in the next 12 months. In line with our collaboration business model, we will also advance our partnered pipelines according to current or future R&D collaboration agreements.

To facilitate the advancement of our pipeline programs, we also plan to leverage our automated laboratory and expand its range of capabilities, including further integration with our generative AI platform.

Execute on our collaboration strategy to create value for stakeholders

We plan to execute our business plan by seeking future opportunities for research and development collaboration and software licensing. We may also explore the option of out-licensing our more advanced drug candidates. As we generate additional preclinical and clinical data as our pipeline progresses, we aim to advance our business development discussions with potential customers and negotiate more favorable commercial terms.

We will continue to expand our existing R&D collaborations and establish new ones with international and domestic pharmaceutical companies to accelerate the development of our pipeline, further validate our platform and business strategy, strengthen our financial position and deliver value to stakeholders. Over time, we expect to deepen our existing business relationships to expand R&D collaborations and target higher economic value opportunities.

We are building out a global team to support the expansion of our existing collaborations and the identification of new strategic collaboration opportunities. We also opportunistically evaluate monetization opportunities for our wholly-owned pipeline programs on a case-by-case basis to optimize the value of each program and maximize the impact of AI-enabled drug discovery and development.

Invest in the continuous innovation of our Pharma.AI platform

As the foundation of any AI-platform rests on the quality and quantity of the data used to train the algorithms, a vital part of our effort to improve our generative AI-platform involves the expansion of our extensive proprietary datasets. We plan to accomplish this by continuing to draw on data from the public domain, including omics, chemical structure and text search data and carefully selecting only the best data for the training of our algorithms. We intend to license suitable commercially available database and obtain data from our various strategic collaborations with pharmaceutical companies and research institutions to supplement our repertoire of high-quality, curated datasets.

To enhance the predictive power of the AI models in our generative AI platform, we plan to continue to validate our AI models through lab experiments, including by utilizing our next generation automated lab as a means to generate valuable real-world experimental data to further train and validate our AI models. Our Pharma.AI platform generates predicted omics data/responses, then designs lab experiments to be carried out in our automated lab. The result of these experiments will help us validate whether the initial predictions by our platform were correct and thus help us train the AI models. The entire process will be fully automatic, allowing for rapid iteration and improvement.

We believe our differentiated focus on achieving an end-to-end solution provides significant synergies across the entire drug discovery and development process. We plan to further integrate new synergistic technologies that could bolster our end-to-end drug development process, including AI-driven automated laboratories and drug delivery methods.

We expect our business development activities to focus on increasing awareness of our pipeline and related data, deepening understanding of our platform capabilities and highlighting our competitive advantages as a company. This, in turn, could lead to successful monetization opportunities for both our pipeline and our platform.

Continue to attract, nurture and retain skilled talent

We focus on selecting, developing and retaining top talent. With scientific innovation at the core of our business, we will continue to attract, develop and retain talent to support our ongoing efforts in research discovery and product development, support our expanding R&D organization and to further foster an innovation-driven culture.

To support our continued growth, we will continue to expand our talent pool. As more of our drug candidates advance into the clinic, we intend to strengthen our team by attracting talent with extensive experience in clinical development and regulatory affairs.

OUR BUSINESS MODEL

Our business model consists of pipeline drug development, drug discovery services and software solution services. Our future success will substantially depend on the success of our pipeline drug development business, which includes research and development, and subsequent commercialization upon receipt of marketing authorization of our in-house developed pipeline drug candidates, as well as the out-licensing of certain pipelines drug candidates in which we retain exclusive ownership of relevant intellectual property rights. Under drug discovery services, we utilize our Pharma.AI to discover targets associated with diseases, identify and further research and develop promising drug candidates for which we collaborate with third parties and thus do not have exclusive ownership of relevant intellectual property rights. Under software solution services, we grant our customers access to our Pharma.AI platform. We enter into subscription agreements with our customers and collect upfront subscription fees for access to Pharma.AI. Since 2021, to tailor customers' needs, we also began to grant rights to use the Chemistry42 software installed on the customer's premises.

The following table sets forth a breakdown of our revenue in absolute amount and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Drug discovery and pipeline development services	28,648	95.0	47,818	93.4
– Pipeline drug development	–	–	39,022	76.2
– Drug discovery services	28,648	95.0	8,796	17.2
Software solution services	1,499	5.0	3,362	6.6
Total	**30,147**	**100.0**	**51,180**	**100.0**

PIPELINE DRUG DEVELOPMENT

As of the Latest Practicable Date, none of our drug candidates had been commercialized. During the Track Record Period, revenue generated from our pipeline drug development business only included the revenue generated from the out-license of ISM3091. We receive license fees in the form of upfront payments, milestone payments and royalties, among others, in connection with our pipeline drug development business.

Core Product ISM001-055: A Small Molecule Inhibitor of TNIK for the Potential Treatment of IPF

ISM001-055 (Oral Administration)

Overview

ISM001-055 is a potent and selective small molecule inhibitor of TNIK with high affinity as a potential treatment of IPF, which is a fatal lung disease characterized by distorted lung architecture and loss of respiratory function. We started to research and develop the Core Product in October 2019. The results of the Phase I clinical trials in New Zealand and in China, respectively, demonstrated good safety, tolerability and PK data of ISM001-055 in healthy volunteers, respectively. We initiated a multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trial under the NMPA umbrella approval in China in April 2023 and we expect to complete it in the fourth quarter of 2024. We filed an IND application with the FDA for the Phase IIa trial in the U.S. in February 2023 and received the IND approval from the FDA in June 2023. The first patient for the Phase IIa trial in the U.S. was randomized and dosed in February 2024. After successfully completing the Phase IIa study, we intend to initiate Phase IIb and Phase III studies for ISM001-055 for the IPF indication. Furthermore, ISM001-055 received the orphan drug designation from the FDA in February 2023.

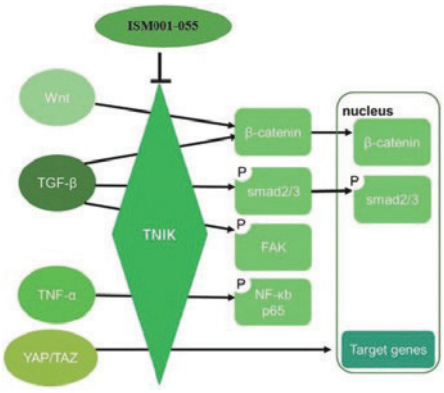
Mechanism of Action

TNIK is a member of the germinal center kinases family that is a promising therapeutic target for IPF because of its involvement in several IPF-related signaling pathways, including TGF-ß1 and NF-kB. The TGF-ß1 signaling pathway may contribute to IPF by promoting ECM deposition and myofibroblast activation. In addition, TNIK may have a direct regulatory effect on the TGF-ß1 signaling pathway through Smad transcription factors. For example, studies have shown that overexpression of TNIK caused weak Smad1 T322 phosphorylation and that knockdown of TNIK potently inhibited TGF-ß1-induced Smad2/3 phosphorylation.

IPF is a disease characterized by alveolar epithelial cell injury and hyperplasia, increased extracellular matrix ("**ECM**") deposition and myofibroblast activation. These processes lead to distortion of lung architecture and loss of respiratory function.

In light of TNIK's interactions with pro-fibrotic pathways, it could be a hub regulator whose inhibition may lead to amelioration or even termination of the fibrotic processes. There could be a synergistic effect in inhibiting multiple, well-characterized pro-fibrotic pathways, including TGF-ß1, NF-kB and YAP/TAZ. ISM001-055 is an ATP-competitive reversible TNIK inhibitor. As illustrated below, ISM001-055 exhibited a high inhibitory potency against TNIK. The anti-fibrotic effect of ISM001-055 was validated in both *in vitro* and *in vivo* studies using several fibrosis models where the levels of fibrotic markers and some inflammatory cytokines were downregulated. In addition to targeting fibrosis, ISM001-055 has a potential role in the treatment of cancer, especially those involving solid tumors.

The diagram below illustrates the potential role of TNIK as a hub regulator for pro-fibrotic pathways and the mechanism by which inhibition of TNIK by ISM001-055 could affect multiple pro-fibrotic signaling pathways.



Note: "P" denotes phosphorylation

Market Opportunity and Competition

IPF is a chronic disease that causes scarring of the lungs, making it increasingly difficult to breathe as the lungs lose their elasticity. IPF is most commonly diagnosed in people over the age of 65 with a medium overall survival of only two to three years from diagnosis. According to Frost & Sullivan, the incidence of IPF worldwide increased from 544 thousand in 2018 to 585 thousand in 2022, at a CAGR of 1.9%. The IPF drug market grew from US$2.1 billion in 2018 to US$3.8 billion in 2022, at a CAGR of 15.2%. It is expected to grow further to US$5.0 billion and US$7.1 billion by 2025 and 2030, respectively, representing a CAGR of 10.0% and 7.3% from 2022 to 2025 and 2025 to 2030, respectively. Currently, there are only two drugs approved worldwide for the treatment of IPF, namely pirfenidone and nintedanib, which were both initially approved in 2014. In addition, numerous drugs are currently in clinical trials for the treatment of IPF.

Our Advantages

Selective Inhibition of TNIK and Reduction of Fibrosis-related Markers Demonstrated in Preclinical Studies

ISM001-055 is an inhibitor of TNIK, which could inhibit TGF-ß induced expression of fibrotic proteins without showing non-specific cytotoxicity. The selectivity of ISM001-055 was evaluated using a panel of 430 kinase enzymes. ISM001-055 exhibited at least 10-fold selectivity over the majority of the kinases in the panel and enzymatic assays of the ISM001-055 demonstrated a half-maximal inhibitory concentration ("**IC_{50}**") of 23 nM, indicating inhibition against TNIK.

In particular, ISM001-055 demonstrated high inhibitory potency against TNIK in LX-2 cells (human hepatic stellate cell line) and MRC5 cells (human embryonal lung fibroblast cell line) by suppressing key fibrotic markers, such as alpha-smooth muscle actin ("α-**SMA**") and collagen, supporting its potential in treating pulmonary fibrosis, such as IPF. ISM001-055 showed inhibition of TGF-ß-induced collagen and -α-SMA expression with IC_{50} values of 55 nM and 65 nM, respectively, in LX-2 cells, and inhibition of TGF-ß-induced α-SMA expression with an IC_{50} value of 13 nM in MRC5 cells.

Favorable Preclinical Safety and Efficacy Profile

Our preclinical toxicology studies demonstrated that ISM001-055 is generally well tolerated in mice and beagle dogs. The final results of our GLP-compliant 28-day toxicity studies suggested that the no-observed-adverse-effect level ("**NOAEL**") in mice and dogs were 10 mg/kg/day and 30 mg/kg/day, respectively. NOAEL values of GLP-compliant 13-week toxicity studies were determined to be 5 mg/kg/day in dogs and 40 mg/kg/day in mice. NOAEL values of GLP-compliant 26- and 39-week toxicity studies were determined to be 30 mg/kg/day in mice and 5 mg/kg/day in dogs, respectively. The pivotal 4-, 13-, 26-, 39-week toxicity studies provided reasonable safety margins to support the dosing regimen of clinical studies. There were no genotoxicity or phototoxicity concerns for ISM001-055. Furthermore, in an exploratory first-in-human, single microdose Phase 0 study in healthy adults in Australia, eight healthy adults between the ages of 18 and 42 were enrolled and received a single intravenous injection of ISM001-055 at a dose of 100 μg. The results suggested that ISM001-055 is well tolerated in healthy adults when administered as a 100 μg single dose, demonstrating a favorable safety and PK profile in humans. In addition, the results of the subsequent Phase I clinical trials in New Zealand and China also demonstrated that ISM001-055 had favorable safety and tolerability profiles in healthy volunteers.

In addition, ISM001-055 has shown the capability to potentially treat IPF by inhibiting both epithelial-to-mesenchymal transition ("**EMT**") and fibroblast-to-myofibroblast transformation ("**FMT**") processes with good IC_{50} data. In translational pharmacology studies, ISM001-055 potently antagonized EMT and FMT in primary human lung fibroblasts and bronchial epithelial cells derived from healthy donors and patients with IPF.

In addition, we evaluated ISM001-055 in a bleomycin-induced lung fibrosis mouse model, which is a well-known preclinical model used to evaluate the efficacy of pulmonary fibrosis treatment. In this study, mice were dosed with bleomycin by intra-tracheal administration to induce pulmonary fibrosis and was then treated for three weeks with either (i) three different doses of ISM001-055 (3, 10 and 30 mg/kg) twice-daily or a single dose of 60 mg/kg nintedanib (one of the two approved standard of care treatments for IPF) once-daily. Mice treated with saline (50 μL) on day one followed by vehicle without any compound was used as sham control and mice after bleomycin treatment received subsequent vehicle without any compound were used as the model vehicle. As illustrated in the figures below, a two-week treatment with ISM001-055 resulted in an improvement of respiratory function and three-week treatment with ISM001-055 resulted in a dose-dependent reduction in lung fibrosis score, fibrotic area and a significant decrease in the fibrotic biomarker α-SMA. All three doses of

ISM001-055 demonstrated obvious improvement for lung function comparable to that of nintedanib, even at lower daily doses of 6 to 20 mg/kg, as measured by whole body plethysmography, enhanced pause ("**Penh**"), a respiratory parameter where higher value indicates greater difficulty in breathing. Even at the 6 mg/kg/day dose, the lowest dose evaluated, ISM001-055 was able to improve lung function to a degree comparable to 60 mg/kg/day of nintedanib. Furthermore, both the modified Ashcroft score, a well-established scoring system where higher scores indicate more severe fibrosis, and the expression of the fibrosis marker α-SMA were significantly reduced by ISM001-055, starting at the lowest dose. These results support the high potency of ISM001-055 and the potential efficacy of ISM001-055 for the potential treatment of IPF.

Inflammation plays a crucial role in the development and progression of pulmonary fibrosis. ISM001-055 showed a significant anti-inflammatory effect in the lipopolysaccharide-induced acute mouse lung injury model. Inflammation was first induced in mice with lipopolysaccharide and then treated with either (i) vehicle, (ii) dexamethasone (an anti-inflammatory drug used for positive control), or (iii) ISM001-055, evaluated at both 3 or 10 mg/kg BID (one dose before and one dose after the lipopolysaccharide treatment) and 6 and 20 mg/kg QD (single dose after lipopolysaccharide treatment). Compared to the vehicle treated group in which inflammatory cytokines were induced, ISM001-055 treatment at 3 mg/kg or 10 mg/kg BID significantly decreased the level of several inflammatory cytokines, such as IL-6, and increased the level of some anti-inflammatory cytokines, such as IL-4, in bronchoalveolar lavage fluid, reverting the changes induced by lipopolysaccharide. Comparing the bronchoalveolar lavage fluid from the ISM001-055 treated group to the vehicle treated model group, treatment with ISM001-055 at 6 mg/kg and 20 mg/kg QD significantly decreased the total cell count (including lymphocytes and neutrophils), decreased the presence of various inflammatory cytokines such as IL-6 and increased the level of certain anti-inflammatory cytokines such as IL-4, reversing the changes induced by lipopolysaccharide.

Potential Additive Benefit when Combined with Pirfenidone Demonstrated in Preclinical Studies

In another *in vivo* experiment on bleomycin-induced pulmonary fibrosis in mice, we used the lowest active dose of 3 mg/kg ISM001-055 alone and in combination with sub-therapeutic doses of pirfenidone or nintedanib, respectively, the two current standards of care for IPF. The results not only confirmed the anti-fibrotic activity of ISM001-055 at a dose of 3 mg/kg BID, but also showed promising effects of ISM001-055 and sub-therapeutic dose of pirfenidone in combination therapy. Even at low doses, the combination of ISM001-055 and pirfenidone attenuated fibrosis development, reduced pulmonary fibrosis-related markers, improved lung function and decreased the fibrosis area while showing better efficacy than ISM001-055 or pirfenidone alone. Thus, a combination therapy approach provides an opportunity for treating IPF, a complex disease, by combining therapies of different mechanisms or activities.

Summary of Clinical Trial Results

As of the Latest Practicable Date, several clinical trials worldwide have been conducted to evaluate the safety and efficacy of ISM001-055. In these trials, ISM001-055 was generally well-tolerated by volunteers and exhibited promising evidence of safety. The trial results of key clinical trials are summarized below.

Phase I Clinical Trial in New Zealand

Overview. We completed a randomized, double-blind, placebo-controlled Phase I study featured single and multiple ascending dose and drug-drug interaction study in February 2023 in New Zealand to evaluate the safety, tolerability, PK, food effect and drug-drug interaction potential of ISM001-055 in healthy volunteers. The primary objective of this clinical trial was to assess the safety and tolerability of single and multiple oral ascending dose of ISM001-055 administered to healthy volunteers. The secondary objectives included determination of the PK of ISM001-055 following single and multiple oral ascending dose in healthy volunteers and the assessment of the food effect on the PK of ISM001-055 following an oral dose.

Trial design. The clinical trial adopted a single ascending dose (Part A), multiple ascending dose (Part B) and drug-drug interaction (Part C) study design, with 78 healthy volunteers between the ages of 18 and 55 enrolled. The primary endpoints for safety and tolerability included monitoring and recording of clinical laboratory test results (hematology, coagulation, serum chemistry, urinalysis and fecal occult blood test), vital sign measurements, 12-lead ECG results, and physical examination findings. The primary endpoints for PK study included measurements of plasma PK parameters for Part A, plasma and urine PK parameters for Part B and plasma PK parameters for Part C. For Part A, eight healthy volunteers were assigned to each of the five sequential dose cohorts: 10 mg (Cohort 1), 30 mg (Cohort 2), 60 mg (Cohort 3), 90 mg (Cohort 4) and 120 mg (Cohort 5). The volunteers were randomly assigned within each dose cohort to either receive ISM001-055 or a matched placebo at a ratio of 3:1 (i.e. six volunteers for ISM001-055, two for placebo) for a single-dose treatment. For Part B, eight healthy volunteers were assigned to each of three sequential dose cohorts: 30 mg QD (Cohort 1), 60 mg QD (Cohort 2) and 120 mg QD (Cohort 3). The volunteers were randomly assigned within each dose cohort to receive ISM001-055 or a matched placebo in a ratio of 3:1 (i.e. six volunteers for ISM001-055, two for placebo) for a seven-day treatment. For Part C, 14 healthy volunteers received a single oral dose of of 200 mg caffeine on Day 1, followed by washouts on Day 2 to 4 and multiple oral doses of ISM001-055 at 120 mg QD on Day 5 through 18 (14 days) with a single oral dose of caffeine 200 mg on Day 18.

Trial status. The Phase I clinical trial was initiated in February 2022 and completed in March 2023.

Safety data. Single and multiple ascending oral doses of ISM001-055 were generally safe and well tolerated by healthy volunteers in this study. For Part A, 11 of 30 subjects (36.7%) receiving ISM001-055 and 4 of 10 subjects (40.0%) receiving placebo experienced at least one treatment emergent adverse event ("**TEAE**"). A total of 21 TEAEs were reported. All TEAEs were of mild severity and was resolved. There were no deaths or serious adverse event ("**SAE**") during the study, and no subject discontinued the study treatment due to TEAEs. For Part B, 16 of 18 subjects (88.9%) receiving ISM001-055 and 5 of 6 subjects (83.3%) receiving placebo experienced at least one TEAE. A total of 55 TEAEs were reported. There was no deaths or SAE reported during the study. One participant receiving ISM001-055 in the 30 mg once daily multiple ascending dose cohort discontinued the study treatment due to a moderate TEAE of influenza-like illness, which was considered as not related to the study treatment. All other TEAEs were mild in severity, and no dose-related trends were observed in TEAEs. In addition, for Part C, combination of caffeine with ISM001-055 was also shown to be safe and well tolerated by healthy volunteers, and there were no deaths, SAEs or TEAEs leading to discontinuation of the study drug with the exception of one subject who discontinued treatment due to a moderate TEAE of ALT increase.

Phase I Clinical Trial in China

Overview. We completed a randomized, two-part, double-blind, placebo controlled, parallel Phase I clinical trial with single and multiple ascending doses in China to evaluate the safety, tolerability and PK of ISM001-055 administered as oral doses in healthy volunteers. The primary objective of this study was to assess the safety and tolerability of single and multiple oral ascending doses of ISM001-055 administered to healthy volunteers. The secondary objectives of this study included determination of the PK of ISM001-055 following single and multiple oral ascending doses in healthy volunteers and assessment of the effects of biomarkers following single and multiple oral ascending doses of ISM001-055 in healthy volunteers, as a measure of safety and/or pharmacological activity.

Trial design. Similar to the Phase I clinical trial in New Zealand, the Phase I clinical trial in China adopted a combined single ascending dose (Part A) and multiple ascending doses (Part B) design, with 48 healthy volunteers between the ages of 18 and 45 enrolled. The primary endpoints for safety and tolerability included monitoring and recording of AEs, clinical laboratory test results (hematology, serum chemistry, urinalysis, coagulation and fecal occult blood test), electrocardiograph results, physical examination findings and vital sign measurements. The primary endpoints for PK study included measurements of plasma and urine PK parameters of the drug and its metabolites after single and multiple ascending doses of ISM001-055. For Part A, eight healthy volunteers were assigned to each of three sequential dose cohorts: 30 mg (Cohort 1), 60 mg (Cohort 2) and 120 mg (Cohort 3). The volunteers were randomly assigned within each dose cohort to receive ISM001-055 or a matched placebo in a ratio of 3:1 (i.e. six volunteers for ISM001-055, two for placebo) for a single-dose treatment. For Part B, eight healthy volunteers were assigned to each of three sequential twice-daily dose cohorts: 30 mg BID (Cohort 1), 60 mg BID (Cohort 2) and 90 mg BID (Cohort 3). The volunteers were randomly assigned within each dose cohort to receive ISM001-055 or a matched placebo in a ratio of 3:1 (i.e. six volunteers for ISM001-055, two for placebo).

Trial Status. We initiated the Phase I clinical trial in July 2022 and completed the trial in January 2023.

Safety data. For Part A, 10 of 18 subjects (55.6%) who received ISM001-055 and 4 of 6 subjects (66.7%) who received placebo experienced at least 1 TEAE. A total of 23 TEAEs were reported. All TEAEs were mild and recovered by the end of the study. During the course of Part A, there were no moderate to severe adverse events, serious adverse events, adverse events leading to study withdrawal or TEAEs leading to death. For Part B, 16 of 18 subjects (88.9%) who received ISM001-055 and five of six subjects (83.3%) who received placebo experienced at least 1 TEAE. A total of 92 TEAEs were reported. Five volunteers in the ISM001-055 treatment group and two volunteers in the placebo group had moderate TEAE of influenza-like illness, which were not related to the study treatment. All the other TEAEs were mild and all TEAEs were recovered by the end of the study. During the course of Part B, there were no severe adverse events, serious adverse events, adverse events leading to study withdrawal, or TEAEs leading to death. Thus, the Phase I clinical trial demonstrated that single (30mg-120mg) and/or multiple (30mg, 60mg, 90mg, BID for seven days) oral dose of ISM001-055 capsules was generally safe and well-tolerated in healthy volunteers.

Phase IIa Clinical Trial in China

Overview. This is a Phase IIa, randomized, double-blind, placebo-controlled study in IPF patients. The primary objective is to evaluate the safety and tolerability of orally administered ISM001-055 for up to 12 weeks in adult subjects with IPF compared to placebo. This Phase IIa clinical trial in IPF patients adopted a design of four parallel cohorts, one of which were treated with placebo. Subjects are randomly assigned to one of the following treatment cohorts in a 1:1:1:1 ratio: 30 mg QD ISM001-055, 30 mg BID ISM001-055, 60 mg QD ISM001-055 or placebo. The total treatment period is 12 weeks. The primary endpoint is the percentage of patients who have at least one TEAE.

Trial Status. The trial was initiated in China in April 2023, and we expect to complete the study by the fourth quarter of 2024.

Phase IIa Clinical Trial in the U.S.

Overview. The Phase IIa clinical trial in the U.S. adopted the same study design as the one in China. The primary objective is to evaluate the safety and tolerability of orally administered ISM001-055 for up to 12 weeks in adult subjects with IPF compared to placebo. Like the study in China, this Phase IIa clinical trial in IPF patients adopts a design of four parallel cohorts, one of which is treated with placebo. Subjects are randomly assigned to one of the following treatment cohorts in a 1:1:1:1 ratio: 30 mg QD ISM001-055, 30 mg BID ISM001-055, 60 mg QD ISM001-055 or placebo. The total treatment period is 12 weeks. The primary endpoint is the percentage of patients who have at least one TEAE.

Trial Status. The trial was initiated in the U.S. in November 2023. The first patient was randomized and dosed in February 2024.

ISM001-055 (Inhalation)

Overview

Compared to oral administration, inhaled ISM001-055 can achieve higher lung exposure with lower systemic exposure (AUC lung/plasma ≥ 50). Therefore, inhalation may deliver ISM001-055 directly into the deep lung, which offers a more targeted approach that may reduce the amount of drug required and thus reducing potential side effects while achieving fast and effective local therapeutic effects.

Inhalation delivery of ISM001-055 is considered one route of drug delivery to the targeted area of the lungs. In addition, the inhalation route of administration is a complex drug delivery technology that requires a combination of formulations and devices and thus presents higher technical barriers for generics. We aim to develop the inhalable ISM001-055 for the treatment of IPF with a low dose and minimal side effects. A feasible solution formulation for inhalation has been developed. The effects of lung function improvement, anti-fibrosis and anti-inflammatory effects of inhaled ISM001-055 were validated in the bleomycin-induced lung fibrosis rat model. We expect to file an IND application for a Phase I clinical trial of inhaled ISM001-055 in the third quarter of 2024.

Our Advantages

Safety Profile Demonstrated in Preclinical Studies

Inhaled ISM001-055 showed good safety and tolerability in 14-day dose range finding inhalation toxicity studies. In the 14-day dose range finding study in rats, no ISM001-055 related mortality, respiratory irritation or systemic toxicity were observed at the dose up to 18.4 mg/kg/day following 14-day consecutive dosing. In the 14-day dose range finding study in dogs, no ISM001-055 related local or systemic adverse effects were noted when ISM001-055 was administered by inhalation route at the dose up to 7.1 mg/kg/day for 14 consecutive days. Therefore, the NOAEL was determined to be 18.4 mg/kg/day and 7.1 mg/kg/day in rats and dogs, respectively, which demonstrated greater safety margins (more than 100 folds) from inhalation compared to oral administration.

Efficacy Profile Demonstrated in Preclinical Studies

In the efficacy study, the pulmonary fibrosis model was established by bleomycin via airway atomization in rats. Inhaled ISM001-055 at 0.040 mg/kg (0.1 mg/mL, 30 min), 0.136 mg/kg (0.3 mg/mL, 30 min), 0.485 mg/kg (1.0 mg/mL, 30 min) and 2.575 mg/kg (6.0 mg/mL, 30 min) were administered once a day for 21 consecutive days. All doses of inhaled ISM001-055, including the lowest dose of 0.040 mg/kg (0.1 mg/mL, 30 min), showed significant improvement in lung function impaired by bleomycin. Doses of 0.485 mg/kg and 2.575 mg/kg produced significant amelioration in pulmonary fibrosis and inflammation in pathological assessments.

Clinical Development Plan

We initiated a Phase 0 single microdose study of ISM001-055 in Australia in November 2021 and completed it in December 2021. The primary objective of this study was to determine the PK of plasma ISM001-055 after a single microdose was administered to healthy volunteers. The Phase 0 study enrolled eight volunteers and did not identify any risk that would preclude the evaluation of ISM001-055 at higher doses. In addition, we have completed two Phase I clinical trials for ISM001-055 in healthy volunteers in New Zealand and China, respectively. We initiated multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trials for ISM001-055 in China and in the U.S. to evaluate the safety, tolerability, PK and efficacy of ISM001-055 administered as oral doses for 12 weeks in patients with IPF. Pursuant to the umbrella IND approval issued by the NMPA in May 2022, the NMPA's consent for us to conduct clinical trials with a duration of treatment for no more than 13 weeks issued in January 2023 and the approvals from the ethics committee, we initiated the Phase IIa clinical trial of ISM001-055 in China in April 2023 and we expect to complete this trial in the fourth quarter of 2024. The Phase IIa clinical trial is designed to enroll about 70 IPF patients to ensure that 60 IPF patients complete the treatment, with 15 IPF patients randomly assigned to each of the three following sequential dose cohorts of ISM001-055 or a matched placebo for 12-week duration of treatment: 30 mg QD or 30 mg BID or 60 mg QD. In addition, we filed an IND application with the FDA for the Phase IIa clinical trial in the U.S. in February 2023 and received the IND approval for ISM001-055 in June 2023. The first patient was randomized and dosed in the U.S. in February 2024. After successfully completing the Phase IIa study, we intend to initiate Phase IIb and Phase III studies for ISM001-055 for the IPF indication.

We are currently also exploring inhalation as an alternative administration route for ISM001-055 for the treatment of IPF. Inhalation administration can deliver ISM001-055 directly into the respiratory tract and offer a more lung-specific treatment with fast and effective local therapeutic effects, lower systemic exposure and reduced side effects. We nominated PCC in June 2023 and expect to file an IND application of inhalation administration for the treatment of IPF in China in the third quarter of 2024.

Furthermore, we are investigating ISM001-055 for the potential treatment of kidney fibrosis. For the treatment of kidney fibrosis, both *in vitro* and *in vivo* studies demonstrated potential inhibitory effects of ISM001-055. In *in vitro* HK-2 cells (proximal tubular kidney cell line), ISM001-055 inhibited the key fibrotic marker, α-SMA, expression at IC_{50} of 0.104 μM. In the *in vivo* unilateral ureteral obstruction-induced kidney fibrosis mouse model, the mice treated with ISM001-055 at doses of 3, 10 and 30 mg/kg, BID, for two weeks showed a significant inhibition on kidney fibrosis formation. ISM001-055 at doses of 10 and 30 mg/kg, BID, also showed significant reduction in kidney hydroxyproline content. We plan to conduct additional mouse studies and file an IND application in China in the first half of 2025.

As of the Latest Practicable Date, we did not plan to out-license ISM001-055 for further development.

Material Communications with Competent Authorities

We obtained Human Research Ethics Committee approval for Phase 0 FIH study of ISM001-055 in Australia in October 2021 and completed Clinical Trial Notification filing with Therapeutic Goods Administration ("**TGA**") in Australia in October 2021. For more information on the regulatory procedures of a Phase 0 study in Australia, please see "Regulatory Overview — Laws and Regulations of Australia."

We obtained an IND approval with the New Zealand Medicines and Medical Devices Safety Authority ("**Medsafe**") for conducting Phase I clinical trial of ISM001-055 for IPF in healthy volunteers in New Zealand in January 2022.

We filed an IND application with the NMPA for conducting clinical trials of ISM001-055 for IPF in China in March 2022. The NMPA issued an umbrella approval for us to conduct Phase I through III clinical trials of ISM001-055 in China and required us to communicate with the CDE before commencing the Phase III clinical trial. The Phase I, Phase II and Phase III clinical trials are three separate trials with different endpoints. As the umbrella approval allowed clinical trials of ISM001-055 for not longer than four-week duration of treatment based on our preclinical studies and the Phase I clinical trial protocol, we conducted additional preclinical studies and, in October 2022, consulted with the NMPA on whether it would permit us to conduct the clinical trial in China with a duration of treatment of up to 13-weeks. In January 2023, the NMPA issued its consent. On March 15, 2023 and August 16, 2023, our PRC Legal Advisor consulted the CDE regarding the commencement of a Phase II clinical trial for ISM001-055 after the completion of the Phase I clinical trial and whether the three indications of the Core Product are expected to be regulated as one product. According to the CDE, (i) no written confirmation or reply is required from the NMPA or its local authority under applicable laws and regulations after the completion of Phase I clinical trial, (ii) we do not need to obtain additional approval or confirmation from the NMPA for commencing the Phase II trial after we complete the Phase I trial if we have obtained an umbrella IND approval to carry out both Phase I and Phase II clinical trials without any pre-requisite conditions imposed, and during the consultation, CDE has not raised any objection for us to initiate Phase II clinical trial of ISM001-005 in China after completing Phase I clinical trial, and (iii) the three indications of the Core Product are expected to be regulated as one product. Based on the umbrella approval granted by the NMPA in May 2022, the consent from the CDE issued in January 2023 to the modification of the approved clinical trial design and the CDE consultation and the approvals from the ethic committee, our PRC Legal Advisor is of the view that the NMPA has no objection for us to proceed with our modified Phase IIa clinical trial of ISM001-055 for IPF (oral administration). We initiated the Phase IIa clinical trial with a duration of treatment of 12 weeks in China in April 2023 and expect to complete the study by the fourth quarter of 2024. We have updated our Phase IIa trial status on the CDE website and the NMPA has not raised any objections or concerns for our commencement of Phase IIa clinical trial in China. For additional information on the clinical trial design, please see "— Clinical Development Plan."

The FDA granted ISM001-055 the orphan drug designation for the treatment of IPF in February 2023. Having completed a Phase I clinical trial in New Zealand, we filed the IND submission with the FDA for Phase IIa clinical trial of ISM001-055 for IPF in the U.S. in February 2023. The FDA issued a full clinical hold letter to us in April 2023 for insufficient information to assess risks to human subjects, because it was noted that the initially submitted clinical study report did not include sufficiently detailed analysis of the safety data and enrollment for the DDI cohort. Additional information and analysis were therefore needed for the FDA to evaluate the safety of the opening IND protocol. In particular, the FDA asked us to provide an amended clinical study report that includes in depth safety analyses as well as documentation for safety review committee meetings and discussions. To address the clinical hold letter, we submitted a clinical hold complete response to the FDA in May 2023. The clinical hold complete response satisfactorily supplemented and fully addressed the FDA requested information for safety evaluation, which included, among other things, an amended clinical study report that provided additional safety analysis of data from the New Zealand clinical trial. In June 2023, the FDA informed us that it has lifted the previously imposed full clinical hold on the proposed Phase IIa clinical trial and the Company can initiate the clinical trial in the U.S. without conducting any additional work or imposing any other conditions. The Phase IIa clinical trial was initiated in the U.S. in November 2023 and the first patient was randomized and dosed in the U.S. in February 2024.

We had strategically chosen to conduct Phase I clinical trial for ISM001-55 in New Zealand because we have taken into account (i) the technical requirements, the R&D preparation and standards for conducting and completing the clinical trials in New Zealand, the U.S. and China are relatively similar, as confirmed by Frost & Sullivan, and the development and approval process of assessing the robustness of a product candidate in New Zealand, the U.S. and China are comparable with each other, as confirmed by Frost & Sullivan; (ii) data and results from clinical trials conducted in New Zealand are generally recognized and accepted by other jurisdictions, including the U.S. and China, as New Zealand follows GCP guidelines which are internationally recognized standards for conducting clinical trials, as confirmed by Frost & Sullivan, and (iii) the approval processes and clinical trials in New Zealand are more time-efficient than that of the U.S. or China, as confirmed by Frost & Sullivan.

The grant of IND approval by the FDA for us to commence the Phase IIa clinical trial of ISM001-055 in the U.S. for IPF demonstrates that the FDA has (i) reviewed and taken into account the clinical trial design and data of the Phase I clinical trial in New Zealand in granting the approval for us to commence the Phase IIa clinical trials on ISM001-055 in the U.S. and (ii) confirmed its acknowledgement and acceptance of the results of the Phase I clinical trial in New Zealand and that it had no objection for us to progress to the Phase IIa clinical trials on ISM001-055 based on the clinical results of the Phase I study of ISM001-055 in New Zealand. The completion of Phase I clinical trials in New Zealand is regarded as comparable to the completion of Phase I clinical trials in the U.S. by the FDA for IPF and the FDA does not require us to conduct any additional work or impose any other condition before the commencement of the Phase IIa clinical trials in the U.S. on the basis that: (i) it is common practice that a foreign clinical trial being accepted by the FDA provided that the trial meets certain criteria as set out by the FDA, according to Frost & Sullivan, and (ii) the FDA accepted

our Phase I clinical trial in New Zealand as support for an IND because our Phase I clinical trial in New Zealand met certain criteria, including that our Phase I clinical trial in New Zealand was conducted in accordance with ICH GCP, which have been incorporated by reference in the Guidelines on the Regulation of Therapeutic Products in New Zealand, and the FDA is able to validate the data from the Phase I clinical trials in New Zealand through an onsite inspection, if necessary.

We had not received any other relevant regulatory agency's objections to our clinical trials as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM001-055 SUCCESSFULLY.

ISM3091: A Small Molecule Inhibitor of USP1 as a Potential Treatment of Tumors with Homologous Recombination DNA Repair Deficiency

Overview

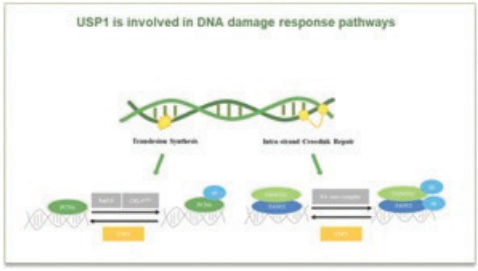
ISM3091, is an orally available small molecule inhibitor of USP1 with the potential to treat tumors with homologous recombination deficiency ("**HRD**"). Synthetic lethality is a promising area of cancer therapy to induce tumor cell death while sparing normal cells. Tumors with HRD such as BRCA1/2 mutations are highly dependent on PARP or ubiquitin specific peptidase 1 ("**USP1**")-mediated repair for survival. USP1 belongs to USP subclass of deubiquitinating enzyme family, and its expression is critical for cancer cell survival. USP1 cleaves the post-translational modification of ubiquitin from a variety of substrates (e.g., proliferating cell nuclear antigen ("**PCNA**")). It has been reported that USP1 plays a critical role in the replication fork stabilization in BRCA1-deficient cells and that knockdown or inhibition of USP1 leads to replication fork destabilization via PCNA ubiquitination, and eventually leads to impaired cell growth of BRCA1-deficient cells. Thus USP1 inhibitors may have the potential for the treatment of HRD tumors. Preclinical profiling demonstrated that ISM3091 exhibited high potency and efficacy in mice tumor models, and synergistic effects with PARP inhibitors. We filed an IND application in both the U.S. and China and received approval by the FDA in April 2023. We initiated a Phase Ia clinical trial in the U.S. in August 2023.

Mechanism of Action

DNA damage response pathways maintain the genomic integrity and counter serious assaults on genomic stability. Errors occurring in this process can cause genomic instability and lead to the onset of cancer. USP1, one of the best characterized human deubiquitinating enzymes ("**DUBs**"), plays an important role in the cellular response to replication fork stress. USP1 regulates DNA repair by deubiquitylating DNA repair proteins, including PCNA-ubiquitin ("**PCNA-Ub**") pathway for DNA translesion synthesis, as well as FANCD2-ubiquitin ("**FANCD2-Ub**") and FANCI-ubiquitin ("**FANCI-Ub**") in Fanconi anemia ("**FA**") pathways for intra-strand crosslink repair. By reverting PCNA monoubiquitination, USP1 contributes to

prevent unscheduled recruitment of TLS polymerases, and thus help maintaining genome stability. Similarly, Ubiquitylated FANCI-FANCD2 is directed to DNA lesions and functions as a platform to colocalize with specific nucleases and interact with downstream DNA repair proteins, initiating the ICL correction. USP1 deubiquitinates the modified FANCI-FANCD2 complex, thereby reverting the crucial events in the FA damage repair pathway, which is crucial for the correct function of the FA pathway in intra strand repair. Therefore, inhibition of USP1 by small molecule inhibitors such as ISM3091 leads to inhibition of DNA damage repair, which has great potential for the treatment of tumors lacking homologous recombination and DNA repair.

The following diagram illustrates the mechanism of action of ISM3091.



Source: Modified from Iraia Garcia-Santisteban et al., 2013, Molecular Cancer 12, 91

Licenses, Rights and Obligations

In September 2023, we entered into an Exclusive License Agreement ("**Exelixis Agreement**"), with Exelixis, Inc. ("**Exelixis**"). Under the Exelixis Agreement, we have granted Exelixis an exclusive, royalty-bearing, sublicensable license to conduct research and development, manufacturing and commercialization of (i) ISM3091 and any other USP1-targeting compounds controlled by us (the "**Compounds**") and (ii) any pharmaceutical drug products containing one of the Compounds as an active ingredient in any form and for any mode of administration (the "**Products**") for any use worldwide. Exelixis (Nasdaq: EXEL) is an oncology company innovating next-generation medicines and regimens at the forefront of cancer care. Exelixis is an Independent Third Party to us.

We should disclose and make available to Exelixis all our know-how existing and not previously provided to Exelixis in relation to ISM3091, including the documents, materials, samples, and information according to the agreed development and manufacturing transition plan. As of the Latest Practicable Date, we had completed the transfer of sponsorship of Phase Ia clinical trial of ISM3091 to Exelixis in December 2023 and expect to complete the transition of remaining know-how of ISM3091 according to the agreed development and manufacturing transition plan in the second half of 2024. We are continuously working on the resupply for Phase Ia study during the transition period. Exelixis is conducting the Phase Ia clinical trial and will be responsible to conduct the Phase Ib clinical trial in the U.S. and all subsequent development, manufacturing and commercialization activities. Exelixis must use commercially reasonable efforts to obtain regulatory approval for, and commercialize at least one product for which regulatory approval is obtained, in each of (i) the U.S., (ii) the UK or one major EU market, and (iii) Japan or China.

In consideration of the licenses and rights granted to Exelixis, Exelixis paid us a non-refundable upfront payment of US$80.0 million, and shall pay us (i) development milestone payments of up to US$100.0 million upon the achievement of 15th patient dosed in Phase Ia study, first patient dosed in Phase Ib study and first patient dosed in Phase III with ISM3091; (ii) commercial milestone payments of up to US$100.0 million upon the achievement of the first commercial sale of the Products in certain geographic markets; (iii) sales-based milestone payments of up to US$675.0 million upon the achievement of certain thresholds of aggregate annual net sales of the Products worldwide; and (iv) tiered royalty payments calculated as a percentage ranging from mid-single digits to low teens of annual net sales of the Products worldwide.

The Exelixis Agreement will continue in effect on a Product-by-Product and country-by-country basis until the expiration of the royalty term in such country. The royalty term commences upon the first commercial sale of such Product in such country and continues until the later of (i) 10 years after the first commercial sale of such Product in such country, (ii) the expiration of the last-to-expire valid claim of our patents claiming the composition of matter of such Product in such country, and (iii) the expiration of any and all regulatory exclusivity for such Product in such country. Each party may terminate the Exelixis Agreement upon written notice if (i) the other party materially breaches the Exelixis Agreement and has not cured such breach within the agreed cure period, or (ii) the other party becomes a party to a bankruptcy proceeding.

Exelixis may terminate the Exelixis Agreement (i) without cause upon (a) the provision of a 120 days' prior written notice if terminating before the first commercial sale of the Product worldwide and (b) the provision of a six months' prior written notice if terminating on or after the first commercial sale of the Product worldwide, or (ii) if Exelixis reasonably determines that the medical risk of the Products are so unfavorable that it would be incompatible with the welfare of patients to develop or commercialize the Products ("**Safety Reasons**"). If Exelixis, its affiliates or sublicensees challenges any of the licensed patents, we may terminate the Exelixis Agreement in its entirety or on a country-by-country basis depending on the challenge scope.

In the event that we terminate the Exelixis Agreement for Exelixis' material breach, or Exelixis terminates the Exelixis Agreement without cause or for Safety Reasons, the parties will negotiate commercially reasonable terms for an assignment from Exelixis to us of Exelixis' interest in and to data and inventions generated by or on behalf of Exelixis or its affiliates in the performance of activities under the Exelixis Agreement that are solely related to ISM3091 or the other licensed USP1-targeting compounds. In the event that Exelixis has cause to terminate the Exelixis Agreement for our material uncured breach of our exclusivity obligation not to research, develop, make, manufacture, collaborate or consult with third parties, offer for sale, sell, or otherwise commercialize any competing product, but elects to continue the Exelixis Agreement, any unaccrued milestone payments or royalty payments will be reduced by a specified percentage.

We believe that the out-licensing of ISM3091 will increase our profile because this demonstrates we have utilized the scientific strengths of our clinical assets and our management relationships, to conduct business development activities that maximize the commercial value of our products.

Clinical Development Plan and Material Communications with Competent Authorities

We filed an IND application for Phase I clinical trial with the FDA in March 2023 and obtained the approval in April 2023. The Phase I clinical trial is a first-in-human, multicenter, open-label study to investigate the safety, tolerability, PK, PD, and preliminary antitumor activity of ISM3091 in patients with advanced HRD solid tumors, including breast, ovarian and prostate cancers. It is comprised of a dose escalation part with up to 36 patients enrolled and a dose selection optimization part with over 80 patients enrolled. The primary objectives are to assess the safety and tolerability of ISM3091 and identify recommended Phase II dose in monotherapy for ISM3091. We initiated the Phase I clinical trial in the U.S. in August 2023. The Phase I clinical trial in the U.S. will constitute Phase Ia and Phase Ib portions. We completed the transfer of sponsorship of Phase Ia clinical trial of ISM3091 to Exelixis in December 2023 and expect to complete the transition of remaining know-how of ISM3091 according to the agreed development and manufacturing transition plan in the second half of 2024. We are continuously working on the resupply for Phase Ia study during the transition period. Exelixis is conducting the Phase Ia clinical trial and will be responsible to conduct the Phase Ib clinical trial in the U.S. and all subsequent development, manufacturing and commercialization activities.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM3091 SUCCESSFULLY.

ISM3312: A Small Molecule Inhibitor of $3CL^{pro}$ as a Potential Treatment of COVID-19

Overview

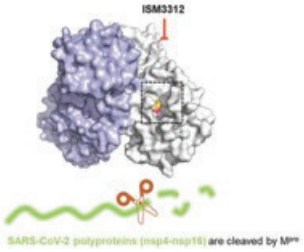
ISM3312 is an orally available, irreversible covalent inhibitor of $3CL^{pro}$, also called 3CL protease or main protease ("**M^{pro}**"), which is a conserved cysteine protease and an essential enzyme for the replication of severe acute respiratory syndrome coronavirus 2 ("**SARS-CoV-2**"), the causative agent of COVID-19. COVID-19 has caused a worldwide pandemic with illness ranging from mild diseases to more severe diseases such as severe acute respiratory syndrome. The preliminary results demonstrated that ISM3312 had broad antiviral activity against other coronavirus and potential clinical drug resistances. We received the IND approval in February 2023 and initiated a Phase Ia clinical trial in China in March 2023. We expect to complete this Phase Ia clinical trial in April 2024.

Mechanism of Action

COVID-19 is caused by severe infections of SARS-CoV-2 variants. During viral infection, SARS-CoV-2 employs trimeric spike proteins to interact with receptors, and upon the receptor binding, the viral and cellular membranes are fused together, triggered by spike activation through proteolytic cleavage by a cellular protease. The non-structural polyproteins pp1a and pp1ab of SARS-CoV-2 also undergo proteolytic cleavage to eventually assemble into functional replicase. Thus, proteolytic processing acts as a key regulatory mechanism in the expression of the SARS-CoV-2 replicase proteins, and blocking the proteolytic process has been demonstrated to inhibit viral replication entirely. The coronavirus protease $3CL^{pro}$ is conserved in structure and function in all known coronaviruses and serves as the main protease for proteolytic processing of the replicase polyproteins, as the name "main protease" refers to

the critical role. In addition, the active-center amino acids of $3CL^{pro}$ have low homology with human. Thus, inhibition of $3CL^{pro}$ has been proven to be an effective treatment to block SARS-CoV-2 replication and further to treat multiple strains of COVID-19 disease and other coronaviruses.

The following diagram illustrates the mechanism of action of ISM3312.



Summary of Clinical Trial Result

As of the Latest Practicable Date, one clinical trial had been conducted to evaluate the safety, tolerability and PK of ISM3312 with the trial information summarized below.

Phase Ia Clinical Trial in China

Overview. We initiated a randomized, double-blind, placebo-controlled Phase Ia study featured single and multiple ascending doses and food effect study in March 2023 in China to evaluate the safety, tolerability and PK profile of ISM3312 in healthy adult volunteers and the effects of food on the PK profile of ISM3312. The clinical trial adopted a single ascending dose and food effects (Part A) study and a multiple ascending dose (Part B) study design. The primary objective of this clinical trial was to assess the safety and tolerability of single and multiple oral ascending doses of ISM3312 administered to healthy volunteers. The secondary objectives included: (i) for Part A study, determination of the PK (including plasma and urine PK) of ISM3312, the effect of a high-fat diet on PK profile, metabolites in the urine and corrected QT interval changes in healthy volunteers after a single oral dose of ISM3312; and (ii) for Part B study, determination of the PK of ISM3312, and changes of corrected QT interval and its relationship with blood concentration in healthy volunteers after multiple oral doses of ISM3312, and identification and relative quantification of metabolites in the plasma at a steady state of healthy volunteers after multiple oral doses of ISM3312.

Trial design. The clinical trial plans to enroll 68 healthy volunteers for Part A study and 20 healthy volunteers for Part B study, between the ages of 18 and 50. The primary endpoint for the clinical trial is to determine AEs and SAEs, including vital signs, physical examination, laboratory tests (including blood routine, blood biochemistry, urine routine, coagulation function, C-reactive protein, iron metabolism, thyroid function, reticulocytes, erythrocyte sedimentation rate, immunoglobulin, D-dimer, markers of myocardial injury, fecal routine and occult blood), and 12-lead electrocardiogram. The second endpoints are: (i) for Part A study, to evaluate the plasma PK parameters on fasting or postprandial conditions, urine PK

parameters, metabolites in urine and change of corrected QT interval from baseline value after single oral dose of ISM3312; and (ii) for Part B study, to evaluate the plasma PK parameters on fasting or postprandial conditions and changes of corrected QT interval and its relationship with blood concentration after multiple oral doses of ISM3312, plasma metabolites and relative quantification thereof at a steady state after multiple oral doses of ISM3312. For the single ascending dose of Part A study, 56 volunteers are randomly assigned to six dose cohorts: four volunteers in Cohort 1 (20 mg), eight volunteers in Cohort 3 (80 mg), 10 volunteers in Cohort 4 (200 mg), Cohort 5 (400 mg) and Cohort 6 (600 mg) and six volunteers in Cohort 7 (800 mg). Cohort 2 was skipped. Two volunteers in each cohort are assigned with placebo and the others with ISM3312 for one-day treatment. For the food effects of Part A study, 12 volunteers are randomly assigned to two cohorts with six volunteers for each cohort with proposed doses of 400 mg. For Part B study, 20 volunteers are assigned to each of two dose cohorts: 400 mg (Cohort 1), and 200 mg or 600 mg (Cohort 2). The volunteers are randomly assigned within each dose cohort to receive ISM3312 or a matched placebo in a ratio of 4:1 (eight volunteers for ISM3312, two for placebo) for five-day treatment.

Trial status. The Phase Ia clinical trial was initiated in March 2023. We are finalizing the clinical study report and the data is expected to be available in April 2024.

Clinical Development Plan

Pursuant to the IND approval issued by the NMPA in February 2023, we initiated a randomized, double-blind, placebo-controlled Phase Ia clinical trial of ISM3312 in China in March 2023 to evaluate the safety, tolerability and PK profile in healthy volunteers. We expect to complete the Phase Ia study in April 2024. The Phase II clinical trial is to evaluate the antiviral effect of ISM3312 compared to placebo in patients with symptom of mild and moderate categories of SARS-CoV-2 infection and with high risk infection of heavy/critical categories. We plan to initiate the Phase II clinical trials following analysis of the data from the Phase Ia clinical trial. The primary endpoint of the Phase II trial is to determine the change of SARS-CoV-2 viral RNA levels from baseline levels measured by reverse transcription polymerase chain reaction at each time point compared to the placebo group.

Material Communications with Competent Authorities

We filed an IND application with the NMPA for conducting clinical trials of ISM3312 for adults with mild and common categories of COVID-19 infections in China in January 2023. The NMPA issued an approval for us to conduct Phase Ia and Phase Ib clinical trials of ISM3312 in China in February 2023. We amended the Phase Ib protocol to a Phase II study. In May 2023, the NMPA approved our Phase II clinical trial. We initiated the Phase Ia clinical trial in China in March 2023, and expect to complete it in April 2024. For additional information on the clinical trial design, see "— Clinical Development Plan."

We had not received any relevant regulatory agency's objections to our clinical trials as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM3312 SUCCESSFULLY.

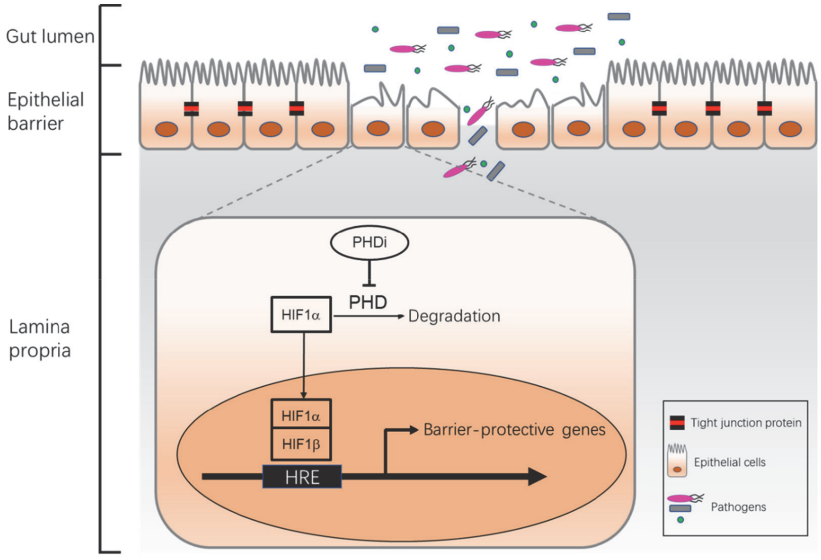
ISM5411: A Small Molecule Inhibitor of PHD1/2 for the Treatment of IBD

ISM5411 is an oral, gut-restricted small molecule inhibitor of PHD1/2 for the treatment of IBD, which is an umbrella term for disorders that involve chronic inflammation of the digestive tract, such as ulcerative colitis and Crohn's disease. The preclinical studies show that ISM5411 is well tolerated and demonstrates efficacy in several murine colitis models induced by different chemicals. We initiated the Phase I clinical trial in Australia in October 2023 and expect to complete the Phase I in Australia in the end of 2024. We filed an IND application for a Phase I clinical trial in China in October 2023 and received the IND approval in December 2023. We plan to initiate a Phase I clinical trial in China in the second quarter of 2024. In addition, we plan to file an IND application for a Phase I clinical trial in the U.S. in 2024.

Mechanism of Action

IBD is characterized by chronic inflammation and wounding of the mucosa and loss of the intestinal epithelial barrier function, leading to the passage of bacteria or bacterial products and systemic bacteremia and endotoxemia. HIFs have more recently been recognized as a protective regulator of IBD by binding HRE and driving the expression of barrier protective genes. In the intestinal barrier protection process, PHDs act as oxygen sensors modulating the HIF degradation pathway as the final molecular step that controls HIF stabilization. PHDs are responsible for hydroxylation of HIFα, which initiates the pathway that eventually results in the degradation of HIFα by the proteasome. Inhibition of PHDs, especially PHD1 and PHD2, reduces the degradation of HIFα and higher level of HIFs leads to barrier-protective gene expression for epithelial barrier healing and decreased proinflammatory cytokine expression. However, because HIF transcription factors are involved in the regulation of broad biological processes, systematic exposure to PHD inhibitors may increase the risk of malignancy, retinopathy, thrombosis, hyperkalemia, and elevated blood pressure. Therefore, oral delivery of gut-restricted PHD1 and PHD2 dual inhibitors may be an innovative clinical strategy for IBD patients.

The following diagram illustrates the mechanism of action of ISM5411.



Summary of Clinical Trial Result

As of the Latest Practicable Date, we had initiated one Phase Ia clinical trial in Australia to evaluate the safety, tolerability, pharmacokinetics and food effect of ISM5411 in healthy subjects.

Phase Ia Clinical Trial in Australia

Overview. This study was a randomized, double-blind, placebo-controlled, single ascending dose, multiple ascending dose and food effect study in healthy subjects in Australia to evaluate safety, tolerability, PK and food effect of ISM5411. The primary objective of this clinical trial was to evaluate the safety and tolerability of single and multiple oral doses of ISM5411 in healthy subjects.

Trial design. This was a randomized, double-blind, placebo-controlled trial in healthy subjects. The trial was conducted in three parts: single ascending dose, food effect, and multiple ascending dose studies.

A total of 52 healthy subjects are expected to be enrolled in the single ascending dose study, including seven dose groups (A1-A7), with 6 subjects in Group A1 and A2, and 8 subjects per following group (A3-A7). Subjects in Group A1 and A2 will be randomized to receive ISM5411 or placebo at a ratio of 2:1, and the following groups (A3-A7) will be randomized to receive ISM5411 or placebo at a ratio of 3:1. Starting from Group A1, two subjects in each dosing cohort will be selected to form a sentinel cohort. Sentinel subjects will be administrated in a blind manner (ISM5411: placebo = 1:1) and monitored for at least one day before the remaining subjects in the cohort receive dosing. The timing of dosing initiation for the remaining subjects will depend on the results of the investigator's initial safety review. All subjects in Group A1 – A7 will be admitted one day prior to dosing (Day -1) and receive

a single oral dose of ISM5411 or placebo on Day 1 under fasting conditions. Biological samples will be collected from the subjects according to the protocol during the trial. All subjects will receive safety assessments on Day 4 and can be discharged with the permission of the investigator and should return to the site on Day 7 ± 1 for a safety follow-up visit. Subjects in the previous dose group (at least six subjects in each group) should be evaluated as safe and tolerable before the enrollment of the next dose level. The actual dose in Group A2 – A7, the actual dose for food effect study, fecal PK and urine PK studies, and the actual maximum ascending dose may be adjusted based on the previous safety and PK data. After reaching the maximum dose, the investigator and the sponsor will discuss whether to ascend to a higher dose in the single ascending dose study.

A preliminary food effect study will be conducted in the A4 group. Subjects will remain in the Phase Ia study site to complete the second period (fed state) after completing the first period (fasting state). On the morning of Day 7, subjects in Group A4 will be provided with a high-fat meal after fasting for at least 10 hours and are required to finish the meal within 30 minutes. Subjects will take the same study drug or placebo as that on Day 1 after about 30 minutes after starting the meal. Biological samples will be collected from the subjects according to the protocol during the study. All subjects will receive safety assessments on Day 10 and can be discharged with the permission of the investigator and should return to the site on Day 15 ± 1 for a safety follow-up visit.

The multiple ascending dose study is expected to enroll a total of 24 healthy subjects in three dose groups (B1 – B3), with eight subjects in each group (six for ISM5411 and two for placebo). The tentative dose regimen is 200 mg, 400 mg, and 800 mg, respectively. Subjects will be randomly assigned to receive either ISM5411 or placebo orally once daily for 14 consecutive days. They will be hospitalized for observation from the last dose of the drug until Day 17 and discharged after completing safety assessments with the permission of the investigator and should return to the site on Day 21 ± 1 for a safety follow-up visit. The data of safety and tolerability, PK and biomarker (if available) will be dynamically evaluated during single ascending dose study. If steady-state exposure in the multiple ascending dose cohort is within the range of exposure in the single ascending dose completed dose group with assessment, multiple ascending dose study could be conducted in parallel once the investigational therapy is deemed safe and well tolerated. The maximum dose explored in multiple ascending dose study will not exceed the maximum dose explored in single ascending dose study.

Trail status. The Phase Ia clinical trial in Australia was initiated in October 2023 and we had dosed 20 subjects in total from A1 cohort to A3 cohort as of the Latest Practicable Date.

Safety data. We have completed the safety and tolerability assessment for 20 subjects in total of A1 cohort to A3 cohort in single ascending dose study, and six of 20 subjects (30%) reported a total of seven TEAEs. Six TEAEs were Grade 1 and judged as "not related", and one TEAE reported as "nausea" was Grade 2 and judged as "related". All TEAEs have resolved and no severe adverse events, serious adverse events, adverse events leading to study withdrawal, or TEAEs leading to death were reported.

Clinical Development Plan

We initiated a Phase Ia clinical trial in Australia to evaluate the safety, tolerability, pharmacokinetics and food effect of ISM5411 in healthy subjects. The Phase Ia clinical trial in China was approved by NMPA in December 2023 to evaluate the safety, tolerability, PK and racial sensitivity of ISM5411 between Asian and Caucasian. We expect to complete the Phase Ia study in Australia and China by the end of 2024. The Phase Ib/IIa clinical trial is to evaluate the safety and tolerability, PK profile, clinical efficacy, safety and PD biomarkers of ISM5411 comparing with placebo in moderately to severely active ulcerative colitis patients. We plan to initiate the Phase Ib/IIa clinical trials following analysis of the data from the Phase Ia clinical trials. The primary objective of the Phase Ib/IIa trial is evaluate the safety and tolerability of ISM5411 daily dosing for 28 days in moderately to severely active UC patients comparing with the placebo group. We plan to complete the Phase Ib/IIa clinical trial in 2026 and we plan to initiate Phase IIb/III clinical trial in 2026.

Material Communications with Competent Authorities

We obtained the Human Research Ethics Committees approval in Australia for conducting the Phase Ia clinical trial of ISM5411 in healthy subjects in October 2023 and initiated the Phase Ia clinical trial in Australia in October 2023. In addition, we filed an IND application with the NMPA for a Phase Ia clinical trial in China in October 2023 and received an approval in December 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM5411 SUCCESSFULLY.

ISM4808: A Small Molecule Inhibitor of PHD1/2 as a Potential Treatment of Anemia of CKD

ISM4808 is an oral small molecule inhibitor of PHD1/2 for the potential treatment of anemia of CKD. CKD is a condition characterized by a gradual loss of kidney function to filter wastes from the blood system over time. Anemia, as is a frequent and serious complication of CKD, is characterized by a relative deficiency in EPO production and a decrease in iron availability for hemoglobin synthesis. The preclinical studies show that ISM4808 is well tolerated and demonstrates high potency to rescue anemia in CKD rats. We obtained the IND approval in August 2023 for clinical trials in China.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM4808 SUCCESSFULLY.

ISM6331: A Small Molecule TEAD Inhibitor for the Treatment of Mesothelioma and Other Solid Tumor

ISM6331 is a small molecule pan-TEAD1/2/3/4 inhibitor by blocking the transcriptional activity of the TEAD-Yes-associated protein/transcriptional co-activator with PDZ-binding motif ("**YAP/TAZ**") complex for the treatment of Hippo pathway dysregulated solid tumors. The TEAD proteins modulate genes expression by binding to the coactivator YAP/TAZ, making the complex an attractive target for new therapies in solid tumors deregulated by the Hippo pathway. ISM6331 has demonstrated unbiased efficacy against TEAD1/2/3/4 with a strong safety and efficacy profile in preclinical studies. We expect to file the IND application for a Phase I clinical trial of ISM6331 in the second half of 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM6331 SUCCESSFULLY.

ISM5939: A Small Molecule ENPP1 Inhibitor for the Treatment of Cancer

ISM5939 is a new selective oral small molecule ENPP1 inhibitor. An alternative strategy to activate STING that may prove to be safe and efficacious is to inhibit the extracellular hydrolase ENPP1, which is a negative regulator of the STING pathway and directly hydrolyzes 2'3'-cGAMP, the natural ligand for STING. Increased ENPP1 expression has been shown to be associated with reduced immune cell infiltration and poor prognosis in multiple tumor types. Inhibition of ENPP1 would prevent abolishment of the cGAS-STING-mediated immune activation and allow for modulation of the tumor microenvironment with more T-cell infiltration and dendritic cell activation. The preclinical studies show its inhibitory potency against ENPP1 and strong safety and efficacy profiles. In comparison with direct STING agonists, ISM5939 exhibits a much higher therapeutic index. We expect to file an IND application for a Phase I clinical trial of ISM5939 in the second half of 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM5939 SUCCESSFULLY.

ISM5043: A Small Molecule KAT6 Inhibitor as a Potential Treatment of ER+ HER2- Breast Cancer

ISM5043 is a new oral small molecule KAT6-selective inhibitor with comparable potency against both KAT6A and its close paralog KAT6B. The inhibition of KAT6A can downregulate the expression of estrogen receptor α ("**ERα**") at transcriptional level, which potentially provides new therapies for ER+ breast cancer patients. The preclinical studies showed its potent inhibition against KAT6A and promising safety and efficacy profiles. We out-licensed ISM5043 to Stemline in December 2023 and Stemline expects to file an IND application in the first half of 2024.

Out-License of ISM5043

In December 2023, we entered into an Exclusive License Agreement (the "**Stemline Agreement**") with Stemline, a commercial-stage biopharmaceutical company and a wholly-owned subsidiary of the Menarini Group, to grant to Stemline a worldwide, royalty-bearing, exclusive license, with the right to grant sublicenses, to research, develop and commercialize ISM5043, the small molecule KAT6 inhibitor (the "**Licensed Compound**") and any other products incorporating ISM5043 (the "**Licensed Product**"). Stemline shall have the right to grant sublicenses to its affiliates and third parties. Stemline is an Independent Third Party to us.

Under the Stemline Agreement, Stemline and we intend to collaborate on development of the Licensed Compound or Licensed Product, pursuant to a written research and development plan. We shall be responsible for certain development activities related to chemistry, manufacturing and controls, toxicology and preclinical studies and providing regulatory and clinical support. Stemline shall reimburse us for half of the costs directly incurred in connection with the performance of our development activities set forth in the research and development plan, up to a specified maximum total documented costs and up to a specified reimbursement sum. Stemline shall further reimburse us for half of all development costs exceeding such maximums, provided that Stemline has approved such excess amounts in advance.

Stemline will have the sole right and responsibility for all other activities relating to the development and commercialization of each Licensed Product, including developing and commercializing at least one Licensed Product to support regulatory approval in each of the major markets (the U.S., Europe, China and Japan). Except for our development activities described above, Stemline shall be responsible for the full cost of development activities for the Licensed Product. In addition, Stemline shall have the sole and exclusive right and responsibility, at its expense, for manufacturing and commercialization of ISM5043 and Licensed Products for human use worldwide.

Intellectual Property

We make available to Stemline our know-how and patents relating to the Licensed Compound or Licensed Product existing as of the effective date of the Stemline Agreement. We will exclusively own any inventions made to the extent relating to any Licensed Compound or Licensed Product ("**Improvements**"), which shall be exclusively licensed to Stemline. Other than Improvements, each party shall exclusively own any invention made solely by themselves and jointly own any inventions made jointly. Each party is entitled to practice, license (through multiple tiers), assign and otherwise exploit its interest under the Joint Inventions and patents claiming such Joint Inventions for all purposes on a worldwide basis without the duty of accounting or seeking consent from the other party.

Upfront and Milestone Payments

Under the Stemline Agreement, Stemline has agreed to make various payments to us, including but not limited to an upfront payment, development and regulatory milestone payments, sales milestone payments and royalty payments. We are entitled to receive US$12.0 million in upfront payment. We are entitled to receive up to US$150.0 million in development and regulatory milestone payments for milestones including (i) the submission of an IND in a Major Market; (ii) the initiation of Phase Ia and Phase Ib clinical trials; (iii) the initiation of a Phase III clinical trial; and (iv) the receipt of regulatory approvals by the FDA, EMA, PMDA and NMPA. We are also entitled to receive an aggregate of up to US$344.0 million in sales milestones based on the achievement of specific preset annual net sales thresholds in the world. Stemline will make royalty payments to us on a Licensed Product-by-Licensed Product and country-by-country basis upon the achievement of specific preset thresholds for a product's annual net sales. The royalty rate increases as the product's annual net sales increase, with the rate ranging from a mid-single digit percentage to a low double-digit percentage.

As of the Latest Practicable Date, we had received total upfront payments of US$12.0 million from Stemline.

Termination Clauses

The Stemline Agreement will continue in effect on a Licensed Product-by-Licensed Product and country-by-country basis until the expiration of the royalty term. Unless the Stemline Agreement is terminated sooner, upon the expiration of the royalty term for a particular Licensed Product in a particular country, the license granted to Stemline with respect to such Licensed Product in such country shall be deemed fully-paid, royalty-free, perpetual and irrevocable. Each party shall have the right to terminate the Stemline Agreement immediately in its entirety upon written notice to the other party (i) for material breach, if not cured within a specified period; and (ii) for bankruptcy, if the bankruptcy proceeding is not dismissed within a specified period after commencement.

We have the right to terminate the Stemline Agreement in whole or in part upon prior written notice to Stemline, if Stemline does not conduct any research, development or commercialization activities for a Licensed Product during any consecutive 18-month period, if such lack of activity is not (a) by written agreement of the parties, (b) a result of Stemline's reasonable response to guidance from or action or inaction by a regulatory authority, or (c) a direct result of any force majeure event. We have the right to terminate the Stemline Agreement upon prior written notice, if Stemline challenges our patents. In addition, Stemline has the right to terminate the Stemline Agreement for safety reasons upon written notice to us, if Stemline reasonably determines that the medical risk/benefit of a Licensed Product is so unfavorable that it would be incompatible with the welfare of patients to develop or commercialize the Licensed Product. Stemline has the right to terminate the Stemline Agreement for any reason or no reason upon (a) prior written notice to us before the initiation of the first Phase I clinical trial for a Licensed Product, (b) prior written notice to us after the initiation of the first Phase I clinical trial for a Licensed Product and (c) prior written notice to us after the first commercial sale of a Licensed Product.

Upon termination of the Stemline Agreement, all licenses granted by us to Stemline will automatically terminate. If the termination is not due to our material breach, bankruptcy or safety reasons, Stemline must assign or transfer to us the regulatory filings, approvals and data necessary for the development, manufacture or commercialization of ISM5043 and/or Licensed Products. Stemline must also transfer to us ownership of trademarks exclusively used for Licensed Products. If the Stemline Agreement is terminated by Stemline without cause or by us pursuant to material breach, Stemline shall either (i) wind-down any ongoing development activities (including clinical trials) of the licensed products in an orderly fashion or (ii) promptly transfer such development activities to us. If the Stemline Agreement is terminated following the first commercial sale of a Licensed Product, Stemline will either (i) continue certain ongoing commercialization activities for up to a specified period as determined by us, (ii) handoff such activities to us, sell and make available to us all of their existing inventory of Licensed Products on negotiated terms, or (iii) destroy the existing inventory. Stemline will also continue to book sales and make royalty payments to us during the up to six-month commercial wind-down period. Upon termination of the Stemline Agreement and upon the request of any sublicensee not then in breach of its sublicense agreement or the terms of the Stemline Agreement applicable to such sublicensee, we shall negotiate in good faith in order to enter into a direct agreement with such sublicensee.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM5043 SUCCESSFULLY.

ISM3412: A Small Molecule Inhibitor of MAT2A as a Potential Treatment of MTAP$^{-/-}$ Cancers

ISM3412 is an orally available small molecule inhibitor of MAT2A, a synthetic lethality target in MTAP deleted, or MTAP$^{-/-}$, cancers. ISM3412 functions through the suppression of S-adenosylmethionine ("**SAM**") production, leading to the loss of methylation function of SAM-utilizing type II arginine methyltransferase (also known as protein arginine methyltransferase 5, the "**PRMT5**"). We filed an IND application in China in February 2024, and an IND application in the U.S. in March 2024. We plan to initiate a Phase I clinical trial shortly after the IND approval in China and in the U.S. in the first half of 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM3412 SUCCESSFULLY.

ISM4312A and ISM4525: Small Molecule DGKA Inhibitors as a Potential Treatment of Solid Tumors

ISM4312A is a new oral small molecule DGKA inhibitor for the potential treatment of solid tumors. DGKA is a kinase which promotes the synthesis of phosphatidic acid ("**PA**") from diacylglycerol ("**DAG**"), which in turn regulates T cell activation. We nominated PCC of ISM4312A as the first generation of DGKA inhibitor in December 2022. ISM4525 is the second generation of the oral small molecule DGKA inhibitor. Preclinical studies show that ISM4525 has excellent potency, high selectivity for DGKA and robust anti-tumor activity combined with checkpoint inhibitor (anti-PD-1) therapy. We expect to file an IND application for a Phase I clinical trial of ISM4525 in the second half of 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM4312A AND ISM4525 SUCCESSFULLY.

ISM9274: A Potent, Selective, and Oral Available CDK12/13 Covalent Inhibitor as a Potential Treatment of Solid Tumors

CDK12/13 regulates gene transcription through the activation of RNA Polymerase II by phosphorylating Ser2 on C-terminal domain (the "**CTD**"). This function has great impact on transcription elongation and termination. The inhibition of CDK12/13 by ISM9274 could induce the cancer cell apoptosis and proliferation blockage. Our Generative Chemistry application empowered the small molecule generation of ISM9274. We expect to file an IND application for a Phase I clinical trial in the first half of 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM9274 SUCCESSFULLY.

ISM8001: a Covalent and Selective FGFR2 and FGFR3 Dual Inhibitor, for the Treatment of Advanced Solid Tumors with FGFR2/3 Aberration

ISM8001 is an irreversible, covalent small molecule inhibitor specific for FGFR2 and FGFR3 with high selectivity over FGFR1 and FGFR4. It possesses favorable absorption, distribution, metabolism, excretion and toxicity ("**ADMET**") and PK profiles with good drug-like properties. Furthermore, ISM8001 inhibits a panel of FGFR2 and FGFR3 mutant isoforms with nanomolar IC_{50} values and exhibits robust anti-tumor activity in multiple FGFR2/3-driven cell line-derived tumor xenograft models in mice. These findings support the clinical investigation of ISM8001 for cancers with FGFR2/3 aberrations. We plan to file an IND application for a Phase I clinical trial of ISM8001 in the first half of 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM8001 SUCCESSFULLY.

ISM9682: A Novel and Potent KIF18A Inhibitor as a Potential Treatment of Chromosomally Unstable Cancers

ISM9682 is a new KIF18A inhibitor which possesses excellent KIF18A inhibitory potency and high selectivity in panel screenings. ISM9682 induced sustained PD markers of mitotic arrest *in vitro* and *in vivo* with robust mono-therapeutic efficacy in multiple high chromosomal instability cell line-derived tumor xenograft models and displayed favorable drug-like properties. Such properties include desirable *in vitro* ADMET properties, excellent *in vivo* clearance and good oral bioavailability across multiple preclinical species, along with exceptional safety margin. Therefore, ISM9682 could be considered a potential KIF18A inhibitor for treating high chromosomal instability cancers. We plan to file the IND application for a Phase I clinical trial of ISM9682 in the first half of 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ISM9682 SUCCESSFULLY.

DRUG DISCOVERY SERVICES

We generate revenues from our drug discovery services. Under drug discovery and collaboration arrangements, we utilize our Pharma.AI to discover targets associated with diseases, identify and further research and develop promising drug candidates in which we do not have exclusive ownership. We receive service fees in the form of upfront payments, milestone payments, royalties and contingent payments, among others, in connection with our drug discovery services. The following sets forth details of ISM8207, our selective drug discovery efforts.

ISM8207: A Small Molecule Inhibitor of QPCTL as a Potential Treatment of Tumors with High Engagement of CD47-Signal Regulatory Protein α ("SIRPα") Axis

Overview

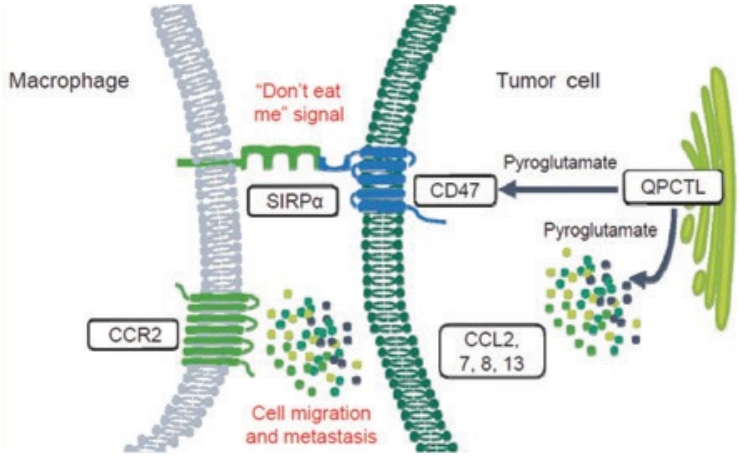
ISM8207, currently co-developed in partnership with Fosun, is an orally available small molecule inhibitor of QPCTL, a regulator of the CD47-SIRPα axis, designed as a cancer immunotherapy. The blockade of the CD47-SIRPα axis has recently demonstrated clinical validation as a promising immunotherapy approach for the potential treatment of cancer. We filed an IND application with the NMPA in China in April 2023. We received the Phase I IND approval from the NMPA in July 2023 and expect to initiate Phase I clinical trial in the second quarter of 2024.

Mechanism of Action

QPCTL, which is located on the cell organelle called the Golgi apparatus, has been identified as a crucial regulator of the CD47-SIRPα axis, commonly referred to as the "don't eat me" axis. Cancer cells use CD47, a "don't eat me" signal mediated by SIRPα, to evade the detection by the immune system and subsequent destruction by macrophages. There are a variety of anti-CD47 therapies under clinical development to counter the "don't eat me" signal across broad cancer types. Due to the wide expression of CD47, especially on erythrocytes, however, clinical trials with anti-CD47 antibodies have experienced limitations in dose escalation due to hematological toxicity, including anemia and thrombocytopenia. The N terminus of the CD47 protein contains a pyroglutamate residue that is essential to create a high affinity SIRPα binding site, and this modification shortly after protein synthesis has been shown to depend on QPCTL. Inhibition of QPCTL with pharmacological tools or bioengineered knockout methods has been shown to cause a reduction or loss of the binding between CD47 and SIRPα, as well as increased antibody-dependent cellular phagocytosis and neutrophils-induced cytotoxicity. Given the lack of Golgi apparatus where QPCTL is localized in mature erythrocytes, QPCTL inhibitors may induce lower hematological toxicity compared to most of CD47-blocking agents currently under clinical development.

In addition to the engagement of the CD47-SIRPα axis, QPCTL also adds pyroglutamate to the C-C motif chemokine ligand ("**CCL**") proteins CCL2, CCL7, CCL8 and CCL13, which are the ligands of the C-C motif chemokine receptor ("**CCR**") 2 responsible for directing the migration of myeloid cell lineage, including monocytes/macrophages and dendritic cells. The modification of CCL chemokine family members by QPCTL increases this chemokine stability against degradation and enhances CCR2 activation and signal transductions. The CCL2/CCR2 axis has been implicated in cancer cell survival, migration and metastasis via recruitment of immune cells into the tumor microenvironment. A downregulation of CCL2/CCR2 signaling transduction by inhibiting QPCTL could thus be used to reprogram the tumor immune microenvironment through modulating suppressive myeloid cells toward phagocytic macrophages-enriched profile, subsequently turn less T cell-inflamed tumors into highly T cell-infiltrating tumor, and further favor anti-tumor immunity led by T cell engagers like anti-PD-1/L1 antibodies or anti-CTLA-4 antibody.

The diagram below illustrates the mechanism of action of ISM8207:



Licenses, Rights and Obligations

We entered into an agreement with Fosun in November 2021 to co-develop ISM8207. We take the leading role in the clinical development of ISM8207 through Phase I trial, with the roles of each party for the development of ISM8207 from Phase II trial to be negotiated after Phase I trial completion. For additional information, see "— Collaboration with Fosun" below in this section.

Clinical Development Plan

We filed an IND application with the NMPA for a Phase I clinical trial of ISM8207 in April 2023. We received an IND approval from the NMPA in July 2023. Subsequently, Fosun and we are planning to initiate a first-in-human, open-label, multi-center Phase I clinical trial in China to evaluate the safety, tolerability, PK/pharmacodynamics, and preliminary anti-cancer activity of ISM8207 monotherapy in patients with advanced/metastatic solid tumors and relapsed/refractory B-cell lymphoid malignancies in the second quarter of 2024.

ISM8207 MAY NOT BE SUCCESSFULLY DEVELOPED AND MARKETED.

In 2022 and 2023, we provided drug discovery services to 42 and 51 customers respectively. The following sets forth details of two material drug discovery projects and collaboration arrangements during the Track Record Period and as of the Latest Practicable Date. The terms of each of the Fosun Agreement and Sanofi Agreement are comparable to transactions with other independent customers.

Collaboration with Fosun

In November 2021, we entered into a Drug Discovery and Development Collaboration Agreement (the "**Fosun Agreement**") with Fosun. Fosun is an Independent Third Party to us and is engaged in the discovery, development and commercialization of therapeutic products.

Obligations and Responsibilities

We will provide certain drug discovery and development services for up to four discovery programs (the "**Discovery Programs**") to discover and identify small molecule chemical entities directed at certain targets selected by Fosun. Fosun's selection of targets are subject to our approval to avoid potential competition with our pipeline development business. We also agreed to work with Fosun on the discovery and development of ISM8207 (the "**QPCTL Project**"), through the completion of Phase I trial, for which we are to take the leading role. The R&D costs of the QPCTL Project will be shared equally (50/50) by Fosun and us through the Phase I clinical trials. The roles and responsibilities of each party for clinical trials beyond Phase I, including our involvement in the QPCTL Project and cost sharing terms, will be set forth in a separate written agreement to be negotiated in good faith by each party.

Fosun and us will establish a joint steering committee (the "**JSC**") to oversee, review, and coordinate the activities of the parties with respect to the conduct of the Discovery Programs and the QPCTL Project and serve as a forum for the exchange and discussion of information. Each of Fosun and us shall appoint two members with the requisite experience and seniority to make decisions on behalf of the parties with respect to issues falling within the jurisdiction of the JSC. Decisions of the JSC will be made by a simple majority of the members. In the event that the JSC is unable to reach consensus, then either party may, by written notice to the other, refer the matter to our CEO and Fosun's president to resolve. Any final decision mutually agreed to by our CEO and Fosun's president shall be conclusive and binding. If Fosun's president and our CEO are not able to resolve any such matter within 30 business days after such issue was first referred to them, then either party may proceed with arbitration procedures. Each party will (a) be responsible for the day-to-day implementation and operation of the various activities and (b) keep the other party informed as to the progress of such activities as reasonably requested by the other party or as otherwise determined by the JSC. Each party will designate a single project leader for each target to oversee the day-to-day performance of the Discovery Programs with respect to such target and facilitate communication between the parties.

Upon the identification of small molecule chemical entities for the targets chosen by Fosun, we will provide an initial discovery report to the JSC. For the 90-day period after the JSC receives the initial discovery report for a Discovery Program, Fosun has the option to exercise the PCC Election Option. For Discovery Programs, when Fosun has exercised the PCC Election Option and paid in full the PCC Election Option Exercise Fee, we shall carry out the development of the Discovery Program until submission of the first IND application. As of the Latest Practicable Date, all four Discovery Programs were on-going. For the QPCTL Project, Fosun has exercised its PCC election option and we have obtained IND approval for Phase I clinical trial in China. The Phase I clinical trial will be sponsored and conducted by us only, and R&D costs will be equally split between Fosun and us.

Upfront and Milestone Payments for the Discovery Programs and QPCTL Project

In consideration of the rights granted and obligations undertaken by us under the Fosun Agreement with respect to the Discovery Programs, Fosun will pay us (a) a project initiation fee in the amount of US$3.0 million for the initial batch of up to two Discovery Programs that Fosun selects and (b) a project initiation fee in the amount of US$1.5 million for each of the other batch of up to two Discovery Programs that Fosun selects. For each target for which Fosun has exercised its PCC election option to assume responsibilities for the Discovery Program and paid us the PCC election option exercise fee, we are entitled to receive an aggregated amount of US$3.0 million in milestone payment on a Discovery Program-by-Discovery Program basis. The service milestone events include completion of GLP-toxicology studies and acceptance by applicable regulatory authority of first IND application filing in any country. We are responsible for all the costs associated with the discovery and research activities up until the submission of the first IND application filing. Thereafter, Fosun is responsible for all costs related to further development and commercialization activities.

With respect to the QPCTL Project, Fosun has agreed to make an upfront payment of US$7.0 million to us. In the event that Fosun exercises the PCC election option with respect to the QPCTL Project and paid in full the PCC election option exercise fee, we are entitled to an aggregated amount of US$48.0 million of service milestone payment. The service milestone events include acceptance by applicable regulatory authority of first IND application filing in any of the NMPA, FDA, CDE, EMA or PMDA, the first initiation of a Phase I, II or III clinical trial and first marketing approval in any of the NMPA, FDA, CDE, EMA or PMDA. In addition, Fosun and us will equally share (50-50) all R&D costs in connection with the performance of the QPCTL Project research plan through the completion of Phase I trials, with additional cost sharing arrangement beyond Phase I to be set out in a separate written agreement and equally share (50-50) all profits/losses of QPCTL Project from the date of the first commercial sale during the profit-sharing term in accordance with the Fosun Agreement. Commercialization costs of QPCTL Project will be shared between Fosun and us with the percentage subject to further negotiation.

PCC Election Option Exercise Fees for the Discovery Programs and QPCTL Project

Fosun has the option to acquire rights for such Discovery Program and thereafter assume all further research, development, and commercialization responsibilities by notifying us in writing at any time during the agreed PCC option term and pay us the PCC election option exercise fee. In consideration of Fosun's exercise of the PCC election option with respect to a Discovery Program, Fosun will pay us option exercise fees. The PCC election option exercise fee for the Discovery Programs are divided into three payments of US$0.5 million upon the completion of the milestones of lead identification, lead optimization and the selection of PCC candidate by Fosun (the "**PCC Election Option Milestones**") for a total of US$1.5 million per Discovery Program.

In consideration of Fosun's exercise of the PCC election option with respect to the QPCTL Project, Fosun will pay us an option exercise fee of US$3.0 million. In the event that Fosun exercises the PCC election option with respect to the QPCTL Project and fully pays the PCC election option exercise fee, Fosun becomes entitled to the continued participation in the development and commercialization of the QPCTL Project. Upon the exercise of the PCC election option, we take the leading role in the clinical development of drug candidates for QPCTL Project through Phase I trial with costs split evenly between Fosun and us. The parties will negotiate each party's rights and responsibilities with respect to the further development, commercialization, and exploitation of ISM8207 after the completion of Phase I clinical trial.

In 2022 and 2023, the amount of revenue recognized by the Group in relation to the Fosun Agreement was US$17.1 million and US$3.4 million, respectively. As of December 31, 2023, we received a total payment of US$7.0 million, which consist of an upfront payment of US$6.0 million and PCC Election Option Milestone payments for the completion of lead identification in two of the Discovery Programs totaling US$1.0 million, and a total payment of US$12.6 million, which consist of an upfront payment of US$$7.0 million, the PCC election option fee of US$3.0 million and R&D cost sharing charges of US$2.6 million for the QPCTL Project.

Intellectual Property

Each party will retain all patents, know-how, and other intellectual property controlled by each party as of the effective date of the Fosun Agreement or developed by such party independently and without use of or reference to the other party's confidential information. With respect to each Discovery Program, Fosun will own all rights in any development technology first developed by or on behalf of Fosun in the conduct of such Discovery Program. Fosun will own all right in any technology first developed by us or jointly with Fosun in the conduct of such Discovery Program to the extent that Fosun has made the applicable project initiation fee payment. Each party shall own and control an equal, undivided interest in any and all development technology developed by either party, by such party itself or jointly with the other party, in connection with the conduct of the QPCTL Project under the Fosun Agreement. In the event that Fosun does not exercise its PCC election option for a given Discovery Program, we will have the sole right (but not the obligation) and at our own expense to prosecute patents to such Discovery Program. In the event that Fosun does not exercise its PCC

election option for the QPCTL Project, Fosun assigns to us all of its right, title and interest in and to joint development technology, as applicable, in the QPCTL Project, and we will be free and have exclusive rights to use and grant rights to the joint development technology with respect to the QPCTL Project for any purpose (including to develop compounds that modulate the activity of the applicable target alone or in connection with third parties).

Termination Clauses

The Fosun Agreement became effective as of November 12, 2021, and unless earlier terminated, it will continue in full force and effect. Fosun has the right to terminate the Fosun Agreement on a Discovery Program-by-Discovery Program basis or in its entirety at any time upon 60 days' prior written notice to us. Upon such termination, other than payment obligations or other liabilities that have accrued, Fosun will have no further payment obligations in relation to that terminated Discovery Program. Either party may terminate the Fosun Agreement in its entirety or on program or regional basis (as applicable) due to material breach or insolvency of the other party, or due to a material safety issue of the compounds or clinical hold.

A "major safety issue" means, with respect to a collaboration product, any of the following: (a) an adverse safety profile of such collaboration product, or receipt or generation by a party of any safety, tolerability, or other data indicating or signaling, as measured by safety and efficacy evaluation criteria and methodology customarily used by a majority of clinicians conducting studies on similar products in the applicable jurisdiction, that such collaboration product has or would have serious risks for medical applications in humans to require a recall, withdrawal, or similar action; or (b) any notice, information or correspondence received by a party from a regulatory authority, or any action taken by a regulatory authority, in each case, indicates that regulatory approval is unlikely to be granted therefor or, if already granted, the regulatory approval therefor would likely be revoked or materially amended, or causes the regulatory approval therefor not to be granted or, if already granted, to be revoked or materially amended.

Collaboration with Sanofi

In October 2022, we entered into a Collaboration and License Agreement (the "**Sanofi Agreement**") with Genzyme Corporation, a wholly-owned subsidiary of Sanofi S.A., a French multinational pharmaceutical and healthcare company listed in both Euronext Paris and Nasdaq stock markets ("**Sanofi**"). Sanofi is an Independent Third Party to us.

Obligations and Responsibilities

Under the Sanofi Agreement, we will collaborate with Sanofi to carry out target-based research programs leveraging our technology to accelerate the identification of development candidates for up to six collaboration targets, including the conduct of research activities in accordance with the research plan for each collaboration target. Targets proposed by Sanofi are not subject to direct approval by us as doing so would require the disclosure of prospective target identity information that are commercially sensitive. However, the Sanofi Agreement

allows us to exclude from the collaboration program a list of targets (i) from our existing or potential internal pipelines, including those involving IPF and fibrosis-related research efforts, (ii) subject to collaboration with existing third-party collaborators, or (iii) for AI platform demonstration purposes. Therefore, the collaboration with Sanofi will not directly compete with our existing R&D efforts. Each Party will be responsible for all costs and expenses incurred by or on behalf of that party or its affiliates under such research program.

We will provide written reports and supporting data and information to Sanofi that meet pre-specified criteria relating to the collaboration targets. Sanofi will have the right to perform, at Sanofi's cost, chemistry, manufacturing and control activities and, other research activities under the research plan, and will notify us regarding whether Sanofi elects to designate any research compound to be progressed to clinical drug development activities. Sanofi will have the exclusive right to control all clinical drug development activities and any regulatory matters, including any filings, correspondence and communication of regulatory materials with regulatory authorities, and have the exclusive right and control over the commercialization of the compounds. We will not sponsor or lead the clinical trials.

Intellectual Property

Sanofi will retain all of its rights, title and interest in and to all patents, know-how and other intellectual property rights that are controlled by Sanofi prior to the effective date of the Sanofi Agreement or developed independently of the Sanofi Agreement (the "**Sanofi Background IP**") except to the extent that any rights or licenses under Sanofi Background IP are expressly granted to us under the Sanofi Agreement. We will retain all of the rights, title and interest in and to all patents, know-how and other intellectual property rights that are controlled by us prior to the effective date of the Sanofi Agreement or developed independently of the Sanofi Agreement (the "**Insilico Background IP**") except to the extent that any rights or licenses under the Insilico Background IP are expressly granted to Sanofi under the Sanofi Agreement. Any intellectual property rights arising out of a research program that pertains to a particular research compound or collaboration target, such as the molecular composition of potential drug candidates for the designated targets, is Sanofi's intellectual property (the "**Sanofi Foreground IP**"). The intellectual property rights arising from a research program that do not incorporate or arise from Sanofi Background IP and are directed to generic improvements to our technology platforms belong to us (the "**Insilico Foreground IP**"). For example, we would own the know-how for any general optimization of our Pharma.AI platform derived from our experience in this project that is not also derived from Sanofi's pre-agreement IP portfolio.

Under the Sanofi Agreement, we grant to Sanofi, on a collaboration target-by-collaboration target basis (a) an exclusive, irrevocable, nontransferable, worldwide license, with the right to grant sublicenses through multiple tiers, under the Insilico Background IP and Insilico Platform Technology IP (i.e., patent, know-how and other intellectual property rights subsisting in our Pharma.AI platform) that are necessary or useful for the research, development, manufacture or commercialization of collaboration compound for that collaboration target for purposes of research, development, manufacture and

commercialization; and (b) a non-exclusive, perpetual, irrevocable, non-transferable, worldwide license, with the right to grant sublicenses through multiple tiers, under the Insilico Background IP to the extent necessary to exploit (including to assign, license or otherwise use) the Sanofi Foreground IP (i.e., IP arising out of any research program); provided that, for purposes of the foregoing license grant, the Insilico Background IP (i) will only include background IP that is both (a) owned solely by us and (b) necessary to exploit the Sanofi Foreground IP, and (ii) specifically excludes background IP to the extent claiming, disclosing or otherwise covering (1) any active ingredients or constituents (other than collaboration compound) controlled by us or any third party, and/or (2) any protein degrader.

On a collaboration target-by-collaboration target basis, Sanofi grants to us a non-exclusive, non-sublicensable, royalty-free, worldwide license under the Sanofi controlled IP that is necessary or reasonably useful for the activities to be conducted by us under any research program, the Sanofi Foreground IP and the rights exclusively licensed to Sanofi, in each case, solely for us to conduct our obligations under such research program and not for any other purpose. All manufacturing know-how that are controlled by us and necessary or useful for Sanofi to manufacture and further scale-up the manufacturing process of the collaboration compounds will be transferred to Sanofi prior to the designation of the collaboration development candidate in accordance with the Sanofi Agreement. The grant of the worldwide licences in respect of the relevant intellectual properties and transfer of know-how is not uncommon and is consistent with the market practice, according to Frost & Sullivan. We believe that it will not affect our operations and financial performance.

Upfront and Milestone Payment

Under the Sanofi Agreement, Sanofi has agreed to make various payments to us, including but not limited to, an upfront payment, milestone payments and royalty payments. We invoiced and received from Sanofi a total upfront payment of US$12.5 million, which covers three identified collaboration targets. If Sanofi designates three additional collaboration targets, out of a maximum of six collaboration targets stipulated in the Sanofi Agreement, we are entitled to receive an additional US$9.0 million in upfront payment. With respect to each collaboration target, we are entitled to a maximum aggregate of US$200.5 million of milestone payments, and such milestones include (a) an aggregate of US$18.5 million of research milestones, which include the achievement of specific research criteria up to the designation of development candidate by Sanofi with respect to such collaboration targets, (b) an aggregate of US$82.0 million of development and regulatory milestones, which include the initiation of the first Phase I, Phase II and Phase III clinical trial, as well as the first commercial sale in (i) the U.S., (ii) China or Japan, and (iii) any of the UK, France, Germany, Italy or Spain (each, a "**Major Country**"), and (c) an aggregate of US$100.0 million of sales milestones, which include the achievement of specific levels of the annual net sales in the world. For royalty payments, upon the achievement of specific preset thresholds for a product's annual net sales, Sanofi will make royalty payments to us calculated as a certain percentage of that product's annual net sales. The royalty rate increases as the product's annual net sales increases, with the rate ranging from 6%

to 12%. As of the Latest Practicable Date, we received total upfront payment of US$12.5 million from Sanofi. In 2022 and 2023, the amount of revenue recognized by the Group in relation to the Sanofi Agreement was US$8.3 million and US$4.2 million, respectively.

Termination Clauses

The Sanofi Agreement will remain in effect, on a collaboration target-by-collaboration target basis, through the date on which neither party has any obligation to the other under the Sanofi Agreement with respect to the collaboration target. The Sanofi Agreement may be terminated by either party unilaterally for the other party's uncured material breach or insolvency event. In addition, Sanofi has the right to terminate the Sanofi Agreement for safety reasons or at will. An at will termination becomes effective 60 days following the date of our receipt of a written notice. If Sanofi terminates the agreement at will, it is required to make certain milestones payments for milestones achieved in the period between the notice of termination and the effective date of termination. The safety reasons include, as supported by reasonable supporting details and documentation, that the medical risk or benefit of further development or commercialization of such collaboration compound is so unfavorable as to be incompatible with the welfare of patients. Additionally, we have the option to terminate this agreement in the event of certain shelving events by providing written notice to Sanofi. Termination resulting from shelving events will be regarded as an at will termination by Sanofi, with the same milestone payment obligations. The shelving events refer to Sanofi's failure to, for a consecutive 12-month period prior to the first regulatory approval in a Major Country, (a) conduct any *bona fide* clinical development activities for such collaboration compound, or (b) has instituted and maintained (per Sanofi's internal policies) a hold on conducting all clinical development activities for such collaboration compound, which is not (i) by written agreement of the parties, (ii) as a result of Sanofi's reasonable response to guidance from or action or inaction by a governmental authority (such as a clinical hold, a recall or withdrawal), (iii) as a result of a safety reviewer's recommendation to cease development, (iv) as a result of a failure outside of Sanofi's reasonable control to secure adequate supply of the relevant components of the corresponding product, to the extent that Sanofi has used good faith efforts to do so or (v) as a direct result of any other event outside of the reasonable control of Sanofi, including a force majeure event or any claim brought by a third party against Sanofi relating to the applicable collaboration development compound or product.

If the Sanofi Agreement is terminated by Sanofi in whole or on a collaboration target basis for convenience or by us for Sanofi's material breach or insolvency after achieving certain discovery milestones, we are entitled to a reversion right under which Sanofi will grant to us an exclusive, irrevocable, non-transferable, worldwide and sublicensable license for purpose of researching, developing, manufacturing and commercializing the terminated compound under the Sanofi Foreground IP and certain Sanofi Background IP by entering into a separate license agreement with reasonable commercial terms, including without limitation us paying certain royalty to Sanofi based on net sales of such terminated compounds. Meanwhile, Sanofi will be restricted from researching, developing, manufacturing and commercializing any terminated compound directed the terminated target within a certain time

period after termination. In the event of any unilateral termination of the Sanofi Agreement by Sanofi, we will remain entitled to receive all payments that accrued but were unpaid as of the effective date of such termination, including milestone payments due as of the effective date of such termination.

As at the Latest Practicable Date, three collaboration targets had been identified by Sanofi. The projects are in progress according to their respective research plans.

OUR SOFTWARE SOLUTION SERVICES AND PHARMA.AI PLATFORM

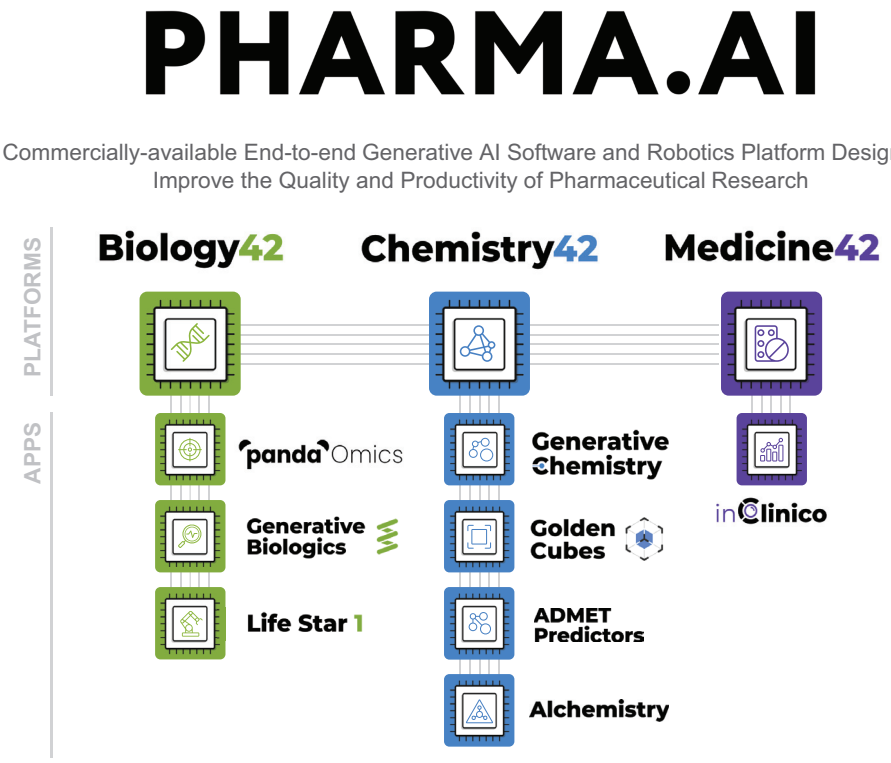
Software Solution Services

We generate revenue by granting our customers access to three components of our Pharma.AI, namely Biology42, Chemistry42 and Medicine42. We enter into subscription agreements with our customers and collect upfront subscription fees for access to the hosted software platform. In 2021, to tailor customers' needs, we also began to grant rights to use the Chemistry42 software installed on the customer's premises and collect subscription fees. Our pricing policies are determined based on cost and market positioning. We set the price taking into account certain factors, such as the number of subscription account, the number of sites for installment, as well as the nature of the customer (whether it is a not-for-profit organization such as an institution or university, or a for-profit organization).

Under the hosted software arrangements, each of the Pharma.AI components are licensed out on as-required basis. We do not restrict any components or functionalities for internal use only. We charges subscription fees from providing our customers with access to our Pharma.AI. The subscription agreement is typically of a one-year term, with fees collected upfront. Subscription fees vary depending on the Pharma.AI components ordered, the account number and the subscription period. Currently, the maximum one-year subscription fee for hosted software is US$150,000. Under the on-premise software arrangements, we grant customers the right to use our Chemistry42 on the device or cloud specified and controlled by the customer for a specified term, typically for one year, renewable. The installation fees are of one-off nature included in the first year's subscription fee. Currently, the maximum one-year subscription fee for on-premise software is US$500,000.

Pharma.AI

Our Pharma.AI platform consists of Biology42, Chemistry42 and Medicine42, and is designed to be integrated across the drug discovery and development process in order to identify new drug targets, design *de novo* molecules against both new and known targets and optimize clinical development. It is designed to be easy to use through the integration of the Copilot application, which enables conversational interaction with the Pharma.AI platform, allowing a user to directly ask the platform for specific data or instruct the Pharma.AI platform to perform specific tasks, such as target identification and small molecule generation.



Biology42: Discovery and Prioritization of New Targets

The Biology42 platform is composed of three applications: PandaOmics, Generative Biologics and Life Star 1. PandaOmics enables systems biology research across multiple data types, including multi-omics and text data, and deploys AI-driven analytical capabilities to facilitate the discovery of new targets or the prioritization of established targets against diseases of interest. Generative Biologics uses generative models to design and evaluate proteins, predict protein interactions and analyze generated peptides. It utilizes hundreds of millions of biological data points with its machine learning algorithms and generative biological models to design polypeptides from scratch. Through the use of an automation interface, the Life Star 1 application integrates lab capabilities with our generative AI framework to profile, identify and validate new targets, biomarkers and compounds.

PandaOmics

We have been developing PandaOmics since 2014 to facilitate AI-based target discovery, which complements our drug discovery capabilities and provides a competitive advantage over competing AI-driven drug discovery companies that are primarily focused on chemistry (drug discovery). Powered by AI and proprietary insights based on expertly curated datasets, PandaOmics is designed to facilitate systems biology research, which focuses on the fundamentals of complex interactions within biological systems in order to identify disease signatures and actionable targets in a disease-relevant manner. We believe that the comprehensive analyzes enabled by PandaOmics allow us to identify new targets and prioritize established targets in diseases of interest for further development.

We believe the potential of PandaOmics in new target identification has been demonstrated through the depth of our pipeline and the multiple external collaborations we have established. For example, we successfully assisted a global pharmaceutical company in identifying new protein targets that met specified criteria, including complete newness with no prior clinical studies on the target candidates, druggability with small molecules and/or therapeutic antibodies, limited level of toxicity and a role within a given biological process of interest.

For our collaborators and customers, PandaOmics is accessible through a user-friendly, browser-based interface built on top of a distributed, scalable cloud-based platform. The implementation integrates a variety of features, including cluster management, multiple flexible workflows, integrated monitoring and logging, all aimed at optimizing the performance of PandaOmics. The PandaOmics application is designed to enable individuals without substantive industry experience or domain expertise to perform complex tasks in target discovery. To further enhance the user experience, PandaOmics (excluding its operation in China) has integrated ChatGPT's LLM module to provide chatbot functionality through the feature of ChatPandaGPT. The built-in chatbot allows users to query PandaOmics' powerful database by asking questions in plain language. ChatPandaGPT then interprets the user's query into a machine-readable format for processing by PandaOmics. Once PandaOmics returns a result, ChatPandaGPT converts the answer into a plain language response.

Life Star 1

We launched the Life Star 1 laboratory in Suzhou, China in December 2022 with a GFA of 1,665 sq.m. The automated lab is equipped with comprehensive instruments including next-generation sequencers, cell incubators, cell analyzers, automated liquid handlers, echo liquid handlers, imaging systems, high content analysis platforms and automatic guided vehicle ("**AGV**"). It is designed to further improve the efficiency and capability of our internal lab experimentation and boost data generation to improve our Pharma.AI platform.

As a next generation automated lab, the Life Star 1's objective is to phase out human intervention from the drug discovery process to reduce experimental errors, human bias and other possible issues. Compared to earlier generation automated laboratories, the Life Star 1 endeavors to minimize human intervention from the decision-making process. The generative AI-enabled Life Star 1 is able to automate target selection, experimental design and execution of experiments to collect experimental data to generate and test disease hypotheses and further validate and train our AI models. Our automated lab eliminates human target selection bias and opens up the potential for the discovery of new drugs and treatments. We envision the Life Star 1 as the first of many, and we will work to optimize its design to expand its range of capabilities, miniaturize its physical footprint and optimize its construction and operating costs.

Life Star 1's modularity enables new capabilities such as new drug discovery methods to be progressively introduced. This would bolster our internal development capabilities while encouraging acceptance and adoption. At the same time, the template-based nature of the lab design allows us to iteratively optimize and improve upon the lab's cost-effectiveness and presents an attractive package solution for research institutions worldwide. Furthermore, as each Life Star 1 will be equipped with the full complement of hardware and software solutions on-site, the processing of all patient data can be done on-location, reducing data privacy risks.

Chemistry42: Generation of New Small Molecules

The Chemistry42 platform is composed of four applications: Generative Chemistry, Golden Cubes, ADMET Predictors and Alchemistry. Generative Chemistry is a small molecule design platform with generative chemistry capabilities to identify and facilitate the *de novo* synthesis of new drug structures. It leverages the power of automated machine learning, accesses structure-based and ligand-based drug design and discovers new and diverse molecules for targets of interest, whether new or known. Generative Chemistry has a generative module and a reward module. The generative module consists of generative AI models that generate small molecule structures. Once each structure is generated, it is passed to the reward module, which evaluates the quality of the structure and feeds the results back to the generative module so that it learns to navigate through chemical space in the right way. The reward module consists of models and approaches that score or profile the generated structure (how well it binds to the target, how favorable is the physicochemical profile, etc.). As a part of the virtual screening workflow in Generative Chemistry, the reward module could be used alone (without the generative module) to evaluate structures submitted by a user. Golden Cubes is an application that enables the profiling of small molecules and the identification of off-target activity for such molecules. Golden Cubes module can be used for ligand-based scoring of the kinase selectivity of small molecules to minimize unintended, off-target effects that can lead to severe side effects. ADMET predictors is an application that comprises machine learning models designed to predict key ADMET properties for small molecules. These models offer instrumental support during the hit-to-lead and lead optimization stages of drug discovery. They can be employed independently to annotate compound libraries or incorporated into a reward function to guide generative experiments towards the desired properties. Alchemistry is an application that offers accurate calculations

of binding free energy estimates utilizing physics-based methods. This application is instrumental in swiftly and effectively prioritizing compounds for synthesis and testing at various stages of drug discovery. The combined capabilities of the applications under the Chemistry42 platform allows for the rapid evaluation of the drug-like properties of molecules generated by the platform, such as metabolic stability and their physicochemical profiles, leading to further optimization and eventual selection of lead preclinical candidates.

Using our Chemistry42 platform, we have generated *de novo* compounds for all of our pipeline programs, including ISM001-055, which is currently in Phase II clinical trials for the potential treatment of IPF. In addition to our internal application of the Chemistry42 platform, as of the Latest Practicable Date, we have out-licensed applications under the Chemistry42 platform to multiple top biopharmaceutical collaborators, which we believe underscores the pharmaceutical industry's growing recognition of the capabilities of Chemistry42.

For our collaborators and third-party customers, Generative Chemistry is accessible through a user-friendly, browser-based interface built on top of a distributed, scalable cloud-based platform. The implementation integrates a variety of features, including cluster management, multiple flexible workflows, integrated monitoring and logging, all aimed at optimizing the performance of Generative Chemistry. The structure of the platform enables seamless third-party use via a SaaS model or as a software package for local deployment. Generative Chemistry's customizable, user-friendly interface makes it broadly accessible to AI specialists, medicinal chemists, computational chemists and other researchers alike.

Medicine42: Prediction of Clinical Trial Outcomes

The Medicine42 platform is composed of the inClinico application. Since 2016, we have been developing and testing inClinico, a multi-engine, generative AI analysis application that is designed to prospectively predict the outcomes of clinical trials by quantifying the probability of the product candidate to successfully transition to the next phase of clinical development. inClinico utilizes advanced AI algorithms to analyze vast amounts and types of data on molecular targets, diseases, clinical trial protocols and trial results. We commercially launched inClinico in November 2022.

Relying on advanced AI machine learning models for multi-modal assessment, inClinico is a multi-engine, generative AI clinical trial analysis application designed to predict clinical trial success. inClinico is focused primarily on the probability of success of Phase II clinical trials across a broad range of therapeutic indications, a critical stage that we believe is typically the primary inflection point linked to the first proof-of-concept data in patients. In addition, by scrutinizing detailed information on clinical trial design, inClinico also facilitates the identification of potential weak points in clinical trial design and allows the sponsors of clinical trials to adjust accordingly to potentially increase the probability of success of their trials. By integrating and analyzing a variety of data sources, inClinico computes scores on different components pertinent to trial success, including target choice, drug structure, trial design and patient eligibility. These scores are integrated into a forecasted probability of a clinical trial successfully advancing to the next stage of the development process. In particular,

the target choice score is assessed based on shared elements with PandaOmics that estimate associations of the target of interest with the associated disease as well as the heterogeneity of the disease in the context of the target of interest. Furthermore, the drug structure score is derived based on shared elements with Generative Chemistry that evaluate contributions of molecular descriptors as well as ADME and toxicity features.

As part of an internal validation study, we trained inClinico using publicly available data from clinical trial results prior to 2021 and then prospectively validated the platform using the results of clinical trials across different therapeutic areas that read out between January 2021 and September 2021. In this study, inClinico achieved a 0.86 prediction value based on area under the curve, or AUC, of the receiver operating characteristic, or ROC, curve, a measure of diagnostic ability where a 1.0 AUC of ROC indicates perfect predictive power in predicting the likelihood of clinical trial progression from Phase II to Phase III. In 2019, a global pharmaceutical company engaged us to apply inClinico to predict seven outcomes within six of its ongoing Phase II clinical trials selected by the pharmaceutical company. We deployed inClinico to estimate the probability of success and to perform feature analysis of those seven outcomes. As of Latest Practicable Date, all of the seven outcomes of the clinical trials had read out, and inClinico correctly predicted five of the seven outcomes.

RESEARCH AND DEVELOPMENT

Leveraging the advantages of our generative AI-driven platform, we are targeting drug development opportunities that address high unmet need. Our Core Product, ISM001-055, is a small molecule drug candidate primarily for the potential treatment of IPF. It has already demonstrated a preliminary safety and efficacy profile in both *in vitro* cell and *in vivo* animal models in preclinical studies and in healthy volunteers in clinical studies. ISM3091 is an orally available small molecule inhibitor of USP1 with the potential to treat tumors with HRD. We filed an IND application in both the U.S. and China and received approval by the FDA in April 2023. ISM3312 is a small molecule drug candidate in clinical trial for the potential treatment of COVID-19. It had broad antiviral activity against other coronavirus and potential clinical drug resistances. We received the IND approval in February 2023, initiated a Phase I clinical trial in China in March 2023 and expect to complete the trial in April 2024. Our other products include drug candidates in preclinical and early discovery stages. In 2022, we nominated nine preclinical candidates and were able to generate revenues to support internal R&D. In addition, we collaborate with CRO partners to augment our in-house R&D.

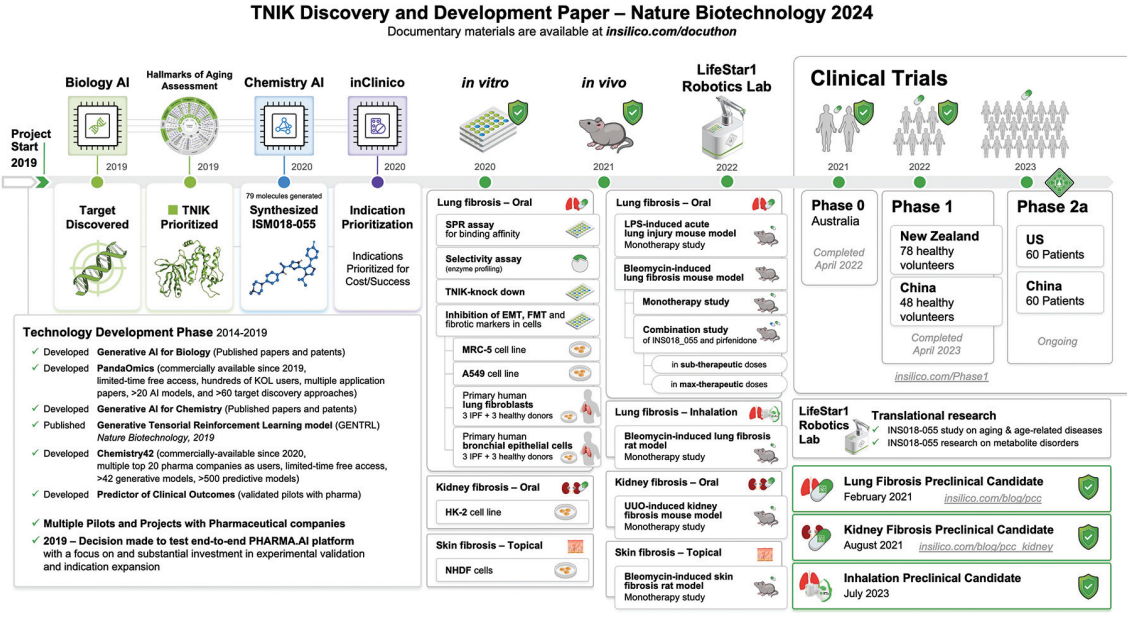
The research and development of our Core Product demonstrates our R&D capabilities. Since our inception, we have been interested in advancing the field of aging research. Fibrosis occurs in the final stage of chronic organ deficiencies, such as pulmonary, kidney or liver diseases, and is associated with aging. It is characterized by excessive proliferation of matrix producing cells which arise from dysregulated chronic inflammation triggered by the poorly understood internal or external stimuli and processes. We initially noticed that IPF is characterized by a progressive and irreversible decline in lung function, remains far from being well understood and there are only two approved drugs that only slowed down the disease progression. In our platform, a ranked list of targets can be generated through flexibly applying

a combination of score compositions and filters, which includes but is not limited to disease-agnostic properties such as protein family, accessibility by small molecules/therapeutic antibodies, newness, crystal structure availability. Therefore, we were encouraged to utilize PandaOmics, a target discovery platform using multiple artificial intelligence engines including generative pretrained transformers, to identify new target in IPF. The selection of high confident new therapeutic targets for IPF was based on a list of dynamic multi-omics datasets derived from tissue samples of IPF patients and relies on biological networks analysis and text data from scientific literature which includes clinical trials, publications and grant applications.

TNIK was identified as the first target among the five top candidates using the "novel kinase (causal)" approach with relatively high values of network neighbors, causal inference, pathways, interactome community, expression, heterogeneous graph walk, and matrix factorization scores. Although TNIK is known with association to the key fibrosis-driving pathways including WNT, TGF-ß, Hippo, JNK and NF-kB signaling networks, TNIK was not studied as a therapeutic target in IPF until selected by the AI algorithm. To design new TNIK inhibitors with high drug likeness, especially selectivity, we exploited the available co-crystal structures of TNIK with inhibitors and the Chemistry42 structure-based drug design. The compound candidates generated were selected based on synthetic accessibility, newness and medicinal chemistry properties, and tested using a radiometric enzymatic assay. ISM001-055 was generated after lead optimization stage, which prioritize the ADME profile. Compared with the known TNIK inhibitor NCB-0846, the clinical candidate compound ISM001-055 showed higher binding affinity.

According to the proposed mode of action in anti-fibrosis, our experienced R&D team further validated that ISM001-055 suppressed the EMT and FMT induction by the key fibrosis master, TGF-ß not only in immortalized lung cell lines but also in primary lung fibroblasts or bronchial epithelial cells from IPF patients as well. The following bulk RNA-seq analysis using the lung alveolar epithelial cell line A549 pre-treated with TGF-ß showed upregulation at transcriptional level on processes associated with ECM organization, cell-cell junctions, focal adhesions, and collagen fibril organization, while concomitant treatment with ISM001-055 significantly reverted these transcriptional alterations. Notably, knocking down TNIK phenocopied the transcriptional changes induced by ISM001-055 treatment. Based on the PK profile and in vitro cell-based antifibrosis assay, we performed the in vivo efficacy study in murine bleomycin-induced lung fibrosis model. As expected, treatment with ISM001-055 significantly decreased modified Ashcroft scores and lung fibrotic area relative to vehicle-treated mice. Nonclinical toxicology validated a good safety profile of ISM001-055. The oral toxicity studies (4-week or 13-week repeat-dose studies in mice and dogs) confirmed a NOAEL in each species for ISM001-055, providing sufficient safety margin for the proposed dosing regimen in clinical trials. In addition, neither genotoxic potential nor phototoxicity potential was identified. Based on the results in two Phase I clinical trials, it is further confirmed that ISM001-055 is generally well tolerated and shows desirable PK profiles in human.

In summary, using our AI-driven methodology, we generated our Core Product ISM001-055 as the small-molecule TNIK inhibitor. ISM001-055 had desirable drug-like properties and anti-fibrotic activity across different organs in vivo through oral, inhaled or topical administration. In addition, we evaluated its safety and tolerability as well as PK in the Phase I clinical trials in New Zealand and China. The results were published in Nature Biotechnology journal (Ren F. et al., A small-molecule TNIK inhibitor targets fibrosis in preclinical and clinical models, Nature Biotechnology, 2024, website link: **https://doi.org/10.1038/s41587-024-02143-0**.) The diagram below sets forth a overview of the our R&D efforts related to TNIK.



Research and Development Team

As of the Latest Practicable Date, we have established a research and development team with 289 experienced scientists. More than 85% of them have obtained a master's or above degree. Among the 289 R&D team members, 42 focuses on the R&D of the Core Product and 83% of them hold master or doctoral degrees in the relevant fields. Substantially all core R&D personnel involved in the development of the Core Product remained employed by us during the Track Record Period and as of the Latest Practicable Date. Most of our core R&D team members, team leaders and project leaders are from top universities and research institutes globally, including Harvard University, The University of Texas at Austin, Boston College, Karolinska Institute, Peking University, Tsing Hua University, University of Science and Technology of China and Fudan University. They have on average seven years of experience in the drug discovery field, including working experiences at global big pharma companies such as GSK, Eli Lilly, Novartis, Roche, Johnson & Johnson and Amgen.

The drug discovery and development team has nominated 18 preclinical candidate compounds since 2021. Four of those programs have proceeded to clinical trial stage. In June 2023, we dosed the first patient in a Phase IIa trial of our lead pipeline candidate, a small molecule inhibitor treatment for IPF that was discovered and designed using our Pharma.AI platform by our R&D team, marking the world's first drug discovered and designed with generative AI entering Phase II trials.

Our therapeutics pipeline development team is headed by our CEO, Mr. Feng Ren, Ph.D., a pharmaceutical industry veteran, and includes the Drug Discovery and Clinical Operations & CRO Management teams. The therapeutics pipeline development team streamlines and guides the drug discovery process and manages relationships with CROs. We have set up an expert CRO management system focused on speed, quality and accuracy with direct local supervision, with dedicated managers for over 40 CROs and CDMOs.

We also have assembled a scientific advisory board that comprises Dr. Charles Cantor, Dr. Michael Levitt, Dr. Kai-Fu Lee, Dr. Alan Aspuru-Guzik, Dr. Donald Small, Dr. Klaus Witte, Dr. Stevan Djuric, and Dr. Bud Mishra. They are renowned external experts with relevant academic and industry records to provide scientific advice to the Company. Such advice are requested by the Company's management on an as-needed basis for reference.

Automated Laboratory

Our next generation automated laboratory combines automation technology and laboratory management system with our drug-discovery focused Pharma.AI platform through the use of an automation interface to cell culture, compound management, high-throughput screening, high-connotation imaging and other functions. The platform provides three capabilities: (i) target discovery and target verification, including synthetic lethality target discovery platform, phenotype-based target discovery platform and age-related disease target discovery platform; (ii) drug development and translational medicine, including target validation and acceleration of certain preclinical activities; and (iii) algorithm verification, by generating results predicted by multiple omics data verification algorithms.

Clinical Development Team

Our clinical development team is led by Dr. Sujata Rao, our Chief Medical Officer, a seasoned executive physician with over 30 years of clinical development and medical affairs experience in executive roles and operating experience at biopharmaceutical companies. As of the Latest Practicable Date, our clinical development team consisted of 22 employees with seven years of working experience on average on trial design, trial execution and trial development. Among those 22 employees, 16 hold master's or doctoral degrees. Our clinical development team's responsibilities include implementation of our clinical development strategy, including the design of clinical development plans, the establishment of quality assurance and control systems, the execution of clinical trial operations, the performance of data analysis and programming and the procurement of clinical supplies.

Clinical Development

Upon obtaining the IND approval from the NMPA, the FDA and Medsafe, our clinical development team, together with reputable CROs and CDMOs in New Zealand, China and the United States, conducted numerous activities for the ongoing and planned clinical trials, including clinical development strategy, market value assessments, trial proposal and protocol designs, including determining study objective and endpoints, trial preparation, site selection, patient recruitment, clinical manufacturing, medical/safety monitoring, site monitoring, data collection/verification and statistical analysis.

Clinical Trial Design and Implementation

Our clinical development team is responsible for trial design and execution and manages clinical procedures and provides oversight of our clinical trials, with the assistance of CROs and CDMOs. Our rapid clinical trial advancements are driven by our (i) extensive clinical trial development experience, (ii) well-designed clinical trial protocols, (iii) multi-center clinical trial strategy in close collaboration with clinical trial sites (i.e., hospitals) and corresponding principal investigators ("**PI**s"), and (iv) effective clinical trial execution.

As the sponsor of our clinical trials, we are responsible for initiating and funding the trials, formulating clinical trial protocols, managing clinical trial implementation across multiple clinical trial sites in adherence to clinical trial protocols. Our clinical development team designs and formulates clinical trial protocols and prepares investigators' brochures based on the differentiated profile and target patient population of our drug candidates and clinical practice in New Zealand, China and the United States to maximize our drug candidates' clinical potential and to accelerate the regulatory approval process. Clinical trial protocols usually include background and basic information, trial objectives and purpose, trial design and implementation approach.

Our clinical development team is also responsible for clinical trial site selection. We select clinical trial sites based on multiple factors. We have entered into a cooperative relationship with numerous clinical trial sites (i.e., hospitals) and PIs to support our clinical trials at different stages. We believe that these institutions' size and geographic diversity provide us with a significant advantage in implementing large-scale clinical trials and enable us to conduct multiple clinical trials concurrently. Due to the geographic diversity of our clinical trial sites (involving sites in New Zealand, Australia, the U.S. and China as of the Latest Practicable Date), a wide range of patient ethnicities has been included in the data collected as of the Latest Practicable Date. Additionally, some trial sites have naturally ethnically diverse populations, resulting in the enrollment of individuals from various ethnic backgrounds.

During the Track Record Period, we cooperated with leading PIs to conduct the clinical trials of our drug candidates. To the best of our knowledge, none of them has any prior or existing relationships with us, our executive Directors, shareholders, senior management or any of their respective associates. As the sponsor of our clinical trials, we take primary responsibility for the design and execution of the entire trial. Our clinical trial team formulates trial protocols and selects and engages trial sites and PIs to conduct clinical trials. The PIs are primary responsible for conducting site-level clinical research activities according to our designed trial protocols and in accordance with laws, regulations, and the good clinical practice ("**GCP**") Guideline, a quality standard for overall clinical trial conduct. PIs regularly communicate with us on the trial progress and observations to evaluate the efficacy and safety of our drug candidates. Each clinical trial has a leading PI with primary responsibility to ensure compliance with clinical trial protocol and GCP over the entire trial. Through the clinical trial process and with the assistance of CROs and CDMOs, we closely monitor trial-related activities, perform site audits, conduct an ongoing risk assessment and safety evaluation, review protocol deviations, and review clinical data to protect the safety of volunteers and ensure the integrity of trial results. We collect and analyze trial data after the last participant completes the last visit to prepare documentation for regulatory approvals of our drug candidates.

As advised by Frost & Sullivan, the roles and responsibilities of the PIs in our clinical trials are in line with the common industry practices. In accordance with the laws and regulations, we enter into agreements with the hospitals that the PIs belong to and settle the fees and expenses with those hospitals through CROs. To avoid any potential conflicts of interest, we do not make any payment to PIs directly. Based on the view of Frost & Sullivan, such clinical trials have been conducted in line with the common industry practice.

Clinical Translational Research

We conduct clinical translational research to assess the effectiveness and safety of treatment, evaluate different ways to customize therapies and improve personalized medicine guidelines using the new data generated. These insights help to further guide us toward new directions in new drug discovery and position us to obtain proof of concept results. We also maintain extensive collaboration with physicians, scientists and key opinion leaders, and further develop products based on their clinical feedback to our drug candidates, whether in terms of indications or potential treatment combinations. We have established a rich network of top-tier CROs and CDMOs, research institutions and hospitals to facilitate progress of our drug candidates into clinical trials.

Collaboration with CROs and CDMOs

As of the Latest Practicable Date, we did not have any plans to establish our own manufacturing facilities to support our pre-clinical and clinical studies. We collaborate with CROs (including SMOs) and CDMOs (including CMOs) to conduct and support our preclinical and clinical studies in line with industry practice. We select our CROs and CDMOs by weighing various factors, such as their qualifications, academic and professional experience, industry reputation and service fees. We maintained a cooperation relationship with over 40 CROs and CDMOs. To the best of our knowledge, except for WuXi AppTec, none of them has any past or present relationships with us, our Directors, shareholders, senior management or any of their respective associates.

During the drug discovery stage, our R&D team focuses on exploring the activities of new chemical entities with disease targets, based on a thorough biological understanding of the disease. Our team also coordinates and accomplishes pre-clinical R&D activities on the product candidates' pharmacology, pharmacokinetics and toxicology during the drug evaluation stage. Our drug discovery capabilities comprise (i) screening and validation of compound with specific biological targets; (ii) analytical technology formulation and toxicology; and (iii) supporting systems including intellectual properties and quality assurance. During the clinical development stage, our R&D team conducted clinical activities including: (i) coordinating all clinical development activities; (ii) designing the key aspects of the clinical study; (iii) designing and coordinating the selection process for qualified CROs to assist in engaging clinical sites and coordinating clinical studies once commenced; (iv) supervising the clinical studies; and (v) overseeing extensive regulatory outreach.

Our preclinical CRO and CDMOs partners mainly provide us with services related to compound synthesis, lab testing, preclinical toxicity and safety evaluations, such as animal studies, of our drug candidates in accordance with our study design and under our supervision. Our clinical CRO partners provide us with an array of services necessary for complex clinical trials in accordance with our trial design and under our supervision. CROs generally provide

a comprehensive suite of services to assist us with implementing and managing clinical trials, including trial preparation, source data verification, clinical safety management, data management, and report preparation. Our CDMO partners are responsible for manufacturing our required products in accordance with certain product specifications, in compliance with current Good Manufacturing Practice ("**cGMP**") requirements (where applicable), our quality standards and other applicable laws and regulations.

The following table sets forth the costs attributable to five largest CROs or CDMO in terms of total attributable costs (in descending order) during the Track Record Period.

		Year ended December 31		During the Track Record Period
	Background	2022	2023	Total Amount
		US$'000	*US$'000*	*US$'000*
Costs attributable to each major CRO/CDMO				
WuXi AppTec Co., Ltd. and its subsidiary (藥明康德有限公司及其附屬公司)	Preclinical testing and compound synthesis, and manufacturing service	20,611	15,594	36,205
Supplier A	Preclinical testing and compound synthesis	9,018	7,391	16,409
Fortrea Inc.	Clinical trial related service	487	7,524	8,011
Supplier B	Chemical manufacturing and control	2,760	5,001	7,761
Supplier C	Lab equipment	6,169	562	6,731

REGULATORY AFFAIRS

Our regulatory affairs team is responsible for the regulatory approval process of our drug candidates, including assembling application dossiers for IND and NDA, addressing inquiries from relevant regulatory agencies and monitoring our R&D projects to ensure their compliance with relevant laws and regulations. Our regulatory affairs team manages the regulatory submission process for our drug candidates, which requires filings to be made to and approved by the relevant authorities before clinical trials can be initiated. The regulatory affairs team prepares and manages regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting CMC and GMP readiness assessments for our drug candidates. Our regulatory affairs team possess extensive knowledge and experience with regard to regulatory filings in the U.S., China and other jurisdictions. In addition, our regulatory affairs team work with consultants who are experienced in obtaining drug approvals. With our presence and expertise in the U.S., China and other jurisdictions, we can design our clinical trials to maximize operational efficiency.

BUSINESS DEVELOPMENT AND COMMERCIALIZATION

To support our long-term business strategy and to fulfill the potential of our assets, our corporate and business development group advances a comprehensive approach to continuously assess partnering opportunities with various global and regional stakeholders in the biopharmaceutical and biotech industry. Our software licensing business involves the licensing out of our Pharma.AI platform. The breadth of our AI platforms, while focused on the biopharma industry, has broader appeal. We have invested substantially to create a rich drug discovery and development pipeline targeting areas spanning oncology, immunology, fibrosis and other therapeutic areas. Our typical pipeline product advances from discovery stage to the preclinical stage within 12 months based on our practice, which is considerably faster than the industry average of approximately three to six years from discovery stage to preclinical stage using traditional methods, according to Frost & Sullivan analysis based on statistics on time frame for drug development provided by global leading CROs. As more of our pipeline assets mature, our asset out-licensing offering is becoming increasingly attractive to pharmaceutical companies for licensing and commercialization, potentially providing us with significant monetization opportunities.

Our R&D team collaborates closely with our corporate and business development group to evaluate business opportunities (including out-licensing assets and strategic partnerships) and gather competitive intelligence and make decisions about portfolio prioritization and clinical positioning of our programs. Our dual CEO structure provides added oversight and specialized focus to the R&D function and allows us to continue to invest in innovation, while meeting our business development objectives.

We will employ a strategic marketing model to increase our market penetration and to promote our products, in particular, the Core Product. Under this model, a series of marketing activities will be carried out including establishing collaboration with hospitals with expertise in our targeted IPF, KOL engagement through regional educational seminars held online and offline. To maintain our market competitiveness and increase our market awareness, we will build our sales and marketing team, establish referral network, provide trainings to physicians, and attend or organize educational symposia, conferences, seminars, and other activities at national, regional and local levels in both China and the U.S. We will also adjust the geographic and product coverage of our in-house sales force and third-party CSOs for existing and new products based on respective network advantages, historical performance and cost efficiency.

To compete with the two approved drugs (pirfenidone and nintedanib) and their generics as well as the drug candidates at more advanced clinical stages for the treatment of IPF, we plan to employ a strategic academic-promotion model to promote and sell our Core Product. Under this model, we expect to promote the Core Product to hospitals and physicians in Greater China through academic marketing, establishing centers of excellence and referral network, and providing trainings to physicians. As physicians are expected to play a key role in this process, not only in administering the Core Product but also in educating patients about its potential benefits, we intend to design our marketing and academic education strategy around close and continued engagement with physicians. Our focus is on physician and patient education on the

differentiating features or better results of our Core Product to its competitors. In China, we plan to adopt a tiered provincial market-entry approach with the goal of achieving nationwide coverage in the medium term. Our priority is to initially focus on top tier provinces that have favorable reimbursement coverage and high patient volume capture. As we expand into tier 2 and other lower tier provinces, we plan to continue to invest in building our on-the-ground presence and coverage. We seek to strengthen our relationship with key stakeholders in each province to drive diagnosis and treatment, and also to support reimbursement negotiation into provincial formulary.

We consider the U.S. to be our most attractive foreign market and are exploring ways to eventually manufacture and sell our Core Product in the U.S. To support the initial launch, we are exploring ways to establish a dedicated in-house commercialization team in the U.S. This team will focus on executing a medical engagement plan for KOL development, promoting community awareness and gaining market insights. Considering the sales and marketing costs, we may also pursue opportunities to work with global partners to manufacture and commercialize our Core Products in the U.S. on a cost- and profit-sharing model. As of the Latest Practicable Date, several global pharmaceutical companies had expressed an interest in collaboration. While Orphan drugs have a smaller addressable market, they are associated with significantly higher pricing compared to non-orphan drugs. Furthermore, we have received the Orphan Drug Designation from the FDA for our Core Product. This designation could potentially grant us seven years of market exclusivity in the U.S., which we will leverage to capture market share. With the expected higher drug pricing and market exclusivity, we anticipate the revenue from sales of our Core Product in the U.S. to be substantially higher than its associated R&D costs.

As of the Latest Practicable Date, our Core Product is undergoing clinical studies and has not been commercialized. As such, we have not formulated any definitive pricing policy for our Core Product. As our Core Product progresses towards potential approval and commercialization in the future, we or a partner will determine pricing based on a variety of factors such as our Core Product's clinical profile and competitive pricing from other relevant marketed drugs. We or a partner may conduct extensive market research with KOLs, hospitals, physicians and patients as well as regulatory bodies before pricing our Core Product and may take into account various factors such as feedback collected from these parties, our production costs, the differences in safety and efficacy profiles between our Core Product and competing products, the estimated demand for our Core Product and the clinical value to patients. For pricing in China, we or partner may determine pricing based on the affordability to Chinese patients and the price of comparable products. The pricing in overseas markets may vary according to the specific conditions in each territory, including, among other things, the pricing of multinational competitors in the same market. We observed that over the years of China's exploration in insurance mechanism of orphan diseases at the local level, an aggregate of 29 provinces have implemented insurance policies for certain rare disease with various reimbursement models. Certain orphan disease patients are treated at a limited number of specialized hospitals and therefore sales efforts for orphan drugs can be much more targeted. The unique nature of orphan diseases has also led to a favorable regulatory environment in various countries, such as the Orphan Drug Act in the United States, which helps accelerate the development and commercialization process of orphan drugs.

INTELLECTUAL PROPERTY

Intellectual property rights are central to the success of our business. Our commercial future will depend, in part, on our ability to acquire and protect our intellectual property rights for commercially significant technologies, inventions and know-how. This could involve the acquisition of new patents, the defense of existing patents, and the protection of our trade secrets. We will also have to operate without infringing, misappropriating, or otherwise violating third parties' valid, enforceable intellectual property rights.

As of the Latest Practicable Date, we held 360 patents and patent applications. The following table sets forth an overview of our material granted patents and filed patent applications in connection with our clinical and preclinical drug candidates as of the Latest Practicable Date.

Product	Name of patent[(1)]	Jurisdiction	Status	Patent expiration[(2)]	Market commercial rights of the Group
ISM001-055 . . .	Kinase Inhibitors	U.S.	Granted	2040/2/20	Full ownership
		U.S., EPO[(3)], Mainland China, Japan, Hong Kong, Taiwan	Pending	–	Full ownership
	Methods of Inhibiting Kinases	U.S.	Granted	2040/2/20	Full ownership
		Taiwan	Granted	2040/2/24	Full ownership
		U.S.	Pending	–	Full ownership
	Analogs for The Treatment of Diseases[(5)]	U.S., Taiwan, Argentina, U.S., Australia, Canada, Mainland China, India, Korea, EPO, Japan, Singapore	Granted	2042/2/23	Full ownership
			Pending	–	Full ownership
	Analogs for The Treatment of Diseases[(5)]	PCT[(4)], U.S., EPO	Pending	–	Full ownership
	Methods of Manufacturing Kinase Inhibitors	PCT, Taiwan, Argentina	Pending	–	Full ownership
	Cystalline TNIK Inhibitor and Uses Thereof	PCT	Pending	–	Full ownership
	Pharmaceutical Formulations for Inhalation and Uses Thereof	PCT	Pending	–	Full ownership

Product	Name of patent[1]	Jurisdiction	Status	Patent expiration[2]	Market commercial rights of the Group
ISM8207.	Beta-Lactam Derivatives for the Treatment of Diseases	U.S.	Granted	2042/6/23	Full ownership
		Taiwan, U.S., Australia, Canada, EPO, Japan, Korea, New Zealand, Singapore	Pending	–	Full ownership
	Crystalline Beta-Lactam Derivatives and Uses Thereof	PCT	Pending	–	Full ownership
ISM3312.	SARS-COV-2 Inhibitors Having Covalent Modifications for Treating Coronavirus Infections	U.S., EPO, Mainland China, Japan, Taiwan, Hong Kong	Pending		Full ownership
	SARS-COV-2 Inhibitors for Treating Coronavirus Infections	PCT, U.S., Taiwan, Argentina, Pakistan, Venezuela, Uruguay, Paraguay	Pending	–	Full ownership
	Sars-Cov-2 Inhibitors for Treating Coronavirus Infections	U.S.	Granted	2042/11/1	Full ownership
		PCT	Pending	–	Full ownership
	M^{pro} Inhibitors for Treating Coronavirus Infections	PCT	Pending	–	Full ownership
	Crystalline Sars-Cov-2 Inhibitor and Uses Thereof	PCT	Pending	–	Full ownership

Product	Name of patent[1]	Jurisdiction	Status	Patent expiration[2]	Market commercial rights of the Group
ISM3091	Small Molecule Inhibitors of Ubiquitin Specific Protease 1 (USP1) and Uses Thereof	U.S.	Granted	2042/11/11	Full ownership
		PCT, U.S., Taiwan, Argentina	Pending	–	Full ownership
	Formulations of Ubiquitin Specific Protease 1 (USP1) Inhibitor and Uses Thereof	PCT	Pending	–	Full ownership
	Crystalline Ubiquitin Specific Protease 1 (USP1) Inhibitor and Uses Thereof	PCT	Pending	–	Full ownership
	Small Molecule Inhibitors of Ubiquitin Specific Protease 1 (USP1) And Uses Thereof	PCT	Pending	–	Full ownership
ISM5411 and ISM4808	Prolyl Hydroxylase Domain-Containing Protein (PHD) Inhibitors and Uses Thereof	U.S.	Granted	2042/10/28	Full ownership
		PCT, U.S., Taiwan, Argentina	Pending	–	Full ownership
	Crystalline Prolyl Hydroxylase Domain-Containing Protein (PHD) Inhibitor and Uses Thereof	PCT	Pending	–	Full ownership
	Prolyl Hydroxylase Domain-Containing Protein (PHD) Inhibitors, Combinations and Uses Thereof	PCT	Pending	–	Full ownership
ISM3412	Methionine Adenosyltransferase 2a (MAT2A) Inhibitors and Uses Thereof	PCT, Taiwan, Argentina	Pending	–	Full ownership

Notes:

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

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

(3) EPO: European Patent Office. The EPO provides a single patent grant procedure and grants patents covering the contracting states to the European Patent Convention and several other states that have concluded extension and validation agreements with the EPO. The EPO currently has 39 member states.

(4) PCT: Patent Cooperation Treaty. The PCT is an international patent law treaty that provides a unified procedure for filing patent applications to protect inventions in each of its contracting states. A patent application filed under the PCT is called PCT application. To date, 157 jurisdictions, including China and the United States, are parties to the PCT.

(5) The names of the two patent applications are the same.

The term of individual patents may vary based on the countries in which they are obtained. In most countries and regions in which we file patent applications, the term of an issued patent is generally 10 to 20 years from the filing date of the formal patent application on which the patent is based in the applicable country or region. In the U.S., a patent's term may be lengthened in some cases by a patent term adjustment, which extends the term of a patent to account for administrative delays by the United States Patent and Trademark Office ("**USPTO**"), in excess of a patent applicant's delays during the prosecution process, or may be shortened if a patent is terminally disclaimed over a commonly owned patent having an earlier expiration date.

The actual protection provided by a patent varies on a claim-by-claim and country-by-country basis and depends upon various factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular country or region, and the validity and enforceability of the patent. We cannot provide any assurance that patents will be issued with respect to any of our owned pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of manufacturing the same.

We may rely, in some circumstances, on trade secrets and confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with consultants, scientific advisors and contractors, and invention assignment agreements with our employees and consultants. We have entered into confidentiality agreements and non-competition agreements with our senior management, certain key members of our R&D team, and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we use to employ each employee, contains an assignment clause. We own all the rights to all inventions, technology, know-how, and trade secrets derived during such employees' work.

These agreements may not sufficiently protect our trade secrets and confidential information. These agreements may also be breached, resulting in the misappropriation of our trade secrets and confidential information, and we may not have an adequate remedy for any such breach. In addition, our trade secrets and confidential information may become known or be independently developed by a third party or misused by any collaborator to whom we disclose such information. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or obtain or use information that we regard as proprietary without our consent. As a result, we may not sufficiently protect our trade secrets and proprietary information.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining the physical security of our premises and the physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See "Risk Factors — Risks Related to Our Intellectual Property" to describe risks related to our intellectual property.

We conduct our business under the brand name "Insilico Medicine" and "英矽智能." As of the Latest Practicable Date, we held 101 trademarks and trademark applications and 13 registered software copyrights. We are also the registered owner of 56 domain names.

As at the Latest Practicable Date, we had not been involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

CUSTOMERS

During the Track Record Period, our customers are pharmaceutical/biotech companies. The total revenue generated from our five largest customers in each period during the Track Record Period amounted to US$27.3 million and US$48.2 million in 2022 and 2023, respectively. Our five largest customers in 2022 and 2023, respectively, together accounted for 90.6% and 94.1%, respectively, of our total revenues during those periods, and our largest customer in each period during the Track Record Period accounted for 56.6% and 76.2%, respectively, of our total revenues during those periods. We normally grant a credit term of 10 days to 60 days to our customers. None of our five largest customers in each period during the Track Record Period is a supplier to us.

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

We provided two types of arrangements to our customers, for access to our Pharma.AI, or by granting right to use Chemistry42 installed on the customer's premise. We had 41 and 50 subscription customers in 2022 and 2023, respectively.

Below is a summary of the key terms of a typical agreement with our subscription customers:

- *Duration*. The subscriptions are typically for one year subject to renewal. If a customer intends to renew its subscription upon expiry of the initial term, we will enter into a new subscription agreement or a new order under the subscription agreement.

- *Pricing*. The subscriptions are generally in fixed price and non-refundable, and such fees are payable within 30 days of delivery of the invoices.

- *Termination*. Either the customer or we may terminate the subscription in case of the other party's material breach or insolvency.

- *Intellectual Property*. We retain ownership of and reserves all IP rights in or related to the subscription platform.

The tables below set forth certain information about our five largest customers in terms of revenue (in descending order) generated during the Track Record Period.

					For the Year Ended December 31, 2023					
Customer	**Years of relationship**	**Background and business activities**	**Product sold**	**Credit term**	**Sales amount**	**Percentage of revenue**	**Relationship with the Company**	**Methods of settlement**	**Company scale***	**Country/ Region**
					US$'000					
Exelixis, Inc.	one	A global oncology company focusing on next-generation medicines and regimens of cancer care.	Asset license-out	30 days	39,022	76.2%	Independent Third Party	Bank Transfer	Market Cap of USD7.46 Billion	USA
Genzyme Corporation . . .	Two	A global healthcare company, focused on patient needs and engaged in the research, development, manufacture and marketing of therapeutic solutions.	Drug discovery services	60 days	4,167	8.1%	Independent Third Party	Bank Transfer	N/A	USA
Fosun Industrial Co., Limited (上海復星醫藥(集團)股份有限公司)	Two	A global innovation-driven pharmaceutical and healthcare industry group, operates businesses including pharmaceutical manufacturing, medical devices, medical diagnosis, and healthcare program.	Drug discovery services	30 days	3,350	6.6%	Independent Third Party	Bank Transfer	Market Cap of USD8.69 Billion	Mainland China

For the Year Ended December 31, 2023

Customer	Years of relationship	Background and business activities	Product sold	Credit term	Sales amount	Percentage of revenue	Relationship with the Company	Methods of settlement	Company scale*	Country/ Region
					US$'000					
Customer A	Two	A global pharmaceutical company engaged in drug research and development, production, and sales, committed to improving human health through innovation.	AI based software license	60 days	1,000	2.0%	Independent Third Party	Bank Transfer	Market Cap of USD542.22 Billion	USA
Customer B	Three	A global agriculture innovation company.	Drug discovery services*	60 days	630	1.2%	Independent Third Party	Bank Transfer	N/A	Switzerland

For the Year Ended December 31, 2022

Customer	Years of relationship	Background and business activities	Product sold	Credit term	Sales amount	Percentage of revenue	Relationship with the Company	Methods of settlement	Company scale*	Country/ Region
					US$'000					
Fosun Industrial Co., Limited and its subsidiary (上海復星醫藥(集團)股份有限公司及其附屬公司) . .	One	A global innovation-driven pharmaceutical and healthcare industry group, operates businesses including pharmaceutical manufacturing, medical devices, medical diagnosis, and healthcare program.	Drug discovery services	30 days	17,066	56.6%	Independent Third Party	Bank Transfer	Market Cap of USD10.68 Billion	Hong Kong and Mainland China
Genzyme Corporation . . .	One	A global healthcare company, focused on patient needs and engaged in the research, development, manufacture and marketing of therapeutic solutions.	Drug discovery services	60 days	8,333	27.6%	Independent Third Party	Bank Transfer	N/A	USA
Customer B	Two	A global agriculture innovation company.	Drug discovery services**	60 days	766	2.5%	Independent Third Party	Bank Transfer	N/A	Switzerland

					For the Year Ended December 31, 2022					
Customer	**Years of relationship**	**Background and business activities**	**Product sold**	**Credit term**	**Sales amount**	**Percentage of revenue**	**Relationship with the Company**	**Methods of settlement**	**Company scale***	**Country/ Region**
					US$'000					
Customer C	Two	An innovation-driven biomedical company, commit to developing drugs targeting major human diseases such as cancer and coronavirus diseases.	Drug discovery services	10 business days	596	2.0%	Independent Third Party	Bank Transfer	Registered Capital of RMB16.32 Million	Mainland China
Customer D	Two	A clinical-stage biotechnology company focusing on therapies.	Drug discovery services	10 business days	559	1.9%	Independent Third Party	Bank Transfer	Registered Capital of RMB24.85 Million	Mainland China

* Market cap is the information as of the Latest Practicable Date, which may vary from time to time.

** For Customer B, we leveraged our small molecules application to provide research services related to improving the design of active ingredients for herbicides.

SUPPLIERS

During the Track Record Period, our purchases mainly include third-party contracting services for preclinical evaluation and clinical trials of our drug candidates, regents and consumables, machines and equipment and professional service. The purchases (including assets and services) from our five largest suppliers in each period during the Track Record Period in the aggregate amounted to US$42.6 million and US$39.0 million in 2022 and 2023, respectively. In 2022 and 2023, our five largest suppliers in each period during the Track Record Period in the aggregate accounted for 49.5% and 43.0%, respectively, of our total purchases during those periods, and our largest supplier in each period during the Track Record Period accounted for 24.0% and 17.2%, respectively, of our total purchases (including value-added tax) during those periods.

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

In addition, we believe that adequate alternative sources for such supplies exist, and we have developed alternative sourcing strategies for these supplies. We will establish necessary relationships with alternative sources based on supply continuity risk assessment. Other than the agreements with certain CROs and CDMOs, we order supplies and services on a purchase order basis and do not enter long-term dedicated capacity or minimum supply arrangements. We generally have credit periods of 30 days.

Below is a summary of the key terms of a typical agreement with our CROs and CDMOs.

- *Services*. The CRO or CDMO provides us with services such as implementing a clinical research project, manufacturing products as specified in the master agreement or work order.

- *Term*. The CRO or CDMO is required to perform its services according to the prescribed timeframe set out in the master agreement or a work order.

- *Payment*. We are required to make payments to the CRO or CDMO according to the payment schedule agreed by the parties.

- *Confidentiality*. We and the CRO or CDMO agree to keep confidential any information in relation to the performance of the master agreement.

- *Intellectual Property*. We own all intellectual property derived from the clinical research project, and we are entitled to apply patent for such intellectual properties.

The tables below set forth certain information about our five largest suppliers in terms of total purchases during the Track Record Period.

	For the Year Ended December 31, 2023									
Supplier	**Years of relationship**	**Credit term**	**Product or service supplied**	**Purchase amount**	**Percentage of total purchases**	**Relationship with the Company**	**Methods of settlement**	**Nature of business of the supplier**	**Company scale***	**Country/ Region**
				(US$'000)						
WuXi AppTec Co., Ltd. and its subsidiaries (藥明康德有限公司及其附屬公司)	Six	30 days	Preclinical testing, compound synthesis and manufacturing services	15,594	17.2%	Related party	Bank Transfer	Contract Research Organization	As of Latest Practicable Date, Market Cap of Over USD30.00 Billion	Hong Kong and Mainland China
Fortrea Inc.	Two	30 days	Clinical trial related service	7,524	8.3%	Independent Third Party	Bank Transfer	Contract Research Organization	Market Cap of USD3.10 Billion	USA
Supplier A	Four	20-30 business days	Preclinical testing and compound synthesis	7,391	8.1%	Independent Third Party	Bank Transfer	Contract Research Organization	Market Cap of USD1.23 Billion	Mainland China
Supplier B	Three	60 days	Chemical manufacturing and control	5,001	5.5%	Independent Third Party	Bank Transfer	Contract Research Organization	Market Cap of USD1.10 Billion	Mainland China
Hangzhou Tigermed Consulting Co., Ltd. and its subsidiaries (杭州泰格醫藥科技股份有限公司及其附屬公司)	Two	60 days	Clinical trial related service	3,528	3.9%	Independent Third Party	Bank Transfer	Contract Research Organization	Market Cap of USD6.32 Billion	Mainland China

	For the Year Ended December 31, 2022									
Supplier	**Years of relationship**	**Credit term**	**Product or service supplied**	**Purchase amount**	**Percentage of total purchases**	**Relationship with the Company**	**Methods of settlement**	**Nature of business of the supplier**	**Company scale***	**Country/ Region**
				(US$'000)						
WuXi AppTec Co., Ltd. and its subsidiaries (藥明康德有限公司及其附屬公司)	Five	30 days	Preclinical testing, compound synthesis and manufacturing services	20,611	24.0%	Related party	Bank Transfer	Contract Research Organization	As of Latest Practicable Date, Market Cap of Over USD30.00 Billion	Hong Kong and Mainland China
Supplier A	Three	20-30 business days	Preclinical testing and compound synthesis	9,018	10.5%	Independent Third Party	Bank Transfer	Contract Research Organization	Market Cap of USD1.52 Billion	Mainland China
Supplier C	Two	10 business days	Lab equipment	6,169	7.2%	Independent Third Party	Bank Transfer	Equipment manufacturer	Registered Capital of RMB5.45 Million	Mainland China
Supplier D	Two	30 days	Clinical trial related service	4,054	4.7%	Independent Third Party	Bank Transfer	Contract Research Organization	N/A	USA
Supplier B	Two	60 days	Chemical manufacturing and Control	2,760	3.2%	Independent Third Party	Bank Transfer	Contract Research Organization	Market Cap of USD1.25 Billion	Mainland China

* Market cap is the information as of the Latest Practicable Date, which may vary from time to time.

COMPETITION

Our industry is highly competitive and subject to rapid and significant change. We face fierce competition from existing drugs in the market and drug candidates under development. While we believe that our generative AI platform, comprehensive R&D capabilities (including through our access to a network of CROs and CDMOs), the unique profile of our Core Product, our flexible business model, global operational footprint and seasoned management team provide us with competitive advantages, we face potential competition from many different sources working to develop therapies targeting the same indications against which we are developing our drug candidates. These include major pharmaceutical companies, other biopharmaceutical companies, government agencies and research institutions. Any drug candidates that we successfully develop and commercialize will compete with existing drugs and any new drugs that may become available in the future. For more details of the competitive landscape of each relevant market regarding our pipeline products, please see "Industry Overview" in this Document.

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. Our principal insurance policies cover employee benefits liability and adverse events in clinical trials. As of the Latest Practicable Date, our current life science liability policy covers damages that we are legally obligated to pay for bodily injury or property damage that happens in connection with the business which including preclinical services. The period of the existing life science liability insurance policy is from October 26, 2023 to October 25, 2024, retroactive date to October 26, 2021. For additional information, please refer to the section headed "Risk Factors — Risks Related to Our Operations and Financial Prospects — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources" in this Document.

We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with the industry norm. During the Track Record Period, we had not made or been the subject of any material insurance claims.

EMPLOYEES AND CONSULTANTS

As of the Latest Practicable Date, we had a total of 356 employees and consultants, including a total of 293 employees and consultants with the vast majority holding a master's or doctorate degree in a relevant field. The following table sets forth the number of our employees and consultants by function as of the Latest Practicable Date.

Function	Number	Percentage of total
Research and Development	289	81%
General Administration	42	12%
Business Development and Marketing	25	7%
Total	356	100%

We enter into individual employment contracts with our employees which cover salaries, bonuses, employee benefits, workplace safety, confidentiality obligations, work product assignment clause and grounds for termination. We also enter into separate confidentiality and non-competition agreements with our senior management, certain key members of our R&D team, and other employees who have access to trade secrets or confidential information about our business.

To maintain our workforce's quality, knowledge, and skill levels, we provide continuing education and training programs, including internal and external training, to improve their technical, professional or management skills. We also provide training programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects. Furthermore, we provide various incentives and benefits to our employees, including competitive salaries, bonuses and share-based compensation, particularly our key employees.

Our employees' remuneration comprises salaries, bonuses, provident funds, social security contributions, and other welfare payments. We have made contributions and benefits to our employees pursuant to applicable laws and regulations. We believe that we have maintained good working relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, work stoppages, labor disputes or other actions which had a material adverse effect on our business and operations.

LAND AND PROPERTIES

As of the Latest Practicable Date, we did not hold any real property.

The following table sets forth the details of our leased properties as of the Latest Practicable Date.

Usage	Location	GFA (sq.m)	Lease Term
Administrative offices	New York	N/A*	February 2, 2022 to February 1, 2027
Administrative offices	Hong Kong	257	August 15, 2022 to August 14, 2025
Administrative offices	Shanghai	2,282	(1) August 1, 2022 to July 31, 2024; (2) September 1, 2022 to October 31, 2024; (3) November 1, 2022 to October 31, 2024
R&D	Shanghai	18.2	February 1, 2024 to January 31, 2025
R&D	Shanghai	166	January 22, 2024 to January 21, 2025
AI-driven, automated laboratory and administrative offices	Suzhou	1,665	July 1, 2022 to September 30, 2025
Administrative offices	Taipei	454	July 1, 2022 to June 30, 2025
Administrative offices	Montreal	234	October 1, 2022 to September 30, 2025
Administrative offices	Abu Dhabi	552	(1) July 21, 2022 to July 20, 2026; (2) November 11, 2022 to July 20, 2026 (3) August 1, 2023 to July 20, 2026

*Note: *We utilize a co-working office in which we share the space with other tenants*

We believe our current facilities are sufficient to meet our near-term needs, and additional space can be obtained on commercially reasonable terms to meet our future needs. We do not anticipate undue difficulty in renewing our leases upon their expiration.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Governance

We acknowledge our responsibility in environmental protection, civil society and all levels of governance, and understand that the issues which arise from environmental, social and governance ("**ESG**") may affect the sustainability of our business operations. Therefore, we established an ESG management structure that specifies the ESG roles and responsibilities of all levels of our organization.

The Board of Directors is responsible for and guides our ESG development. To promote our sustainable and healthy development, the Board of Directors incorporated the ESG strategic development, the setting and suggestions on ESG targets, the study on ESG industrial development and relevant major decisions on ESG into the responsibilities of the ESG Committee under the Board of Directors. The ESG Committee consists of five Board members. For additional information on the ESG Committee members, see "Directors and Senior Management — Corporate Governance — ESG Committee".

For the monitoring level, we established an ESG working group to address ESG risks and formulated corresponding working rules to supervise our social responsibility and measures for sustainable development. The ESG working group is responsible for (i) integrating ESG into our strategy; (ii) overseeing, identifying, assessing and managing our potential ESG-related risks and opportunities, and deliberating on the formulation of ESG strategic plans, management structure, systems, strategies and implementation rules so as to ensure the continuous execution and implementation of our ESG policies; (iii) making guidelines for reviewing the identification and ranking of our important ESG issues; (iv) determining our key ESG issues; (v) reviewing our ESG work and internal monitoring systems, and making recommendations on their appropriateness and effectiveness; (vi) monitoring our ESG-related risks and making inquiries on and formulating corresponding measures for major issues that affect our performance of ESG-related work, and reviewing and supervising how such issues are handled; (vii) the coordination management, communication and ESG disclosure of ESG matters; (viii) reviewing our ESG-related disclosure documents, including but not limited to the annual ESG reports; (ix) providing ESG-related training and materials to the Board of Directors.

The ESG working group will also guide all key departments on ESG promoting the achievement of key ESG performance indicators and targets, implementing the ESG work within the scope of authority under the guidance of the ESG working group and reporting to the ESG Committee on significant ESG matters. We are committed to, after being [**REDACTED**], complying with the reporting requirements related to ESG.

We have in place a set of environmental, social and governance policies ("**ESG Policy**") which are in line with relevant international standards. To reduce the negative impact on the environment, we are committed to energy conservation and sustainable development. We intend to adopt governance measures which are in compliance with all ESG-related laws and regulations, and to monitor and collect ESG-related data so as to prepare our disclosure report after [**REDACTED**] and in accordance with the Environmental, Social and Governance Reporting Guide, Appendix C2 of the Listing Rules in due course. We are preparing and formulating our ESG policies in accordance with the standards under Appendix C2 of the Listing Rules, which outlines, among other things, (i) establishing a green management system; (ii) strict rules on waste disposal; (iii) resources efficiency; and (iv) responses to climate change.

We believe that employees are our most valuable resource, and are committed to respecting their dignity, treating them with respect. We value employees' physical and mental health as well as well-being. We will continue to promote work-life balance and create a positive workplace for all of our employees. With regard to the issues in our employment-related governance, we adopted the following policies relating to: (i) creating a safe and healthy workplace, encouraging and supporting a culture of learning and improving; (ii) offering competitive compensation and other benefits to our employees; and (iii) providing training, health, and professional and personal development for our employees.

The Board of Directors takes full responsibility for overseeing, monitoring and identifying the risks and opportunities related to environment, society and employees well-being, establishing and adopting our ESG policies and objectives, and reviewing our performance based on our ESG objectives annually. If material deviations are found, our ESG strategies will be revised accordingly.

Potential Impacts of ESG-Related Risks

During the Track Record Period, we were not involved in any manufacturing activities. We rented a laboratory at Johnson & Johnson Innovation — JLABS ("JLabs") that could accommodate about five people in Shanghai, China, and launched our automated laboratory in Suzhou, China in December 2022.

During the Track Record Period and up to the Latest Practicable Date, we have not received any fines or penalties associated with the breach of any environmental laws or regulations. To the best knowledge and belief of our Directors, we are not subject to material environmental liability risk and will not incur material compliance costs in the future.

To promote sustainable development, we have identified potential physical risks and transition risks from climate change. Acute physical risk can arise from extreme weather conditions such as storms and flooding, which may have potential financial implications for us. In the event of such extreme weather conditions, there could be financial losses due to direct damage of assets, delay of our drug pipeline R&D progress, disruption of operations, or even threaten the personal safety of employees. We may also experience indirect impacts from supply chain disruption if our suppliers suffer from such extreme weather conditions. Meanwhile, sustained elevated temperature resulting from chronic physical risk may increase the electricity consumption and thus the operating expenditure. In order to prevent these situations in advance, we always pay attention to catastrophic weather, strengthen our contingency plans for extreme weather, and make timely adjustments according to temperature and weather conditions to ensure smooth transportation. Also, we adopted an array of measures in managing our energy consumption. During the Track Record Period, we were not affected by the above risks and our exposure to these potential risks is relatively low based on our analysis.

Potential transition risk may result from a lower-carbon economy, which entails climate-related regulations and policy change and reputational risk. We will work with suppliers to comply with such regulations as and when the same is in place, and we will monitor the scope to ensure our works meet the demands and expectations of the regulators and our customers.

Strategies for Addressing ESG-related Risks

We are adopting various strategies and measures to identify, assess, manage and mitigate ESG and climate-related risks, including but not limited to:

- Reviewing and evaluating ESG reports of comparable companies in the industry so as to ensure timely identification of general ESG-related risks;
- Discussing with the management from time to time and holding regular meetings so as to ensure that all material ESG areas are identified and reported;
- Discussing key ESG principles and practices with key stakeholders to ensure that important aspects are covered;
- Formulating specific ESG risk early warning system and management approaches, which quantify the performance indicators so as to identify and consider ESG risks and opportunities and separate ESG risks and opportunities from other business risks and opportunities; and
- Setting short-term and long-term targets for environmental key performance indicators, including emissions, pollution and other impacts on the environment, so as to reduce emissions and consumption of natural resources.

In addition, we will take comprehensive measures to mitigate, adapt and build resilience to the impact of the environment on our business, strategies and financial performance, as summarized below.

Important Areas	Key Measures
Solid waste management	• Requiring proper handling and disposal of solid waste
	• Carrying out hazardous waste storage in accordance with relevant standards, establishing a system for standardized management of hazardous waste, and delivering to qualified third party for proper disposal
Energy and resources saving	• Establishing a "Green Office Management System"
	• Replacing with energy-saving equipment in offices

We will carry out a corporate risk assessment at least once a year which covers current and potential risks that we face, including but not limited to ESG risks and strategic risks from disruptive forces (such as climate change). The Board of Directors will, by themselves or by engaging third-party experts to, assess such risks, review our existing strategies, objectives and internal control, and make necessary optimizations to reduce the risks. The Board of Directors and the ESG working group will keep monitoring our approaches to risk management, including climate-related risks and risks monitored as part of standard operation procedures, to ensure that appropriate mitigation measures are implemented in regular management reviews.

The decisions on the reduction, transfer, acceptance or control of the risks are affected by various factors. We will incorporate climate-related issues, including the analysis on physical and transition risks, into risk assessment process and risk appetite setting. We will consider the risks and opportunities in strategic and financial planning process if such risks and opportunities are deemed to be material. After reviewing the environmental, social and climate-related risks and our performance in response to such risks each year, we may revise and alter our ESG strategies and corporate governance policies as appropriate.

Indicators and Targets

We monitor the following indicators to assess and manage our environmental and climate-related risks arising from our business and R&D activities.

- Power consumption. We regularly monitor our electricity consumption levels and implement measures to improve energy efficiency. For 2022 and 2023, our electricity consumption levels were 151,312.2 KWh and 1,685,750.5 KWh, respectively. The increase of electricity consumption in 2023 compared to 2022 was mainly due to our automated laboratory launched in December 2022;

- Water consumption. We regularly monitor our water consumption levels and implement measures to promote water conservation. For 2022 and 2023, our water consumption levels were 15,311.7 tons and 7,835.8 tons, respectively;

- Emission of greenhouse gasses. We regularly monitor the level of greenhouse gas ("**GHG**") emissions. For 2022 and 2023, our greenhouse gas emissions (scope 1 and scope 2) were approximately 83.9 tonnes of CO_2-e and 1,010.9 tonnes of CO_2-e, respectively. The increase of GHG emissions in 2023 compared to 2022 was mainly because the increasing number and size of our operational office spaces in 2023 resulted in an increase of the overall electricity consumption; and

- Discharge of hazardous waste. The hazardous waste generated by the company in the laboratory rented in JLabs is uniformly treated by a qualified third party managed by JLabs. Our self-built automated laboratory in Suzhou, China was launched in December 2022. Our hazardous waste discharge levels were 4.2 tons for 2023.

The ESG working group will set targets for each material key performance indicator at the beginning of each financial year in accordance with the disclosure requirements under Appendix C2 of the Listing Rules and any other relevant rules and regulations after [**REDACTED**]. Relevant targets of the material key performance indicators will be reviewed annually to ensure that they are still suitable for our needs. When setting the targets for environment-related key performance indicators, we shall take into account our respective consumption or emission levels during the Track Record Period, and consider our future business expansion in a comprehensive and prudent manner, with a view to crafting a balance between business growth and environmental protection and achieving sustainable development.

During the Track Record Period, the total amount of GHG emissions (scope 1 and scope 2) were 1,094.8 tonnes of CO_2-e. In the future, we will promote a low-carbon office and low-carbon travel, and implement a number of measures to reduce greenhouse gas emissions.

Workplace Safety

We have adopted and maintained a series of rules, standard operating procedures, and measures to maintain our employees' healthy and safe environment. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. We invite experts on fire control safety to conduct training sessions and regularly perform emergency evacuation drills to reduce risks associated with potential fire accidents. Also, we have policies in place and have adopted relevant measures to ensure the hygiene of our work environment and the health of our employees.

Employment Management

We attach great importance to the development of a diverse company cultures and continually implement management practices that support diversity and provide fair treatment and employment opportunities for all employees. We have no discrimination against job applicants or employees based on their ethnicity, race, nationality, social background, disability, religious belief, gender, marital status or age. We have an employee handbook and a transparent employee promotion system to protect the legal rights and interests of our employees and reasonably plan their professional development. In 2022 and 2023, we were awarded the "E-trend Best Employer Award in Greater Health Field".

Social Responsibility

In terms of social responsibility, our public relations department is responsible for disclosing the development and achievements of our company, and actively communicating with the media, universities, government, investors, public welfare organizations and other parties. We have carried out a number of activities in the fields of talent education and healthcare, and have provided support and assistance to the general public, university students and patients through diverse channels such as online platforms, research cooperation, social welfare organizations and science courses to deeply understand and solve key social issues.

We actively participate in events organized by major disease foundations in China, reach out to patients through channels built by the foundations, listen to their needs, and work with the foundations and other medical and research institutions to develop targeted drugs. In addition, we also provide a rich talent pool for the AI pharmaceutical industry. By establishing scholarships, holding various scientific seminars, and opening our PandaOmics platform, we provide professional guidance to university students, guide them to actively participate in AI biopharmaceutical industry R&D projects, and train relevant talents for the future of the industry.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection, had not been involved in any accident or fatality and had been in compliance with the relevant laws and regulations in all material aspects.

PERMITS, LICENSES AND OTHER APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits that are material to our operations, and such licenses, permits and certifications all remain in full effect. For more details regarding the laws and regulations to which we are subject, please see the section headed "Regulatory Overview" in this Document. We had not experienced any material difficulty in renewing such licenses, permits, approvals and certificates during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. To the best of our knowledge, there is no material legal impediment in renewing such licenses, permits, approvals and certificates as they expire in the future as long as we are in compliance with applicable laws, regulations and rules. During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for any non-compliance relating to maintenance and renewal of our material licenses, permits, approvals and certificates.

The following table sets forth the details of our material licenses, permits and approvals as of the Latest Practicable Date.

Licenses/Permit	Authority	Grant Date	Expiry Date
Filing for Phase 0 Clinical Trial of ISM001-055 (CT-2021-CTN-03609-1) . . .	Therapeutic Goods Administration	October 13, 2021	N/A
Approval for Clinical Trial on ISM001-055 Acetate Salt Capsule (C201103007-FPA)	Medsafe	January 14, 2022	N/A
Notice of Approval for Clinical Drug Trials (No. 2022LP00860) ((藥物臨床試驗批准通知書)(編號: 2022LP00860)) . .	NMPA	May 24, 2022	N/A
Notice of Approval for Clinical Drug Trials (No. 2022LP00861) ((藥物臨床試驗批准通知書)(編號: 2022LP00861)) . .	NMPA	May 24, 2022	N/A

Licenses/Permit	Authority	Grant Date	Expiry Date
Notice of Approval for Clinical Drug Trials (No. 2022LP00862) ((藥物臨床試驗批准通知書) (編號: 2022LP00862))	NMPA	May 24, 2022	N/A
Decision on Approval of International Cooperative Scientific Research on Human Genetic Resources in China (No. (2022) GH3184) (中國人類遺傳資源國際合作科學研究審批決定書) (編號: (2022) GH3184).	Administration Office of China Human Genetic Resources	July 11, 2022	N/A
Decision on Approval of International Cooperative Scientific Research on Human Genetic Resources in China (No. (2022) GH6206) (中國人類遺傳資源國際合作科學研究審批決定書) (編號: (2022) GH6206).	Administration Office of China Human Genetic Resources	November 28, 2022	N/A
Orphan Drug Designation .	FDA	February 1, 2023	N/A
Notice of Approval for Clinical Drug Trials (No. 2023LP00259) ((藥物臨床試驗批准通知書) (編號: 2023LP00259))	NMPA	February 16, 2023	N/A

Licenses/Permit	Authority	Grant Date	Expiry Date
Notice of Approval for Clinical Drug Trials (No. 2023LP00260) ((藥物臨床試驗批准通知書) (編號: 2023LP00260)) . .	NMPA	February 16, 2023	N/A
Notice of Approval for Clinical Drug Trials (No. 2023LP00261) ((藥物臨床試驗批准通知書) (編號: 2023LP00261)) . .	NMPA	February 16, 2023	N/A
Decision on Approval of International Cooperative Scientific Research on Human Genetic Resources in China (No. (2023) GH0969) ((中國人類遺傳資源國際合作科學研究審批決定書) (編號: (2023) GH0969))	Administration Office of China Human Genetic Resources	March 10, 2023	N/A
Decision on Approval of International Cooperative Scientific Research on Human Genetic Resources in China (No. (2023) GH1034) ((中國人類遺傳資源國際合作科學研究審批決定書)(編號: (2023) GH1034))	Administration Office of China Human Genetic Resources	March 13, 2023	N/A
Approval for ISM3091 Clinical Trial for Advanced Solid Tumors .	FDA	April 14, 2023	N/A
Approval for ISM001-055 Clinical Trial for IPF. . .	FDA	June 8, 2023	N/A

Licenses/Permit	Authority	Grant Date	Expiry Date
Notice of Approval for Clinical Drug Trials (No. 2023LP01318) ((藥物臨床試驗批准通知書) (編號: 2023LP01318)) . .	NMPA	July 10, 2023	N/A
Notice of Approval for Clinical Drug Trials (2023LP01319) ((藥物臨床試驗批准通知書) (編號: 2023LP01319))	NMPA	July 10, 2023	N/A
Notice of Approval for Clinical Drug Trials (No. 2023LP01445) ((藥物臨床試驗批准通知書) (編號: 2023LP01445)) . .	NMPA	July 20, 2023	N/A
Notice of Approval for Clinical Drug Trials (No. 2023LP01446) ((藥物臨床試驗批准通知書) (編號: 2023LP01446)) . .	NMPA	July 20, 2023	N/A
Notice of Approval for Clinical Drug Trials (No. 2023LP01447) ((藥物臨床試驗批准通知書) (編號: 2023LP01447)) . .	NMPA	July 20, 2023	N/A
Notice of Approval for Clinical Drug Trials (No. 2023LP01653) ((藥物臨床試驗批准通知書) (編號: 2023LP01653)) . .	NMPA	August 21, 2023	N/A
Notice of Approval for Clinical Drug Trials (No. 2023LP01654) ((藥物臨床試驗批准通知書) (編號: 2023LP01654) . .	NMPA	August 21, 2023	N/A

Licenses/Permit	Authority	Grant Date	Expiry Date
Filing Certificate of Information System Security Level Protection (Level III) (No. 31011550159-23001) ((信息系統安全等級保護備案證明 (三級) (編號: 31011550159-23001)) . .	Shanghai Municipal Public Security Bureau	August 25, 2023	N/A
Biosafety Lab Filing Certificate (SZ20230213) (生物安全實驗室備案證書 (編號: SZ20230213))	Suzhou Municipal Health Commission	September 13, 2023	September 12, 2025
Filing for Phase 1 Clinical Trial of ISM5411-101 (CT-2023-CTN-03770-1).	Therapeutic Goods Administration	October 5, 2023	N/A
Filing Certificate for Business Operation of Class II Medical Device (Hu Pu Drug Administration Device Operation Filing No. 20230270) (第二類醫療器械經營備案憑證) (編號:滬浦藥監械經營備20230270號)	Shanghai Pudong New District Administration for Market Regulation	October 10, 2023	N/A
Filing of International Cooperative Clinical Trial (Notice No. 2023BAL00598) (國際合作臨床試驗備案) (通知書號: 2023BAL00598) .	Administration Office of China Human Genetic Resources	November 17, 2023	N/A
Notice of Approval for Clinical Drug Trials (No. 2024LP00014) ((藥物臨床試驗批准通知書) (編號: 2024LP00014) . .	NMPA	December 29, 2023	N/A
Notice of Approval for Clinical Drug Trials (No. 2024LP00015) ((藥物臨床試驗批准通知書) (編號: 2024LP00015) . .	NMPA	December 29, 2023	N/A
Filing of International Cooperative Clinical Trial (Notice No. 2024BAL00457) (國際合作臨床試驗備案) (通知書號: 2024BAL00457) .	Administration Office of China Human Genetic Resources	March 20, 2024	N/A

GOVERNMENT GRANTS, AWARDS AND RECOGNITIONS

The following table sets forth some of the important accreditations and awards we had received as of the Latest Practicable Date in recognition of our research and development capabilities.

Year	Accreditation/Award	Accreditation Organization
2024	The Most Innovative Companies in BioTech in 2024	Fast Company
2023	Hong Kong ICT Smart Business Award (Emerging Technologies) — Silver Award (香港資訊及通訊科技商業方案(新興技術)獎 — 銀獎)	Hong Kong Computer Society
2023	"China Entrepreneur 21 Future Stars" (《中國企業家》2023年度高成長性創新公司"未來之星")	China Entrepreneur
2023	"Award for Companies with Outstanding Contribution to Pudong's Economy" (浦東新區經濟突出貢獻企業)	Shanghai Municipal Government
2023	"50 Digital Health Companies China" (中國數字醫療創新企業TOP50)	DeepTech
2022 and 2023	"T+ Employer® Greater Health Excellence Employer" (T+ Employer® 大健康卓越僱主)	Medtread
2022	"Pioneer Enterprises in the Digital Transformation of Shanghai Biopharma Industry" (生物醫藥產業數字化轉型先鋒企業)	International Biomedical Industry Week of Shanghai
2022	"BioCentury-BayHelix East-West Summit Company of the Year" (國際生物製藥峰會年度企業獎)	BayHelix
2022	"Hong Kong Business Technology Excellence Awards" (HK Business香港商業科技卓越獎)	HK Business
2022	"SAIL Stars by World Artificial Intelligence Conference" (世界人工智能大會SAIL之星獎)	WAIC
2022	"Top 100 Most Innovative Artificial Intelligence Startups in the world by CB Insights" (CBInsights全球最具潛力的100家人工智能公司榜單)	CBInsights
2021	"50 Smartest Companies in China 2021 by MIT Technology Review" (《麻省理工科技評論》"50家聰明公司")	MIT Technology Review
2020	"2020 Digital Health 150 by CB Insights" (2020全球數字健康150強)	CBInsights
2019	"Fierce MedTech's 2019 Fierce15"	Fierce
2017	"Top 5 AI Startups for Social Impact" (五大潛在最具社會影響的AI公司)	NIDIA

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the pending Track Record Period and up to the Latest Practicable Date, we were not a party to any actual or pending legal or administrative proceedings. We are committed to maintaining the standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

Legal Compliance

During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable laws and regulations in all material aspects in the relevant jurisdictions where we operate. Our Directors confirmed that we were not involved in any material or systematic non-compliance incidents.

Our compliance team is responsible for building, developing and improving our compliance management system to ensure our compliance culture is embedded into everyday workflow. The team conducts compliance training for target groups and identifies, assesses, and reports compliance risks and expectations in a timely manner. For example, we provide formal and comprehensive company-level legal seminars to our employees, followed by on-the-job training to get them familiarized with their responsibilities and our compliance requirements. Our compliance team will also work with the senior management team to monitor and evaluate the effectiveness of our compliance function and structure to ensure that we comply with the applicable laws and regulations. For example, we will periodically conduct compliance and performance reviews on our employees against our internal compliance standards to ensure their compliance awareness meets our requirements.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to various risks in our business operations, and we believe that risk management is important to our success. For details, see "Risk Factors." Our Directors oversee and manage the overall risks associated with our operations. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system;

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;

- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations; and

- attend training sessions by our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [**REDACTED**] in Hong Kong.

Internal Control

We have employed an independent internal control consultant to assess our internal control system in connection with the [**REDACTED**]. The internal control consultant has conducted a review procedure on our internal control system in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations, and put forward suggestions for improvement. We have accepted these suggestions and further strengthened the design of our internal control process. After our rectification, the internal control consultant has performed the follow-up review and not identified any material deficiencies in our internal system.

We have also appointed external legal professionals to advise us on compliance matters, such as compliance with the regulatory requirements on clinical research and development, which is also monitored by our regulatory and quality assurance team. We have also established anti-bribery guidelines and compliance requirements in our employee handbook. After considering the remedial actions we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations.

We plan to provide our Directors, senior management, and relevant employees with continuous training programs and updates regarding the relevant laws and regulations regularly to proactively identify any concerns and issues relating to any potential non-compliance.

Anti-bribery

We maintain strict anti-corruption policies among our employees. We believe we will be less affected by the increasingly stringent measures taken by the relevant government to correct corruptive practices in the pharmaceutical industry. We strictly prohibit bribery or other improper payments in our business operations. This prohibition applies to all business activities, anywhere globally, whether involving government officials or healthcare professionals. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. We keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Requests for false invoices or payment of unusual, excessive or inadequately described expenses are rejected and promptly reported. Misleading, incomplete

or false entries in our books and records are never acceptable. We will also ensure that future commercialization team personnel comply with applicable promotion and advertising requirements, including restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

Sanction Compliance

Our legal and compliance departments lead the sanction compliance function with support from the finance department and oversight from the management. Each department is required to follow due diligence procedures to comply with our sanction compliance policy. We will provide training on U.S. Economic Sanctions and on the sanction compliance policy to all employees. Each employee will receive initial training upon onboarding, as well as periodic refresher training. Employees are required to sign an acknowledgement that they have completed the training and will comply with the requirements of the sanction compliance policy. In order to better ensure our compliance with the applicable laws and regulations, we have taken the initiative to adopt the following sanction compliance measures:

- Employees should immediately consult with legal and compliance departments when dealing with an entity or individual in a high-risk country or when there is a suspicion that a sanctioned country, entity or individual is involved.

- In order to ensure compliance with applicable U.S. Economic Sanctions, to identify target persons, and to avoid possible U.S. secondary sanctions risk, we conduct OFAC screening of all its customers, vendors, and other service providers and counterparties.

- Employees should consult with the finance and legal departments to include or review sanctions language in contracts. Employees should report to legal and compliance departments if employees become aware that an existing counterparty has been sanctioned.

- Management is the owner of compliance and holds ultimate responsibility for the implementation of and adherence to the sanction compliance policy, supported and advised by the legal, compliance and finance departments.

- Legal and compliance departments are responsible for ensuring the effectiveness and integrity of the compliance process and monitoring of the adherence to the sanction compliance policy.

- We may not enter into any agreement with, sell or provide any products or services to, or receive or obtain any products or services from any OFAC's List of Specially Designated Nationals and Blocked Persons (SDNs) or any entity 50 percent or more owned, directly or indirectly, by one or more SDNs.

- To the extent that we sell services through third parties, we must obtain appropriate representations, warranties and covenants from such distributors in order to ensure our compliance with the sanction compliance policy. The legal department shall draft the required provisions to be included in the relevant distribution agreements when and as necessary. The relevant business department selling such services shall be responsible to ensure that the counterparties adopt such provisions in the relevant third-party agreements.

- We may not conduct any direct or indirect sales to or purchases from sanctions targets in U.S. dollars. This includes sales by us to persons located in target countries and sales to persons located outside target countries intended to be on-sold into target countries.

- All direct and indirect sales to or purchases from parties in target countries or parties that are identified as possible "hits" to the SDN list or OFAC's Sectoral Sanctions Identification List must be pre-approved by CEO and Head of Finance.

- U.S. Person employees of us may not approve or participate, directly or indirectly, in any transactions or dealings with or that involve sanctions targets.

- The legal and compliance departments are responsible for investigations, reporting to senior managers and directors, and making suggestion to the senior management about reporting or disclosure to governmental authorities. The legal department must inform our CEO regarding any investigation. An employee subject to the investigation must be provided an opportunity to present his or her case before resolution by the legal and compliance departments. If any employee violates this policy, he or she will be subject to disciplinary measures, including possible termination of employment, to the extent permitted by applicable laws.

- The finance department will as appropriate conduct U.S. Economic Sanctions risk assessments that include an assessment of the following: (i) customers, supply chain, intermediaries, and counter-parties; (ii) the products and services it offers, including how and where such items fit into other financial or commercial products, services, networks, or systems; and (iii) the geographic locations of the organization, as well as its customers, supply chain, intermediaries, and counter-parties.

- We will conduct annual audits of compliance with the sanction compliance policy. The internal audit department is responsible for the audit and results of the audit shall be reported to the CEO.

DATA PRIVACY PROTECTION

The data used for the model training of Pharma.AI is mainly collected from publicly available information or from database supplied by independent vendors, and only a limited amount of data is collected from collaborations with clients when we are authorized to do so. Proper consents and authorization had been obtained before utilizing the data for model training. Using the data generated by Pharma.AI will not be considered as redistributing the information to third parties during the provision of services because those data is generated after model training rather than raw data. Therefore, it does not constitute a breach of any relevant rules and regulations on data privacy and intellectual properties. Since essentially all of the data used for model training comes from publicly available information on a global basis or is legally granted from globally recognized databases provided by independent vendors, such collection and use of data does not violate rules and regulations on data privacy and security in relevant jurisdictions in any material respect. During the Track Record Period and as of the Latest Practicable Date, there had been no material investigation, penalty or litigation relating to infringement or violation of data security against the Group that would materially and adversely affect the Group's business. All data used for model training passes quality control. Our quality control measures include (i) a team of assessors or data scientists with expertise in the field will review and evaluate the data, (ii) data licenses are reviewed for compliance before incorporation into the products or model training, and (iii) we have also adopted and implemented relevant policies and management system in relation to data privacy and protection, and the relevant contracts with third party data providers include the representations and warranties made by relevant third parties in relation to compliance with relevant laws and regulations, and the relief and indemnification clauses as well as dispute resolution mechanism that we can resort to in the event of the breach by such data providers.

Data security and protection are among our highest priorities, and we have designed strict data protection and information security policies to ensure strict compliance with applicable laws, regulations and prevalent industry practice. We have established a data and information security group whose members include an information security advisor, IT directors and professionals. The data and information security group is responsible for formulating data and information security policies, overseeing the implementation of data security and protection in practice, reviewing and evaluating data security and protection activities on our databases and data review records on a regular basis and making decisions in the event of a material data breach. We have implemented comprehensive internal control policies on protecting data privacy and security under the supervision of the data and information security group, with the purpose to ensure data and information security, optimize data governance, protect the benefits of our users, business partners, employees and other third parties, and ensure compliance with applicable laws and regulations in all material respects. We also engage external legal professionals to regularly review and update our internal control policies and strategies, conduct penetration tests to ensure our implementation of data protection policies, and ensure continuous compliance with applicable laws and regulations in all material respects. In addition, our Pharma.AI system obtained the Filing Certificate of Information System Security Level Protection (Level III) (No. 31011550159-23001) that was issued by the Shanghai Municipal Public Security Bureau on August 25, 2023.

We have implemented the following measures to safeguard data privacy and cybersecurity:

(i) Authentication and authorization: We have implemented measures at the infrastructure level to protect data stored on our Pharma.AI platform and other information technology systems. A robust internal authentication and authorization system is used to ensure that confidential data can only be accessed by authorized personnel for authorized use at authorized Internet Protocol (IP) addresses. Data access activities are recorded for further monitoring. We also have clear and strict authorization and authentication procedures and policies. We have established procedures to protect the confidentiality of patients' data. We maintain policies requiring our personnel to be trained to collect and safeguard personal information and require our CROs to have data protection clauses in our agreements with them. They are responsible for safeguarding data in their possession. According to the GCP and relevant regulations, access to clinical trial data has been strictly limited to authorized personnel.

(ii) Information technology system: Our employees have access only to data that is directly relevant and necessary to their job functions and for limited purposes and are required to verify authorization for each access attempt. We have established our information technology system in accordance with data security requirements, national standards and industry best practices, and intend to continue to invest heavily in data security and privacy protection. Our information technology system employs multiple layers of security, including both internal and external advanced firewalls, to protect our Pharma.AI platform and our information technology system from hacking, unwanted traffic and/or unauthorized access.

(iii) Data storage: We have taken a variety of measures to back up the data accumulated during our operations. Our cloud service vendor backs up our data on a daily, weekly or monthly basis according to the nature of the data. All data are stored in our AWS cloud accounts in the hosted scenario. In the on-premise installation, all data are stored on the client's cloud, and all monitoring and alerting tools are available only for the client. The encryption at rest and in transit and all other security measures are the same for both sub-segments. In the hosted scenario, we utilize analytical tools to improve the product based on anonymized statistics. We do not collect any information from the on-premise installations. Additionally, we require external parties and internal employees involved in clinical trials to comply with confidentiality requirements. Data are to be used only for the intended use, as agreed by the patients and consistent with the Informed Consent Form (the "**ICF**"). We will obtain consent from clinical trial participants if any use of data falls outside the scope of ICF.

(iv) Customer data segregation: Subject to subscription agreements with our customers, we will not use or disclose the data generated by the customers when using our software except for limited circumstances, which include operations reasonably necessary to comply with applicable laws and regulations, derivation or creation of

benchmarking, transactional or performance information and other forms of statistics or analytics on an aggregated basis that may not reasonably be used on its own to distinguish or trace the identity of the customer, and collection of the usage information and user behavior of the customer for account management and record keeping purpose. Such carve-out complies with all relevant rules and regulations in all material respects. Accordingly, we have separated our own data from our customers' data in accordance with the subscription agreements. Pharma.AI used internally is segregated from Pharma.AI used by customers and installed on separate servers. In addition, we separate a customer's data from other customers' data through an internal role-based access model and a security model in the platform. Role-based access ("**RBAC**") allows us to segregate data usage and identify required access rights. All clients get minimal permissions necessary to access their own data and run the experiments. RBAC also ensures that no privileged access is given to internal employees without proper authorization. We also regularly test roles security and data segregation during penetration tests. The security model ensures segregation on the network and access level based on the user roles.

(v) Clinical data transfer: We have a number of ongoing or planned clinical studies in China and the U.S. Any transfer of clinical trial data in connection with our product development efforts and regulatory communications is subject to the applicable local data and privacy protection laws, including those in China and the U.S. Together with our CROs and other collaborators, we have implemented controls and arrangements designed to ensure a data management and transfer plan is developed and implemented to govern the transfer of all clinical trial data or other potentially sensitive information. Related measures include, as applicable, ensuring that the cross-border transfer of this clinical data and information is permitted, any requisite approvals are properly obtained, and applicable filings are made, in each case, with the competent authorities and in accordance with relevant laws and regulations (particularly in the case of any transfer between China and the U.S.). Although the laws and regulations in this area and the nature of our potential clinical studies are evolving, to date, we have not experienced any material difficulty in data transfer, and we believe our transfer of relevant clinical trial data and information between China and the U.S. is in line with market practice.

In addition, we are committed to compliance, fairness and transparency in our privacy practices. All data collection, use and management practices are consistent with applicable laws and regulations, including any ethnicity related data privacy laws or regulations, as well as industry standards and practices. Reaching agreement on data collection, use and management with our business partners and customers is a top priority before we enter into collaborations.

During the Track Record Period and up to the Latest Practicable Date, we had not received any claim from any third party against us on the ground of infringement of such party's right to data and privacy protection as provided by any applicable laws and regulations, or subject to any fines or other penalties due to non-compliance with data privacy and security laws or regulations.

However, we may still be subject to certain risks in relation to the heightened regulations and market scrutiny. For additional information, please refer to "Risk Factors — Risks Related to Extensive Government Regulations — We are subject to stringent privacy laws, information security policies and contractual obligations related to data privacy and security, and we may be exposed to risks relating to our management of the medical data."

COVID-19 IMPACT

The COVID-19 pandemic and its recurrence have caused temporary disruption to our operations to the extent that certain on-site meetings, deployment and technical support had to be delayed or canceled, which has had a negative impact on our results of operations during the Track Record Period. As of the Latest Practicable Date, we were not aware of any material adverse impacts on our business operations.

We have not experienced any material disruption since the outbreak of the COVID-19 pandemic for our clinical activities, such as patient recruitment and clinical visit. As of the Latest Practicable Date, the outbreak of COVID-19 had not caused any early termination of our clinical trials. We have employed various measures to mitigate any impact of the COVID-19 pandemic on our ongoing clinical trials and patient participation, including engaging new clinical trial sites to diversify the geographical location of clinical trials, adopting a variety of remote working tools in clinical trials, including remote monitoring, video and phone call visits, electronic consent and electronic health records, engaging in frequent communications with our CROs and principal investigators to identify and address any issues that may arise and suggesting the investigators to encourage enrolled patients to visit qualified local hospitals for follow-up evaluations if necessary. Given that the COVID-19 related prevention and control policies have largely been lifted since December 2022, our Directors are of the view that it is unlikely that the COVID-19 pandemic will have a material adverse effect on our business going forward.

DIRECTORS

Upon [**REDACTED**], our Board will consist of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors.

The table below sets forth certain information in respect of the members of the Board of Directors of our Company:

Name	Age	Position	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility
Executive Directors					
Mr. Aleksandrs Zavoronkovs (also known as Alex Zhavoronkov), Ph.D.	45	Chairman of the Board, Executive Director, Founder and CEO	January 2019	February 2014	Overall strategic planning, business direction and day to-day operational management
Mr. Feng Ren, Ph.D. (任峰)	49	Executive Director, CEO, Chief Scientific Officer	June 2021	February 2021	Overall strategic planning, business direction and day to-day operational management
Non-executive Directors					
Mr. Min Fang (方敏)	44	Non-executive Director	June 2021	June 2021	Participating in key decision-making process in respect of major matters such as formulating overall corporate and business strategies
Mr. Kan Chen, Ph.D. (陳侃)	42	Non-executive Director	August 2021	August 2021	Participating in key decision-making process in respect of major matters such as formulating overall corporate and business strategies

Name	Age	Position	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility
Independent Non-executive Directors					
Mr. Jingsong Wang, Ph.D. (王勁松)	59	Independent non-executive Director	[**REDACTED**]	[**REDACTED**]	Supervising and providing independent judgment to our Board
Ms. Denitsa Milanova, Ph.D.	38	Independent non-executive Director	[**REDACTED**]	[**REDACTED**]	Supervising and providing independent judgment to our Board
Mr. Roman Kyrychynskyi.	48	Independent non-executive Director	[**REDACTED**]	[**REDACTED**]	Supervising and providing independent judgment to our Board

Note:

(1) There is no relationship among each Director and member of senior management of the Company.

EXECUTIVE DIRECTORS

Mr. Alex Zhavoronkov, Ph.D., aged 45, is the founder of our Company and has served as the chairman of the Board, our Director and CEO since our inception. He was re-designated as our executive Director in June 2023.

Mr. Zhavoronkov served as a director of Deep Longevity, Inc from March 2020 to January 2023. Prior to founding Insilico Inc., Mr. Zhavoronkov worked in the Biogerontology Research Foundation from May 2008 to June 2016. He has published over 150 research papers and two books including "The Ageless Generation: How Biomedical Advances Will Transform the Global Economy." Mr. Zhavoronkov is also the co-organizer of the Annual Aging Research and Drug Discovery Forum, one of Europe's largest industry events in drug discovery.

Mr. Zhavoronkov received two bachelor's degrees in commerce and science from Queen's University in Canada in May and June 2001, respectively, a master's degree in biotechnology from Johns Hopkins University in the United States in May 2007, and a Ph.D. in physics and mathematics from Moscow State University in Russia in October 2008.

Mr. Feng Ren, Ph.D. (任峰), aged 49, has served as our Chief Scientific Officer since February 2021, as our Director since June 2021 and as our CEO since June 2022. He was re-designated as our executive Director in June 2023.

Prior to joining our Group, Mr. Ren was senior vice president, head of chemistry and biology of Shanghai Medicilon Inc., a company listed on the Shanghai Stock Exchange (SSE: 688202) which is a contract research organization, from February 2018 to January 2021. From February 2007 to January 2018, Mr. Ren worked in GlaxoSmithKline PLC, a global pharmaceutical company listed on the London Stock Exchange (LSE: GSK), with his final position being director, head of chemistry in neurodegeneration DPU. Mr. Ren has published approximately 30 peer-reviewed research papers.

Mr. Ren received his bachelor's degree in polymer science from the University of Science and Technology of China in July 1998, a master's degree in science from the National University of Singapore in March 2004, and a Ph.D. in organic chemistry from Harvard University in the United States in June 2007.

NON-EXECUTIVE DIRECTORS

Mr. Min Fang (方敏), aged 44, has served as our Director since June 2021 and was re-designated as our non-executive Director in June 2023.

Mr. Fang has been a managing director at Warburg Pincus since July 2016 and is primarily responsible for investment and management consulting. Prior to joining Warburg Pincus in July 2011 as an associate, he worked at Boston Consulting (Shanghai) Company Ltd. as a consultant between September 2001 and July 2006. From January 2020 to October 2021, Mr. Fang served as a non-executive director of Hygeia Healthcare Holdings Co., Limited a company listed on the Hong Kong Stock Exchange (HKEx: 6078).

Mr. Fang has served as a non-executive director of Jinxin Fertility Group Limited, a company listed on the Hong Kong Stock Exchange (HKEx: 1951), since December 2018.

Mr. Fang received a bachelor's degree in economics with a major in international finance from Fudan University (復旦大學) in the PRC in July 2001 and a master's degree in business administration from Stanford University in the United States in June 2007.

Mr. Kan Chen, Ph.D. (陳侃), aged 42, has served as our Director since August 2021 and was re-designated as our non-executive Director in June 2023.

Mr. Chen has served as a non-executive director of Antengene Corporation Limited, a company listed on the Hong Kong Stock Exchange (HKEx: 6996), since March 2021, a non-executive director of Connect Biopharma Holdings Limited, a company listed on the NASDAQ (NASDQ: CNTB), since December 2020 and a non-executive director of CANbridge Pharmaceuticals Inc., a company listed on the Hong Kong Stock Exchange (HKEx: 1228), since December 2020.

Previously, Mr. Chen served as a director of Abbisko Cayman Limited, a company listed on the Hong Kong Stock Exchange (HKEx: 2256), which is principally engaged in research of small molecule new drugs, from February 2020 to June 2021, and served as a director of

Jiangsu Yahong Pharmaceutical Technology Co., Ltd. (江蘇亞虹醫藥科技股份有限公司), a company listed on the Shanghai Stock Exchange STAR Market (SSE: 688176), which is principally engaged in drug innovation with a focus on urinary system tumors and other serious diseases, from December 2020 to December 2023.

Mr. Chen joined Qiming Venture Partners since February 2016 and currently serves as a partner, focusing on healthcare management.

Mr. Chen received a bachelor of science degree in biological sciences from Fudan University in July 2004 and a Ph.D. degree in cell biology from Case Western Reserve University in January 2009.

Independent Non-executive Directors

Mr. Jingsong Wang, Ph.D. (王勁松), aged 59, was appointed as our independent non-executive Director in June 2023 with effect from the [**REDACTED**].

Mr. Wang has served as an executive director, the chief executive officer and chairman of the board of HBM Holdings Limited, a company listed on the Hong Kong Stock Exchange (HKEx: 2142), since July 2016. Mr. Wang is the principal founder of HBM Holdings Limited. From November 2011 to December 2015, Mr. Wang served as the head of China research and development at Sanofi.

Mr. Wang has served as an independent director of Xinjiang Bai Hua Cun Pharma Tech Co., Ltd. (新疆百花村醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (SSE: 600721), since September 2021 and an independent non-executive director of Frontage Holdings Corporation, a company listed on the Hong Kong Stock Exchange (HKEx: 1521), since April 2018. He has also served as independent non-executive director of Silicon Therapeutics since August 2016.

Mr. Wang received his M.D. in clinical medicine from Xuzhou Medical College in China in June 1986, his master's degree in medical science (immunology) from Jilin University (formerly known as Norman Bethune University of Medical Science before the combination with Jilin University) in China in July 1989, and his Ph.D. in molecular pharmacology from China Pharmaceutical University in China in July 2011. Mr. Wang also obtained a physician qualification awarded by the Commonwealth of Massachusetts Board of Registration in Medicine in May 2002, as well as a Diplomate in Internal Medicine and a Diplomate in Rheumatology, both awarded by the American Board of Internal Medicine in 2003 and 2004 respectively. He obtained Medical Physician and Surgeon certificate from the State Board of Medicine of the Commonwealth of Pennsylvania in 2006. In addition, Mr. Wang served as a research/clinical fellow in rheumatology at Brigham and Women's Hospital and Harvard Medical School from June 2001 to June 2005.

Ms. Denitsa Milanova, Ph.D., aged 38, was appointed as our independent non-executive Director in June 2023 with effect from the [**REDACTED**].

Ms. Milanova is a founder and chief executive officer of Marble Therapeutics, Inc. since October 2022. Prior to founding Marble, Ms. Milanova served as a Technology Development Fellow and Principal Investigator at Wyss Institute for Biologically Inspired Engineering of Harvard University from April 2018 to October 2022, and as a Postdoctoral Fellow in the Genetics Department of Harvard Medical School working with Prof. George Church from December 2015 to April 2018. Ms. Milanova also served as a business consultant at Ohana Biosciences (a subsidiary of Flagship Pioneering), a Boston-based life science company incubator, from April 2016 to November 2017.

Ms. Milanova became a Doctoral Fellow of the Stanford Microfluidics Laboratory under Prof. Juan Santiago at Stanford University School of Engineering in August 2008. In 2010, Ms. Milanova continued her degree while also collaborating with Profs. Annelise Barron in Molecular Bioengineering for Medicine and Biotechnology and Michael Snyder at Stanford University School of Medicine from January 2015 to January 2016. Prior to that, Ms. Milanova served as an undergraduate researcher at the Nanofluids and Two-Phase Flow Laboratory during her studies at University of Central Florida.

Ms. Milanova received her B.S. in Mechanical Engineering at University of Central Florida in the United States in May 2008. Ms. Milanova received her M.Sc. in Mechanical Engineering in June 2010, her M.Sc. in Management Science and Engineering (an executive business degree with a focus on entrepreneurship) in June 2013, and her Ph.D. in Mechanical Engineering in January 2016, all from Stanford University in the United States. During her studies, Ms. Milanova was awarded a Stanford Graduate School of Engineering Fellowship in 2008, and a Stanford Bio-X Medtronic Fellowship in 2011, both of which provided outstanding young researchers with full financial support.

Mr. Roman Kyrychynskyi, aged 48, was appointed as our independent non-executive Director in June 2023 with effect from the [**REDACTED**].

Mr. Kyrychynskyi joined AMD as group manager for planning and pricing from 2000 to 2005, and he subsequently served as a financial controller from 2007 to 2009. Mr. Kyrychynskyi later transitioned into the role of product director, senior director and vice president at AMD in 2009, 2018 and 2021 respectively, where he was responsible for conducting oversight of inventory and revenue management functions. In carrying out his roles at AMD since 2009, Mr. Kyrychynskyi was responsible for conducting valuations and setting standard costs of products. In addition, Mr. Kyrychynskyi was responsible for overseeing the revenue attainment workstream, which included setting business targets, and monitoring compliance with revenue recognition policies.

Mr. Kyrychynskyi is a Chartered Professional Accountants of Canada. Mr. Kyrychynskyi received his Bachelor of Commerce (Honours) at Queen's University in France in May 2000.

OTHER DISCLOSURE

Pursuant to Rule 8.10 of the Listing Rules

As of the Latest Practicable Date, none of the Directors have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

Pursuant to Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in March 2023, and (ii) understands his or her obligations as a director of a [**REDACTED**] under the Listing Rules.

Pursuant to Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above and in this Document, each of our Directors confirms with respect to himself or herself that he or she (i) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iii) there are no other matters concerning his or her appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. As of the Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company:

Name	Age	Position	Date of Appointment as a member of senior management of the Group	Date of Joining the Group	Roles and Responsibilities
Mr. Aleksandrs Zavoronkovs (also known as Alex Zhavoronkov), Ph.D.	45	Chairman of the Board, Executive Director, Founder and CEO	February 2014	February 2014	Overall strategic planning, business direction and day to-day operational management
Mr. Feng Ren, Ph.D. (任峰)	49	Executive Director, CEO, Chief Scientific Officer	February 2021	February 2021	Overall strategic planning, business direction and day to-day operational management
Mr. Aleksandr Aliper, Ph.D.	34	President	February 2014	February 2014	Overall strategic planning and business direction
Ms. Michelle Chen, Ph.D.	54	Chief Business Officer	October 2021	October 2021	Overseeing business development
Dr. Sujata Rao	63	Chief Medical Officer	July 2022	July 2022	Overseeing clinical development
Mr. Peng Dai (戴鹏)	39	Head of Finance, Vice President	November 2023	June 2021	Overseeing finance, investor relations and capital raising
Ms. Jun Wang (王君)	37	General Counsel and Board Secretary	September 2020	September 2020	Overseeing legal matters and board secretary affairs

Mr. Alex Zhavoronkov, Ph.D., aged 45, is the chairman of the Board, our executive Director, founder and CEO. For more details of his biography, see "Directors — Executive Directors" above.

Mr. Feng Ren, Ph.D. (任峰), aged 49, is our executive Director, CEO and Chief Scientific Officer. For more details of his biography, see "Directors — Executive Directors" above.

Mr. Aleksandr Aliper, Ph.D., aged 34, has joined our Group in February 2014 as our scientific co-founder and was appointed as our president in November 2018.

Prior to joining our Group, Mr. Aliper worked in the field of bioinformatics and analytics holding a senior bioinformatics scientist position at National Medical Research Center of Pediatric Hematology, Oncology and Immunology.

Mr. Aliper received his specialist degree in bioengineering from Moscow State University in Russia in June 2011 and a Ph.D. from Federal State Institution A.I. Burnazyan Federal Medical and Biophysical Center (SRC IBR) in Russia in June 2019.

Ms. Michelle Chen, Ph.D., aged 54, has served as our Chief Business Officer since October 2021.

Prior to joining our Group, Ms. Chen was the senior vice president of corporate development for WuXi Biologics (Cayman) Inc., a company listed on the Hong Kong Stock Exchange (HKEx: 2269), from April 2019 to October 2021 where she led corporate strategy, M&A, licensing, strategic partnerships, new company formation and supported investor relations. As a biotechnology executive, she worked at pharma companies such as Roche Holding AG, a company listed on the SIX Swiss Stock Exchange (SWX: ROG), Merck & Co., a company listed on the New York Stock Exchange (NYSE: MRK), from April 2016 to December 2017 and BioMarin Pharmaceutical Inc., a company listed on the NASDAQ (NASDAQ: BMRN), from February 2018 to April 2019.

Ms. Chen received her Ph.D. in biochemistry from University of Washington in the United States in March 1997 and earned her B.S. in chemistry from Bethany College in the United States in June 1991.

Dr. Sujata Rao, aged 63, has served as our Chief Medical Officer since June 2023. She first joined the Company as Senior Vice President of Clinical Development in July 2022.

Dr. Rao has over 30 years of extensive clinical development and medical affairs experiences in several international biopharmaceutical companies and academic/healthcare institutions with senior executive positions. Before joining our Group, she worked at Eli Lilly and Co., a company listed on the New York Stock Exchange (NYSE: LLY). Prior to Eli Lilly and Co., Dr. Rao served as the medical director of integrative sciences at Bristol-Myers Squibb Co, a company listed on the New York Stock Exchange (NYSE: BMY). She also worked at

Onyx Pharmaceuticals, Inc. as the medical director of medical affairs. Prior to joining the industry, Dr. Rao was a clinical associate professor in oncology at the Medical Center of the University of Washington and she also worked at MultiCare's Medical Oncology-Hematology Associates.

Dr. Rao received her doctor's degree of medicine from the State University of New York in June 1984. In June 1987, Dr. Rao completed residency at the University of Pittsburgh School of Medicine and Hospitals of the University Health Center of Pittsburgh. Dr. Rao completed fellowship training in Oncology/Hematology from Memorial Sloan-Kettering Cancer Center in June 1992. Dr. Rao has been awarded board certification/re-certification in Oncology (2002-2012) by the American Board of Internal Medicine.

Mr. Peng Dai (戴鵬), aged 39, has served as our Head of Finance and Vice President since November 2023. He first joined the Company as a director in financial planning and analysis in June 2021 and served as a senior director from September 2022 to October 2023.

Prior to joining our Group, Mr. Dai served successively as a director in the finance department at WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a wholly-owned subsidiary of WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a company listed on the Stock Exchange (HKEx: 2359) and the Shanghai Stock Exchange (SSE: 603259), from August 2017 to May 2021, where he was responsible for providing financial analysis and advices on business operations of the company. Prior to joining WuXi AppTec Co., Ltd., Mr. Dai served successively as a senior finance planning analyst at Thermo Fisher Scientific (China) Co., Ltd. (賽默飛世爾科技(中國)有限公司) from June 2013 to August 2017. Mr. Dai also worked as a senior auditor at Deloitte Touche Tohmatsu Certified Public Accountants LLP from September 2010 to April 2013, where he led a number of audit projects.

Mr. Dai received his bachelor's degree in commerce (accounting and corporate finance) from the University of Adelaide in Australia in August 2009 and his master's degree in commerce (applied finance) from the University of Adelaide in Australia in July 2010. Mr. Dai has been awarded Deloitte Green Dot Award in November 2012, WuXi AppTec Group A+ Employee in 2017, 2018 and 2019, and he is also a member of Certified Practising Accountant Australia.

Ms. Jun Wang (王君), aged 37, has served as our General Counsel and Board Secretary since September 2020.

Ms. Wang served as a senior legal counsel of Diebold Nixdorf, a Top 500 TMT company from June 2017 to August 2020, and as an associate of Rajah & Tann Singapore LLP, a law firm in Singapore, from January 2014 to May 2017. Prior to joining Rajah & Tann, Ms. Wang served as legal consultant at O'Melveny & Myers LLP, a U.S. law firm, from September 2011 to December 2013.

Ms. Wang received an LL.B. degree from East China University of Political Science and Law in China in July 2009, a B.A. degree in Foreign Language (English) from Shanghai International Studies University in China in July 2009, an LL.M. degree in economic law from East China University of Political Science and Law in China in June 2012 and an LL.M. degree from the University of Virginia, School of Law in the U.S. in May 2020.

COMPANY SECRETARY

Ms. Leung Kwan Wai (梁君慧) was appointed as our company secretary in March 2023. Ms. Leung is a Manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Leung has over 15 years of experience in the corporate secretarial and compliance service field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange.

Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (CGI). Ms. Leung obtained her master's degree of Corporate Governance from Hong Kong Metropolitan University.

CORPORATE GOVERNANCE

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The audit committee of the Company comprises three members, namely Mr. Roman Kyrychynskyi, Mr. Jingsong Wang, Ph.D., Ms. Denitsa Milanova, Ph.D., with Mr. Roman Kyrychynskyi, being our independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules, as chairman of the Audit Committee. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee of the Company comprises five members, namely Mr. Jingsong Wang, Ph.D., Mr. Min Fang, Mr. Feng Ren, Ph.D., Mr. Roman Kyrychynskyi and Ms. Denitsa Milanova, Ph.D., with Mr. Jingsong Wang, Ph.D. as chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The Nomination Committee of the Company comprises five members, namely Mr. Alex Zhavoronkov, Ph.D., Mr. Kan Chen, Ph.D., Mr. Jingsong Wang, Ph.D., Mr. Roman Kyrychynskyi and Ms. Denitsa Milanova, Ph.D., with Mr. Alex Zhavoronkov, Ph.D. as chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

ESG Committee

The Company has established the ESG Committee which comprises five members, namely Mr. Feng Ren, Ph.D., Mr. Alex Zhavoronkov, Ph.D., Mr. Jingsong Wang, Ph.D., Mr. Roman Kyrychynskyi and Ms. Denitsa Milanova, Ph.D., with Mr. Feng Ren, Ph.D. as chairman of the ESG Committee. The primary duties of the ESG Committee is to formulate and review the Company's ESG responsibilities, vision, strategy, framework, principles and policies and to monitor the implementations of the ESG policies passed by the Board.

Board Diversity

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

Our Company [has adopted] a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, educational background, industry experience and professional experience. Our Directors have balanced mix of gender, knowledge, skills and experiences, including management, finance, law, investment and biotechnology industries. They obtained degrees in various areas such as biology, bioengineering, pharmacy, business administration, law, and economics. We have also

taken, and will continue to take steps to promote gender diversity at the Board level of our Company. Upon [**REDACTED**], our Board comprises six male members and one female member. After [**REDACTED**], the nomination committee will revisit the board diversity policy and monitor its implementation from time to time. Our nomination committee will also use their best efforts to identify and recommend suitable female candidates for the Board's consideration in the future to ensure that gender diversity can be maintained. With reference to our board diversity policy, we will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Corporate Governance Code

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies [**REDACTED**] on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently Mr. Alex Zhavoronkov, Ph.D., the Chairman of our Board, also performs as our CEO. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Mr. Alex Zhavoronkov, Ph.D. is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as the founder and our CEO. Our Board also believes that the combined role of Chairman of the Board and the CEO can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of Chairman of the Board and the CEO at a time when it is appropriate by taking into account the circumstances of our Group as a whole. We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code after the [**REDACTED**] save for the matter disclosed above.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract and (ii) a proprietary information and invention assignment agreement with our key management members and technical personnel. We normally enter into an employment contract with our key management members and technical personnel with a term of three year or non-fixed term employment contract. Below sets forth the key terms of these contracts we enter into with our key management members and technical personnel.

Confidentiality

- *Scope of confidential information*: Information the employee shall keep confidential refers to any proprietary or confidential information of our Group and our clients, customers, business partners and licensors, including, without limitation, technical data,

trade secrets, algorithms, source codes, research and development information, chemical structures, biological targets of interest, product plans, services, customer lists and customers, supplier lists and suppliers, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, personnel information, marketing, finances or other business information disclosed to the employee by or on behalf of, or obtained by the employee from, our Group and our clients, customers, business partners and licensors, either directly or indirectly in writing, orally or by drawings or observation of parts or equipment.

- *Confidential obligation*: The employee shall (i) hold the confidential information in the strictest confidence, and not to use, except for the benefit of our Group, or to disclose to any third party any confidential information without written consent of our Group; (ii) upon the departure of the employee or our Group's request, promptly return all documents and materials of any nature pertaining to the employee's work with our Group and provide a written compliance certification to the Group; (iii) not improperly use or disclose any trade secrets of any third party (including former employers) and not bring onto the premises of our Group any unpublished document or proprietary information belonging to such third parties unless consented to in writing; and (iv) keep in confidence any confidential information received by our Group from third parties in a manner consistent with the agreement that our Group has with such third parties.

- *Confidential period*: The confidentiality obligation shall continue to be in effect during the course of employment and after the departure of the employee.

Ownership of Intellectual Work Products

- *Assignment and Acknowledgement*: The employee assigns to our Group all the employee's right, title, and interest in all sorts of intellectual work products that the employee produces during the course of this or her employment with our Group (whether or not during business hours) that are either related to the scope of his or her employment or engagement with our Group or make use of the resources of our Group. The employee acknowledges that our Group shall be the sole owner of any such intellectual work products.

Non-Competition

- *Term and Scope*: The non-competition obligation is effective during the course of employment and for a period of six months thereafter. The non-competition obligation shall cover the employee's activities in each country or region where the Group has an office or from which our Group derives at least ten percent of gross revenues in the twelve months immediately prior to the departure of the employee.

- *Non-competition obligation*: The employee shall not, without the prior written consent of our Group, (i) serve as a partner, employee, consultant, officer, director, manager, agent, associate, investor, or otherwise for, (ii) directly or indirectly, own, purchase, organize or take preparatory steps for the organization of, (iii) build, design, finance, acquire, lease, operate, manage, invest in, work or consult for or otherwise affiliate himself or herself with, any business in the life science industry engaged in research and development of artificial intelligence or deep learning technology for the purpose of target discovery, drug discovery or development of therapeutic products, or otherwise in competition with our Group.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of salaries and benefits in kind. Our Directors' remuneration is determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, bonuses, discretionary bonuses and share based payments) to our Directors for the two years ended December 31, 2022 and 2023 were US$3.1 million and US$6.0 million, respectively. It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately US$1.0 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2024 under arrangements in force at the date of this Document.

The five highest paid individuals of our Group for the year ended December 31, 2022 and 2023 included two Directors, respectively. The aggregate amount of remuneration (including salaries, allowances and benefits in kind, bonuses, discretionary bonuses and share based payments) for the remaining three highest paid individuals for the two years ended December 31, 2022 and 2023 were US$4.9 million and US$4.8 million, respectively.

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group; (ii) no compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments.

For more details on remuneration of our Directors and the highest paid individuals, see Note 13 to the Accountants' Report.

[REDACTED] EQUITY INCENTIVE PLANS

Our Company adopted the [**REDACTED**] Equity Incentive Plans, which included (i) 2019 Share Plan adopted on March 15, 2019 as amended and restated on December 31, 2019; (ii) 2019 Equity Incentive Plan adopted on December 31, 2019; (iii) 2021 Equity Incentive Plan adopted on June 30, 2021; and (iv) 2022 Equity Incentive Plan adopted on November 25, 2022. See "Appendix IV — Statutory and General Information — [**REDACTED**] Equity Incentive Plans" for details.

COMPLIANCE ADVISER

Our Company has appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;
- where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance adviser shall commence on the [**REDACTED**] and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [**REDACTED**] and the [**REDACTED**], assuming the [**REDACTED**] is not exercised and without taking into account any Shares to be issued under the [**REDACTED**] Equity Incentive Plans, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company:

Substantial Shareholder	Capacity/ Nature of interest	Total number of Shares held as of the Latest Practicable Date	Approximate percentage of interest in our Company on the Latest Practicable Date	Approximate percentage of interest in our Company upon completion of the [REDACTED] and the [REDACTED][(1)]
			(%)	*(%)*
Mr. Alex Zhavoronkov, Ph.D.	Beneficial interest	2,129,175	10.32%	[**REDACTED**]%
Mesolite Gem Investments Ltd[(2)]	Beneficial interest	2,002,457	9.71%	[**REDACTED**]%
WPC-SEA II Cayman[(2)]	Interest in controlled corporation	2,002,457	9.71%	[**REDACTED**]%
WPC-SEA II Cayman GP[(2)]	Interest in controlled corporation	2,002,457	9.71%	[**REDACTED**]%
WPC-SEA II Cayman GP LLC[(2)]	Interest in controlled corporation	2,002,457	9.71%	[**REDACTED**]%
WPP II Cayman[(2)]	Interest in controlled corporation	2,002,457	9.71%	[**REDACTED**]%
Warburg Pincus (Bermuda) Private Equity GP Ltd.[(2)]	Interest in controlled corporation	2,002,457	9.71%	[**REDACTED**]%
Qiming Corporate GP VI, Ltd.[(3)]	Interest in controlled corporation	1,187,932	5.76%	[**REDACTED**]%

Substantial Shareholder	Capacity/ Nature of interest	Total number of Shares held as of the Latest Practicable Date	Approximate percentage of interest in our Company on the Latest Practicable Date	Approximate percentage of interest in our Company upon completion of the [REDACTED] and the [REDACTED][(1)]
			(%)	*(%)*
WuXi AppTec[(4)]	Interest in controlled corporation	1,329,987	6.45%	[**REDACTED**]%
WuXi PharmaTech Healthcare Fund I L.P.[(4)]	Beneficial interest	1,329,987	6.45%	[**REDACTED**]%
Pavilion Capital[(5)]	Interest in controlled corporation	1,252,736	6.07%	[**REDACTED**]%
Palace Investments Pte, Ltd.[(5)]	Beneficial interest	1,252,736	6.07%	[**REDACTED**]%

Notes:

(1) Assuming the [**REDACTED**] is not exercised and without taking into account any Shares to be issued under the [**REDACTED**] Equity Incentive Plans, and assuming all Preferred Shares are converted into Ordinary Shares on 1:1 basis. The number of Shares held as of the Latest Practicable Date is subject to adjustments as a result of the [**REDACTED**].

(2) Mesolite Gem Investments Ltd ("**Mesolite**") is an exempted company incorporated under the laws of the Cayman Islands with limited liability on March 12, 2021. Mesolite is wholly owned by certain investment funds managed by their fund manager, Warburg Pincus LLC, among which, approximately 52.10% of Mesolite is owned by Warburg Pincus China-Southeast Asia II (Cayman), L.P. ("**WPC-SEA II Cayman**"). The general partner of WPC-SEA II Cayman is Warburg Pincus (Cayman) China-Southeast Asia II GP, L.P. ("**WPC-SEA II Cayman GP**"), the general partner of which is Warburg Pincus (Cayman) China-Southeast Asia II GP LLC ("**WPC-SEA II Cayman GP LLC**"). The managing member of WPC-SEA II Cayman GP LLC is Warburg Pincus Partners II (Cayman), L.P. ("**WPP II Cayman**"), the general partner of which is Warburg Pincus (Bermuda) Private Equity GP Ltd. Based on the above, under the SFO, each of WPC-SEA II Cayman, WPC-SEA II Cayman GP, WPC-SEA II Cayman GP LLC, WPP II Cayman and Warburg Pincus (Bermuda) Private Equity GP Ltd. is deemed interested in the 2,002,457 Shares held by Mesolite Gem Investments Ltd.

(3) Qiming Venture Partners VI, L.P. ("**QVP VI**") and Qiming Managing Directors Fund VI, LP. ("**QMD VI**") directly holds 1,156,804 Shares and 31,128 Shares respectively. Each of QVP VI and QMD VI is an exempted limited partnership established under the laws of the Cayman Islands and managed and controlled by its general partner Qiming Corporate GP VI, Ltd. Based on the above, under the SFO, Qiming Corporate GP VI, Ltd. is deemed to be interested in (through its interests in controlled corporations) the 1,156,804 Shares and 31,128 Shares held by QVP VI and QMD VI, respectively.

(4) WuXi PharmaTech Healthcare Fund I L.P. is an exempted limited partnership established in the Cayman Islands and directly holds 1,329,987 Shares in our Company. All limited partnership interests of WuXi PharmaTech Healthcare Fund I L.P. are held by WuXi AppTec Co., Ltd. ("**WuXi AppTec**"), WuXi AppTec is a leading global pharmaceutical R&D services platform listed on the Stock Exchange (stock code: 2359.HKSE) and the Shanghai Stock Exchange (stock code: 603259.SSE), and the general partner of WuXi PharmaTech Healthcare Fund I L.P. is a wholly owned subsidiary of WuXi AppTec. Based on the above, under the SFO, Wuxi AppTec is deemed interested in the 1,329,987 Shares held by WuXi PharmaTech Healthcare Fund I L.P.

(5) Palace Investments Pte. Ltd. is an investment holding company, and directly holds 1,252,736 Shares in our Company. Palace Investments Pte. Ltd. is an indirectly wholly-owned subsidiary of Pavilion Capital Holdings Pte. Ltd. ("**Pavilion Capital**"), which in turn is an indirectly wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"). Pavilion Capital is independently-managed. Temasek is not involved in the business or operating decisions of Pavilion Capital or Palace Investments Pte. Ltd., including their decisions in relation to our Group. Based on the above, under the SFO, Pavilion Capital is deemed interested in the 1,252,736 Shares held by Palace Investments Pte. Ltd.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid immediately following completion of the [**REDACTED**].

As of the Latest Practicable Date, our authorized share capital was US$635 divided into (i) 45,293,280 Ordinary Shares, (ii) 731,083 Series A Preferred Shares, (iii) 4,207,604 Series B Preferred Shares, (iv) 3,177,901 Series C1 Preferred Shares, (v) 6,255,815 Series C2 Preferred Shares, and (vi) 3,834,317 Series D Preferred Shares, of a par value of US$0.00001 each.

As of the Latest Practicable Date, our issued and outstanding share capital consisted of (i) 3,833,893 Ordinary Shares, (ii) 731,083 Series A Preferred Shares, (iii) 4,207,604 Series B Preferred Shares, (iv) 3,177,901 Series C1 Preferred Shares, (v) 6,255,815 Series C2 Preferred Shares, and (vi) 2,421,692 Series D Preferred Shares, of a par value of US$0.00001 each.

Effective upon the conditions of the [**REDACTED**] being fulfilled, each Share in our then issued and unissued share capital with a par value of US$0.00001 each shall be [**REDACTED**] into [**REDACTED**] Shares of the corresponding class with a par value of US$[**REDACTED**] each. The Preferred Shares will be converted into Ordinary Shares of our Company on a one-to-one basis by way of re-designation immediately before the completion of the [**REDACTED**]. As a result, our authorized share capital will be US$635 divided into [**REDACTED**] Shares of par value of US$[**REDACTED**] each.

Assuming the [**REDACTED**] is not exercised and without taking into account any Shares to be issued under the [**REDACTED**] Equity Incentive Plans, the share capital of our Company immediately after the [**REDACTED**] and the [**REDACTED**] will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares
		(US$)
Shares in issue (including the Shares upon re-designation of the Preferred Shares)	[**REDACTED**]	[**REDACTED**]
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

Assuming the [**REDACTED**] is exercised in full and without taking into account any Shares to be issued under the [**REDACTED**] Equity Incentive Plans, the share capital of our Company upon completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares
		(US$)
Shares in issue (including the Shares upon re-designation of the Preferred Shares)	[**REDACTED**]	[**REDACTED**]
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

ASSUMPTIONS

The above tables assume that the [**REDACTED**] is completed, the [**REDACTED**] becomes unconditional, all Preferred Shares are converted into Ordinary Shares, and that the issue of Shares pursuant to the [**REDACTED**] are made as described herein. It takes no account of any Shares which may be issued under the [**REDACTED**] Equity Incentive Plans, or any Shares which may be issued and allotted or repurchased pursuant to the general mandate given to the Directors for issuance and allotment of Shares referred to in Appendix IV in this Document or the repurchase mandate referred to in Appendix IV to this Document, as the case may be.

RANKING

The [**REDACTED**] are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all Preferred Shares re-designated into Shares upon completion of the [**REDACTED**] and the [**REDACTED**]) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate or divide its share capital into Shares of larger or smaller amount; (iii) subdivide its Shares into shares of smaller amount; (iv) cancel any shares which have not been taken; (v) make provision for the allotment and issue of shares; (vi) change the currency of denomination of share capital; and (vii) reduce its share premium account. In addition, our Company may subject to the provisions of the Cayman Companies Act

reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For more details, see "Summary of the Constitution of the Company and Cayman Islands Company Law — Articles of Association — Shares — Alteration of Capital" in Appendix III.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

(a) 20% of the total number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]); and

(b) the total number of Shares repurchased by our Company pursuant to the authority referred to in the sub-section headed "Potential Changes to Share Capital — General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; and

(c) the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

This mandate only relates to repurchases on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be [**REDACTED**] (and which is recognized by the SFC and the Stock Exchange for this purpose), and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

(c) the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Appendix IV — Statutory and General Information — Further Information About Our Company — Resolutions of Our Shareholders" to this Document for more details on the general mandates to issue and repurchase Shares.

[**REDACTED**] EQUITY INCENTIVE PLANS

We have adopted the [**REDACTED**] Equity Incentive Plans, consisting of the 2019 Share Plan, 2019 Equity Incentive Plan, the 2021 Equity Incentive Plan and the 2022 Equity Incentive Plan. The principal terms of each are summarized in the section headed "Appendix IV — Statutory and General Information — [**REDACTED**] Equity Incentive Plans".

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Document.

For the purpose of this section, unless the context otherwise requires, references to 2022 and 2023 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Founded in 2014, we are a leading and global AI-driven biotech company. Our Core Product, ISM001-055, is a small-molecule drug candidate primarily designed to treat fibrosis-related indications by inhibiting TRAF2 and NCK-interacting protein kinase ("**TNIK**"), a newly identified anti-fibrotic target. As of the Latest Practicable Date, we had a pipeline of 15 drug candidates covering fibrosis, oncology, immunology and other therapeutic areas, six of which had obtained IND approvals for conducting clinical trials.

BASIS OF PREPARATION

The consolidated financial statements of the Group for the Track Record Period have been prepared in accordance with the accounting policies which conform with the International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"). The consolidated financial information of the Group is presented in U.S. dollars except when otherwise indicated. The preparation of consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. For example, not only the factors in relation to our pre-revenue product candidates, but also the factors in relation to our revenue-generating services, may affect our results of operations. A detailed discussion of the key factors is set out below.

Our ability to advance our drug pipeline

We are advancing our internal drug discovery programs by leveraging our end-to-end technology platform. As these programs progress, we will strategically evaluate on a program-by-program basis whether to conduct development ourselves or to enter an out-licensing arrangement to maximize the value of the programs.

For those candidates that we largely develop on our own, we will need to devote substantial resources to advance them. Our expenses associated with progressing our internal drug discovery programs will impact our financial performance, especially as they enter late-stage clinical trials. Additionally, our business and results of operations will depend on our drug candidates' ability to obtain the requisite regulatory approvals for our drug candidates to initiate clinical trials, ability to demonstrate favorable safety and efficacy in clinical trials, and ability to advance through clinical development and secure eventual regulatory approval. Finally, we may not be able to successfully develop and commercialize our drug candidates, which would materially and adversely affect our financial performance.

Our ability to advance our collaborations of drug discovery and development

An important component of our strategy is to expand our collaborations with biopharmaceutical firms globally. We have entered into several drug discovery and development collaborations with biopharmaceutical companies, and we believe that we have a significant opportunity to build upon our existing collaborations to secure new opportunities that leverage our generative AI platform and research and development capabilities. We believe that our collaborations have the potential to be a significant driver of value for us in the form of research fees, milestone payments and option fees, as well as royalties.

We continue to work with our current collaborators to advance existing programs through the research and discovery stages and to initiate additional programs with these collaborators. Our ability to derive value from our collaborations will be driven by the ability to move the associated assets through development, regulatory approval and potential commercialization by us or our collaborators. Our ability to secure additional collaborations is dependent upon successful research and development efforts, the ongoing enhancement of our technology platform and business development efforts.

Our ability to increase our customer base and drive additional revenue from our software solutions from existing customers

We believe that we have a significant opportunity for growth with biopharmaceutical companies that could benefit from our solutions. Our ability to continue to grow our customer base is dependent upon our ability to educate the market and support the business through investment in our sales and marketing efforts and the ongoing enhancement of our generative AI platform.

The biopharmaceutical industry presents a significant opportunity for us to expand our revenue by increasing the customer base that utilizes our software. The revenue that we generate through our software solutions from each of our customers varies depending on the number of subscription agreements that each customer enters into with us. Accordingly, we work with our customers to improve their experience and increase the utilization of our platforms.

We intend to leverage our existing relationships with our customers and establish new relationships with potential customers to drive greater adoption of our software solutions. If we are unable to continue to increase revenue from existing and new customers, our financial performance will be adversely impacted.

Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses and administrative expenses.

Research and development activities, such as conducting preclinical studies, clinical trials and activities related to regulatory filings for our product candidates, are central to our business model. For 2022 and 2023, our research and development expenses were US$78.2 million and US$97.3 million, respectively. Our research and development expenses primarily consist of third-party contracting costs, labor costs and share based compensation expenses. We expect our research and development expenses to continue to increase for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our product candidates and as we move those product candidates into further clinical trials.

Our administrative expenses consist of labor costs, professional and consultation fees, share based compensation expenses, travel and entertainment expenses, IT and office supplies expenses, and rental and utilities expenses.

We expect our cost structure to evolve as we continue to develop and expand our business. As the preclinical studies and clinical trials of our product candidates continue to progress and as we gradually bring assets in our product pipeline to commercialization, we expect to incur additional costs, such as the cost of manufacturing and sales and marketing of marketed drugs. We also anticipate increasing legal, compliance, accounting, insurance, and investor and public relations expenses associated with being a [**REDACTED**] company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity financing, drug discovery revenue including payments from upfront payments and other success-based development milestones, as well as software solution services revenues. Going forward, we expect to fund our operations with revenue generated from research and development collaborations, revenue generated from asset out-licensing and subscription fees related to licensing components of our proprietary Pharma.AI. In the event of the successful development and commercialization with our partners of one or more of our drug candidates, we may also generate revenue from our commercialized drug products. However, with the continuing expansion of our business, we may require further funding through public or private equity offerings, debt financing, collaboration and licensing arrangements or other funding sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items.

Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 4 and 5 to the Accountants' Report in Appendix I to this Document.

Significant Accounting Policies

Revenue from Contracts with Customers

We recognize revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to customers. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are

substantially the same. Except for granting of a license that is distinct from other promised services, control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;

- our Group's performance creates or enhances an asset that the customer controls as our Group performs; or

- our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service. For granting of a license that is distinct from other promised services, the nature of our Group's promise in granting a license is a promise to provide a right to access our Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that our Group will undertake activities that significantly affect the intellectual property to which the customer has rights;

- the rights granted by the license directly expose the customer to any positive or negative effects of our Group's activities; and

- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

A contract asset represents our Group's right to consideration in exchange for services that our Group have transferred to a customer that is not yet unconditional.

Employee Benefits

Retirement benefit costs

We participate in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which we pay a fixed percentage of its staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on our Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, we revise its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options and restricted shares/share units that vest immediately at the date of grant, the fair value of the share options and restricted shares/share units granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to other reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

When the restricted shares/share units are forfeited after the vesting date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

When restricted shares/share units granted are vested, the amount previously recognized in share-based payments reserve will be transferred to other reserve.

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the services received measured at the grant date is recognized, as a minimum, fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if we modify the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the modified vesting conditions is taken into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification occurs after vesting period, the incremental fair value granted is recognized immediately, or over the vesting period if additional period of service is required before the modified equity instruments are vested.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the original equity instruments granted is continued to be accounted for as if that modification had not occurred.

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes other than construction in progress. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties, including leasehold improvement in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives of three years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets-research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Our intangible assets as of December 31, 2022 and 2023 pertained to acquired software.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with our documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Significant Accounting Judgments and Estimates

Critical accounting judgments in applying accounting policies

Development expenses

Development expenses incurred on our drug product pipelines are capitalized and deferred only when we could demonstrate (i) the technical feasibility of completing the development of the relevant intangible asset so that it will be available for use or sale; (ii) our intention to complete and our ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the pipeline; and (v) the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, all research and development expenses are expensed when incurred.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Fair value measurement of financial liabilities at FVTPL

We issued series of preferred shares to certain investors during the Track Record Period. We accounted for these financial instruments as financial liabilities at FVTPL. The fair value of these financial instruments is determined using valuation techniques, namely back-solve method under market approach, discounted cash flow method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as possibilities and expected date under different scenarios such as liquidation event, volatility and risk-free interest rate which require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, it may lead to a change in the fair value of the financial liabilities at FVTPL. As at December 31, 2022 and 2023, the carrying amounts of financial liabilities at FVTPL were US$649.0 million and US$775.1 million, respectively.

Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, are disclosed in Note 31 of the Accountants' Report set out in Appendix I to this Document. The Reporting Accountants performed its work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment

Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole, and its opinion on the Group for the Track Record Period as a whole is set out in the Accountants' Report in Appendix I to this Document.

In relation to the valuation of the Level 3 financial liabilities, with reference to the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC, our Directors have adopted the following procedures: (i) reviewing the terms of the relevant agreements and documents regarding the financial liabilities; (ii) assisting by an independent qualified valuer to perform valuation procedures with necessary financial and non-financial information and discussing with the valuer on the relevant assumptions; (iii) obtaining sufficient understanding of the valuation model, methodologies and techniques on which the valuation is based; and (iv) reviewing the valuation works and results and the financial statements prepared in accordance with IFRS. Based on the above procedures, our Directors are of the view that the valuation analysis performed during the Track Record Period is fair and reasonable, and our financial statements are properly prepared. In addition, our Directors are satisfied with the valuation work for the Level 3 financial liabilities performed during the Track Record Period.

In relation to the fair value assessment of the financial liabilities requiring Level 3 measurements under the fair value classification, the Joint Sponsors has conducted relevant due diligence work, including but not limited to, (i) obtaining and reviewing the terms of the underlying agreements for the Level 3 Financial Liabilities; (ii) discussing our management to understand the methodology, assumptions and information relied upon in respect of our valuation of the Level 3 Financial Liabilities of our Group and our views on the fairness and reasonableness of the assumptions, basis and approaches of the valuation; (iii) discussing with our management to understand the work performed in relation to such valuation; (iv) discussing with the Reporting Accountants to understand the work they have performed in this regard; and (v) reviewing the relevant notes in the Accountants' Report as contained in Appendix I to this Document and the Reporting Accountants' opinion on the historical financial information as a whole for the Track Record Period. Based upon the due diligence work conducted by the Joint Sponsors as stated above, and having considered the views of the Directors, nothing material has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation in respect of the financial assets requiring Level 3 measurements under the fair value classification.

Fair value of share-based compensation

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the binomial option pricing model. Management is responsible for determining the fair value of the share options or restricted shares. The key assumptions used to determine the fair value of the share unit awards at the grant date include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses that we recognize in the historical financial information.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	For the year ended December 31,	
	2022	2023
	US$	*US$*
	(in thousands)	
Revenue	30,147	51,180
Cost of services	(11,037)	(12,611)
Gross Profit	19,110	38,569
Other income	275	5,437
Impairment losses under expected credit loss ("ECL") model, net of reversal	(234)	160
Selling and marketing expenses	(5,375)	(7,774)
Research and development expenses	(78,175)	(97,341)
Administrative expenses	(15,442)	(17,344)
[REDACTED]	[REDACTED]	[REDACTED]
Other gains and losses, net	(3,775)	319
Finance costs	(99)	(94)
Loss from changes in fair value of financial liabilities at FVTPL	(138,100)	(126,133)
Loss before tax	**(221,815)**	**(211,556)**
Income tax expense	(13)	(84)
Loss for the year	**(221,828)**	**(211,640)**
Other comprehensive (expense) income	794	228
Total comprehensive expenses for the year	**(221,034)**	**(211,412)**

Non-IFRS Measure

We adopt the adjusted net loss for the year (non-IFRS measure), which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

We recorded adjusted loss (non-IFRS measure) of US$70.8 million for 2022 and US$67.4 million for 2023. We define adjusted loss (non-IFRS measure) as loss for the year adjusted by adding back loss from changes in fair value of financial liabilities at FVTPL, share-based compensation expenses and [**REDACTED**]. The following table reconciles our adjusted loss (non-IFRS measure) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the periods indicated:

	For the year ended December 31,	
	2022	**2023**
	US$	*US$*
	(in thousands)	
Loss for the year	(221,828)	(211,640)
Add:		
Loss from changes in fair value of financial liabilities at FVTPL	138,100	126,133
Share-based compensation expenses	12,924	10,791
[REDACTED]	[REDACTED]	[REDACTED]
Adjusted loss (non-IFRS measure)	**(70,804)**	**(67,361)**

Loss from changes in fair value of financial liabilities at FVTPL represent the fair value changes of convertible redeemable preferred shares we issued. The convertible preferred shares will automatically convert into ordinary shares upon the completion of the [**REDACTED**], and no further loss or gain on fair value changes is expected to be recognized afterwards. Our share-based compensation expenses represent expenses associated with equity compensation to retain and reward persons performing services to us, which are non-cash in nature. [**REDACTED**] relates to this [**REDACTED**] of the Company. We therefore believe that these items should be adjusted for when calculating our adjusted net loss (non-IFRS measure). We have made the adjustments consistently during the Track Record Period complying with Chapter 3.11 of the Guide for New Listing Applicants issued by the Stock Exchange. However, our presentation of such non-IFRS measure may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Revenue

During the Track Record Period, we generated revenue from pipeline drug development business, drug discovery services and software solution services. The following table sets forth a breakdown of our revenue in absolute amount and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Drug discovery and pipeline development services	28,648	95.0	47,818	93.4
– Pipeline drug development	–	–	39,022	76.2
– Drug discovery services	28,648	95.0	8,796	17.2
Software solution services	1,499	5.0	3,362	6.6
Total	**30,147**	**100.0**	**51,180**	**100.0**

Cost of Services

During the Track Record Period, our cost of services mainly consisted of third-party contracting costs and labor costs in relation to pipeline drug development business and drug discovery services. The pipeline drug development business, drug discovery services and internal research and development activities are both performed by our research and development specialists. In 2022 and 2023, our external services significantly increased. Therefore, we recorded cost of services of US$11.0 million and US$12.6 million in 2022 and 2023, respectively, and will continue to record cost of services going forward. The following table sets forth a breakdown of our cost of services in absolute amount and as percentage of our total cost of services for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Third-party contracting costs	9,566	86.7	10,699	84.8
Labor costs	1,471	13.3	1,912	15.2
Total	**11,037**	**100.0**	**12,611**	**100.0**

Third-party contracting costs include fees paid to CROs and CDMOs pursuant to services agreements we have entered into with them. Labor costs primarily include salaries, welfare and pension costs for our research and development employees.

The following table sets forth a breakdown of our cost of services by component in absolute amount and as percentage of our total cost of services for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Drug discovery and pipeline development service	11,037	100.0	12,611	100.0
Software solution services	–	–	–	–
Total	**11,037**	**100.0**	**12,611**	**100.0**

During the Track Record Period, we recorded cost of services of nil for our software solution services. Our software research and development specialists spend the majority of their time devoted to internal research and development activities and continuously upgrading and training our Pharma.AI. Therefore, these costs were included in our research and development expenses.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by component for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Drug discovery and pipeline development service	17,611	61.5	35,207	73.6
Software solution services	1,499	100.0	3,362	100.0
Total gross profit	**19,110**	**63.4**	**38,569**	**75.4**

Our gross profit represents our revenue less our cost of services. Our gross profit margin represents our gross profit as a percentage of our revenue. For 2022 and 2023, our gross profit was US$19.1 million and US$38.6 million, respectively, and our gross profit margin was 63.4% and 75.4%, respectively.

Other Income

During the Track Record Period, our other income consisted of bank interest income and others. Bank interest income includes interests generated from our bank deposits. Others represents income from government grants we received.

Selling and Marketing Expenses

During the Track Record Period, our selling and marketing expenses consisted of labor costs, marketing costs, share-based compensation expenses and others. The table below sets forth a breakdown of our selling and marketing expenses in absolute amount and as percentage of our total selling and marketing expenses for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Selling and marketing expenses				
Labor costs	2,764	51.4	5,967	76.8
Marketing costs	489	9.1	791	10.2
Share-based compensation expenses	1,419	26.4	223	2.8
Others	703	13.1	793	10.2
Total	**5,375**	**100.0**	**7,774**	**100.0**

Our labor costs primarily consists of salaries, welfare and other benefits for our selling and marketing staff. Marketing costs primarily consists of marketing related expenses. Others include depreciation and amortization, travel expenses, IT and office supplies expenses and rental and utilities expenses.

Research and Development Expenses

During the Track Record Period, our research and development expenses were incurred in connection with carrying out the research and development activities of our product candidates and continuously upgrading and training our Pharma.AI. Our research and development expenses consist of third-party contracting costs for discovery and development services and clinical trial related services provided by CROs and CDMOs, labor costs, share-based compensation expenses and others. The table below sets forth a breakdown of our research and development expenses in absolute amount and as percentage of our total research and development expenses for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Research and development expenses				
Third-party contracting costs	53,777	68.8	59,582	61.2
Labor costs	15,965	20.4	27,044	27.8
Share-based compensation expenses	6,274	8.0	5,829	6.0
Others	2,159	2.8	4,886	5.0
Total	**78,175**	**100.0**	**97,341**	**100.0**

Our third-party contracting costs primarily consist of CRO and CDMOs expenses incurred in relation to our programs. CROs and CDMOs engaged for our programs provide lab experiments and manufacturing services, and do not contribute to IP. Our labor costs primarily consists of salaries, welfare and pension for our research and development staff. Our share-based compensation expenses represent the expenses associated with equity compensation to our research and development staff. Others include depreciation and amortization, rental and utilities expenses and other miscellaneous costs.

The table below sets forth a breakdown of our research and development expenses by programs.

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Research and development expenses				
Core Product	9,994	12.8	16,540	17.0
Other pipeline candidates	59,270	75.8	71,052	73.0
Pharma.AI	8,911	11.4	9,749	10.0
Total	**78,175**	**100.0**	**97,341**	**100.0**

Administrative Expenses

During the Track Record Period, our administrative expenses consisted of labor costs, share-based compensation expenses, professional and consultation fees and others. The table below sets forth a breakdown of our administrative expenses in absolute amount and as a percentage of our total administrative expenses for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Administrative expenses				
Labor costs	5,634	36.5	7,528	43.4
Professional and consultation fees	2,801	18.1	1,230	7.1
Share-based compensation expenses	5,231	33.9	4,738	27.3
Others	1,776	11.5	3,848	22.2
Total	**15,442**	**100.0**	**17,344**	**100.0**

Our labor costs primarily consists of salaries, welfare and other benefits for our administrative staff. Our professional and consultation fees primarily represent the fees paid to professionals, such as legal advisors, intellectual property agents, accounting firm and other professional services. Others include depreciation and amortization, travel expenses, IT and office supplies expenses, rental and utilities expenses.

Other Gains and Losses, Net

The following table below sets forth a breakdown of our other gains and losses, net, and as percentage of our total other gains and losses, net, for the periods indicated:

	For the year ended December 31,			
	2022		2023	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Other gains and losses, net				
Net foreign exchange losses	(571)	15.1	(122)	(38.2)
Loss on disposal of a subsidiary	(2,189)	58.0	–	–
Gain on termination of lease	19	(0.5)	–	–
(Loss) gain from changes in fair value of financial assets at FVTPL	(1,038)	27.5	449	140.7
Others	4	(0.1)	(8)	(2.5)
Total	**(3,775)**	**100.0**	**319**	**100.0**

Our loss or gain from changes in fair value of financial assets at FVTPL represented the valuation of Regent Pacific Group Limited, a Hong Kong listed company that we invested. For further information about this equity investment, see Note 19 to the Accountants' Report in Appendix I to this Document. In October 2022, we disposed of 100% equity interest of its wholly owned subsidiary InSilico LLC to an independent third party. For further information, see Note 32 to the Accountants' Report in Appendix I to this Document.

Loss from changes in fair value of financial liabilities at FVTPL

Loss from changes in fair value of financial liabilities at FVTPL represented the fair value changes of convertible redeemable preferred shares we issued. In 2022 and 2023, we recorded fair value losses on convertible redeemable preferred shares of US$138.1 million and US$126.1 million, respectively. For more details regarding preferred shares, see "History, Development and Corporate Structure — [**REDACTED**] Investments" in this Document. The fair value changes of convertible redeemable preferred shares adversely affected our financial performance in 2022 and 2023 and will continue to affect our financial performance during and subsequent to the Track Record Period until the conversion of preferred shares into ordinary shares upon [**REDACTED**].

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate.

Taxation

Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. In addition, upon payments of dividends by us to our shareholders, no Cayman Islands withholding tax is imposed.

United States

Under the laws of United States, our subsidiary incorporated in U.S. is subject to U.S. federal corporate income tax at a rate of 21%. It is also subject to state income tax in multiple states. We are slightly profitable in 2022, and generated tax provision USD25,000 for income taxes. We have no taxable income for 2023, and therefore no provision for income taxes is required.

Hong Kong

Under the two-tiered profit tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and any profits above HK$2 million will be taxed at 16.5%. The profits of our subsidiaries that are not adopted for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

PRC

Our subsidiaries established and operated in the PRC are subject to the EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (the "**EIT Law**"). Pursuant to the EIT Law, our subsidiaries are generally subject to EIT at the statutory rate of 25%.

United Arab Emirates

Under the laws of United Arab Emirates, our subsidiary incorporated in the United Arab Emirates is not subject to tax on income or capital gains.

Other Regions

We are also subject to corporate income tax in other jurisdictions. Income tax on profit arising from other jurisdictions, including Taiwan and Canada had been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions, ranging from 8% to 20%.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2022 Compared with Year Ended December 31, 2023

Revenue

Our revenue increased from US$30.1 million for 2022 to US$51.2 million for 2023. Our revenue generated from pipeline drug development business and drug discovery services increased from US$28.6 million for 2022 to US$47.8 million for 2023, which was primarily attributable to the revenue from the out-license of ISM3091 to Exelixis in 2023 which contributed approximately US$39.0 million during the period. Our revenue generated from software solution services increased from US$1.5 million for 2022 to US$3.4 million for 2023, which was primarily attributable to subscription renewals of existing clients and subscriptions from new clients in 2023.

Cost of Services

Our cost of services remained stable from US$11.0 million for 2022 to US$12.6 million for 2023, which relate to our pipeline drug development business and drug discovery services.

We recorded cost of services of nil for our software solution services in 2022 and 2023 because our software research and development specialists spend the majority of their time devoted to internal research and development activities and continuously upgrading and training our Pharma.AI. Therefore, these costs were included in our research and development expenses.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of services described above, our gross profit increased from US$19.1 million for 2022 to US$38.6 million for 2023. For the same years, our gross profit margin increased from 63.4% to 75.4%, which was attributable to the increase in gross margin for pipeline drug development business and drug discovery services, which was due to the revenue from the out-license of ISM3091 to Exelixis in 2023.

Our gross profit generated from drug discovery and pipeline development service significantly increased from US$17.6 million for 2022 to US$35.2 million for 2023, which was in line with our revenue. For the same years, gross profit margin for our drug discovery and pipeline development service was 61.5% and 73.6%, respectively. The increase of gross profit margin was mainly because our pipeline drug development business generated revenue in 2023.

Our gross profit generated from software solution services increased from US$1.5 million for 2022 to US$3.4 million for 2023, which was primarily attributable to the increased subscription to our software solution. For the same year, gross profit margin for our software solutions services remained unchanged.

Other income

Our other income significantly increased from US$275 thousand for 2022 to US$5.4 million for 2023, which was primarily attributable to increased interests generated from our bank deposits in 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased from US$5.4 million for 2022 to US$7.8 million for 2023, which as primarily attributable to the increase in (i) labor costs from US$2.8 million to US$6.0 million, and (ii) other expense from US$0.7 million to US$0.8 million as we expanded our business development team and our selling and marketing efforts in 2023.

Research and Development Expenses

Our research and development expenses increased from US$78.2 million for 2022 to US$97.3 million for 2023, which was primarily attributable to the increase in third-party contracting costs paid to CROs and CDMOs from US$53.8 million in 2022 to US$59.6 million in 2023 and the increase in labor costs from US$16.0 million in 2022 to US$27.0 million in 2023 which is in line with the expansion of our pipeline. Our research and development expenses incurred for our Core Product were US$10.0 and US$16.5 million in 2022 and 2023, respectively.

Administrative Expenses

Our administrative expenses increased from US$15.4 million for 2022 to US$17.3 million for 2023, which is in line with our business expansion.

Other Gains and Losses, Net

Our other losses, net, significantly improved from US$3.8 million for 2022 to other gains, net at US$0.3 million for 2023, which was primarily attributable to (i) an equity investment in Regent Pacific Group Limited, for further information about this equity investment, see Note 19 to the Accountants' Report in Appendix I to this Document, and (ii) a disposal of a subsidiary. In October 2022, we disposed of 100% equity interest of its wholly owned subsidiary InSilico LLC to an independent third party in 2022. For further information, see Note 32 to the Accountants' Report in Appendix I to this Document.

Finance Costs

Our finance costs remained stable from US$99 thousand for 2022 to US$94 thousand for 2023.

Loss from changes in fair value of financial liabilities at FVTPL

Our losses from changes in fair value of financial liabilities at FVTPL decreased from US$138.1 million in 2022 to US$126.1 million for 2023. This decrease was primarily attributable to the fair value changes of our convertible redeemable preferred shares.

Income Tax

Our income tax was US$13 thousand for 2022 and US$84 thousand for 2023.

Loss for the year

As a result of the above, we had loss for the period of US$221.8 million for 2022 and US$211.6 million for 2023.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31, 2022	As of December 31, 2023
	US$	*US$*
	(in thousands)	
Total non-current assets	16,035	14,142
Total current assets	218,751	188,653
Total assets	**234,786**	**202,795**
Total current liabilities	682,488	852,027
Total non-current liabilities	1,841	926
Total liabilities	**684,329**	**852,953**
Treasury shares	(11,346)	(11,346)
Share premium and reserves	(438,197)	(638,812)
Total deficits	**(449,543)**	**(650,158)**

NET CURRENT ASSETS/LIABILITIES

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

	As of December 31, 2022	As of December 31, 2023	As of January 31, 2024
	US$	*US$* *(in thousands)*	*US$* *(unaudited)*
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")	–	–	15,058
Trade and other receivables	10,868	11,472	11,595
Bank balances and cash	207,883	177,181	166,542
Total current assets	**218,751**	**188,653**	**193,195**
Current liabilities			
Trade and other payables	18,495	28,103	14,981
Amount due to a related party	8,422	4,903	4,502
Lease liabilities	1,382	1,267	1,255
Financial liabilities at FVTPL	648,978	775,111	775,349
Contract liabilities	5,211	42,142	50,666
Deferred income	–	501	227
Total current liabilities	**682,488**	**852,027**	**846,980**
Net current liabilities	**(463,737)**	**(663,374)**	**(653,785)**
Net liabilities	**(449,543)**	**(650,158)**	**(641,229)**

We had net liabilities of US$449.5 million and US$650.2 million as of December 31, 2022 and 2023, respectively, primarily due to an increase in financial liabilities at FVTPL from US$649.0 million as of December 31, 2022 to US$775.1 million as of December 31, 2023. The financial liabilities at FVTPL represents fair value change in our convertible preferred shares. See the Accountants' Report set out in Appendix I to this Document for a detailed description of our statements of changes in equity. Our net liabilities remain stable as of December 31, 2023 compared to net liabilities as of January 31, 2024, which is in line with our business development.

We had net current liabilities of US$663.4 million as of December 31, 2023, compared to net current liabilities of US$463.7 million as of December 31, 2022. The change was primarily due to (i) a decrease in bank balances and cash from US$207.9 million as of December 31, 2022 US$177.2 million as of December 31, 2023, (ii) an increase in financial liabilities at FVTPL from US$649.0 million as of December 31, 2022 US$775.1 million as of December 31, 2023, and (iii) an increase in contract liabilities from US$5.2 million as of December 31, 2022 to US$42.1 million as of December 31, 2023. The financial liabilities at FVTPL represent fair value changes in convertible preferred shares, which will be re-classified as equity as the convertible preferred shares will automatically convert into ordinary shares upon the completion of the [**REDACTED**], and no further loss or gain on fair value changes is expected to be recognized and the net current liabilities would turn into net current assets after the completion of the [**REDACTED**]. Our net current liabilities remain stable as of December 31, 2023 compared to net current liabilities as of January 31, 2024, which is in line with our business development.

To improve our net current liabilities position and ensure working capital sufficiency, we will take the following measures:

- We will improve our operating cash flow through our business development. We intend to increase our market penetration rate by providing more drug discovery services and software solution services to increase our net current assets.

- We will closely monitor and control our costs and operating expenses and increase our collaboration with customers from which we can generate more revenue and reduce R&D expenses by out-license or co-development of our pipeline products.

Trade and Other Receivables

Our trade receivables primarily represent the balances due from certain customers. We generally allow for a credit period of up to one month or a particular period agreed with customers effective from the date when the services have been completed and billed to the customer. We consider a number of factors in determining the credit term of a customer, including its nature (public institutes or private companies), cash flow conditions and creditworthiness. We do not hold any collateral or other credit enhancements over our trade receivables balance and such receivables are non-interest bearing. Our other receivables mainly consist of good and services tax and prepayments to service providers. Our prepaid expenses represent advanced payments for goods, services and rent. Our prepayments represent payments that are already paid before its official due or expense over a certain period, and deferred share issue costs were related to financing activities in 2022 that are already paid.

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31, 2022	As of December 31, 2023
	US$	*US$*
	(in thousands)	
Trade receivables from contracts with customers – third parties	5,169	1,115
Less: Allowance for credit losses	(273)	(38)
	4,896	**1,077**
Other receivables	7	6
Prepaid expenses	–	91
Value added tax recoverable	1,420	2,331
Interest receivable	–	1,495
Prepayments	819	1,686
Deferred share issue costs	3,726	4,786
	5,965	**10,389**
Total	**10,868**	**11,472**

Our trade receivables from contracts with customer decreased from US$5.2 million as of December 31, 2022 to US$1.1 million as of December 31, 2023, which was primarily attributable to the collection of milestone payments from collaborations in 2022.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or disagreements with our customers in relation to the timing, amounts of billing or the collection of our trade and other receivables.

In determining impairment of trade receivables, we conduct regular reviews of aging analysis and evaluate collectivity, taking into account the historical loss patterns of our customers. We did not record material provision for impairment of trade receivables during the Track Record Period.

The following table sets forth our trade receivables turnover days for the periods indicated:

	For the year ended December 31, 2022	For the year ended December 31, 2023
Average trade receivables turnover days[(1)]	37	22

Note:

(1) Trade receivable turnover days for a period equals the arithmetic mean of the beginning and ending trade receivable balances divided by revenue for that period and multiplied by 365 days for the full-year period.

The average trade receivables turnover days were 37 days and 22 days for 2022 and 2023, respectively. The turnover days are related to our revenue recognition and account receivable collection procedure. The decrease in average trade receivables days for 2023 was due to (i) our active collection of trade receivables in 2023, and (ii) our receipt of upfront payments in relation to the out-license of ISM3091 in 2023. We expect to improve our average turnover days going forward.

The following table sets forth the aging analysis of trade debtors based on the invoice date and net of loss allowance as of the dates indicated.

	As of December 31, 2022	As of December 31, 2023
	US$	*US$*
	(in thousands)	
Within 1 year	4,872	1,077
1-2 years	24	–
2-3 years	–	–
Total	**4,896**	**1,077**

As of January 31, 2024, US$0.3 million, representing 27.3% of the US$1.1 million trade receivables outstanding as of December 31, 2023, were subsequently settled.

Bank Balances and Cash

Our bank balances and cash were US$207.9 million, US$177.2 million and US$166.5 million as of December 31, 2022, December 31, 2023 and January 31, 2024, respectively, primarily consisting of time deposits with original maturity of less than one year when acquired. The decrease was mainly attributable to the investment in Money Market Fund and cash outflow from our operating activities.

Trade and Other Payables

Our trade and other payables primarily consist of trade payables for research and development expenses, payroll and related liabilities, professional service fees and share issue costs and accrued office expenses. Trade payables mainly consist of balances due to our trade payables for research and development expenses, payroll and related liabilities, and professional service fees and share issue costs. The professional service fees and share issue costs were costs related to financing activities in 2022 and [**REDACTED**] activities in 2023. The following table sets forth our trade and other payables as of the dates indicated.

	As of December 31, 2022	As of December 31, 2023
	US$	*US$*
	(in thousands)	
Trade and other payables		
Trade payables for research and development expenses	10,705	12,920
Payroll and related liabilities	3,780	8,542
Professional service fees and share issue costs	2,244	2,592
Accrued issue costs	–	364
Accrued [REDACTED]	[REDACTED]	[REDACTED]
Accrued office expenses	991	505
Other taxes and surcharge	287	233
Other payables	488	465
Total	**18,495**	**28,103**

The table below sets forth our average trade payables turnover days for the periods indicated.

	For the year ended December 31, 2022	For the year ended December 31, 2023
Average trade payables turnover days[(1)]	66	96

Note:

(1) Trade payables turnover days for a year equals the arithmetic mean of the beginning and ending payables balances in trading nature and divided by cost related to CRO & CDMO and other drug discovery services related activities for that period multiplied by 365 days.

Our trade payables turnover days were 66 days and 96 days for 2022 and 2023, respectively. The increase in turnover days in 2023 was due to more clinical stage expenses incurred as more of our projects progressed into clinical stage and these expenses typically have a relatively longer settlement cycle.

The following table sets forth an aging analysis of the trade payables as of the dates indicated.

	As of December 31, 2022	As of December 31, 2023
	US$	*US$*
	(in thousands)	
0-30 days	6,891	9,129
31-90 days	1,969	3,532
91-180 days	1,535	259
181-360 days	310	–
Total	**10,705**	**12,920**

As of January 31, 2024, US$5.0 million, representing 38.8% of the US$12.9 million trade payables outstanding as of December 31, 2023, were subsequently settled.

Contract Liabilities

Our contract liabilities represent advance consideration received from customers for the unsatisfied performance obligations. Amounts billed in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the consolidated statements of financial position as contract liabilities. Our contract liabilities were US$5.2 million and US$42.1 million as of December 31, 2022 and 2023, respectively, which was primarily attributable to advance payments we received from certain customers.

As of January 31, 2024, US$5.4 million, representing 12.8% of the US$42.1 million contract liabilities as of December 31, 2023, were subsequently utilized.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we relied on capital contributions by our shareholders and operating revenues as the major sources of liquidity. As our business develops and expands, we expect to generate more net cash from our operating activities, through sales of our drug discovery and software solution services, as a result of the broader market acceptance of our existing services and our continued efforts in marketing and expansion, improving cost control and operating efficiency and accelerating the turnover of trade receivables by tightening our credit policy.

With respect to cash management, our objective is to optimize liquidity to secure a stable return for Shareholders in a risk-averse manner. Specifically, we have policies in place to monitor and manage the settlement of trade receivables. When determining the credit term of a customer, we consider a number of factors, including its cash flow conditions and creditworthiness. To monitor the settlement of our trade receivables and avoid credit losses, we conduct annual review of each customer's financial performance, which is primarily based on the amount and aging of the trade receivables due from such customer in the respective period.

Cash Flows

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

	For the year ended December 31,	
	2022	**2023**
	US$	*US$*
	(in thousands)	
Loss for the year	(221,828)	(211,640)
Operating cash flows before movements in working capital	(65,135)	(74,736)
Changes in working capital	17,618	46,048
Net cash used in operating activities	**(47,517)**	**(29,576)**
Net cash (used in)/from investing activities	**(13,580)**	**690**
Net cash from/(used in) financing activities	**107,148**	**(2,183)**
Net increase (decrease) in cash and cash equivalents	46,051	(31,069)
Effect of foreign exchange rate changes	291	367
Cash and cash equivalents	**207,883**	**177,181**

Net Cash Used in Operating Activities

For 2023, our net cash used in operating activities was US$29.6 million, which was adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include loss from changes in fair value of financial liabilities at FVTPL of US$126.1 million and share-based payment expenses of US$10.8 million. The amount was then further adjusted by changes in working capital, primarily including an increase in trade and other payables of US$9.1 million and a decrease in amount due to a related party of US$3.5 million which were offset by increase in contract liabilities of US$36.9 million. Our operating cash outflow position improved as we received US$31.0 million and US$92.2 million from customers in 2022 and 2023, respectively. In 2023, (i) we entered into the Exelixis Agreement and received $80.0 million upfront payment in September 2023, and (ii) we reached development milestones in the second half of 2023 to receive milestone payments from our collaborators.

As our business develops and expands, we expect to generate more cash flow from our operating activities through drug discovery services and enhance the capacity of our cost containment and operating efficiency. In particular, we plan to:

- We are actively pursuing commercial partnerships with customers for the co-development and out-license of our ongoing pipeline products, which would generate more revenue and reduce R&D expenses.

- We will improve our operating cash flow through our business development. We intend to increase our market penetration rate by providing more drug discovery services and software solution services to increase our net current assets.

- We will adopt comprehensive measures to control our costs and operating expenses effectively. We will enlarge our business scale by increasing our bargaining power and strengthening supplier management to obtain cost-effective services and products. We will also closely monitor the settlement of our trade payables to achieve a better cash flow position.

For 2022, our net cash used in operating activities was US$47.5 million, which was adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include loss from changes in fair value of financial liabilities at FVTPL of US$138.1 million, share-based payment expenses of US$12.9 million and loss from disposal of a subsidiary of US$2.2 million. The amount was then adjusted by changes in working capital, primarily including an increase in trade and other payables of US$12.7 million, increase in amount due to a related party of US$5.8 million and increase in contract liabilities of US$5.0 million, which was offset by increase in trade and other receivables of US$5.9 million.

Net Cash (Used in) from Investing Activities

For 2023, our net cash from investing activities was US$690 thousand, which was primarily attributable to the bank interest and investment income from Money Market Fund received of US$3.7 million, partially offset by purchase of property and equipment and other intangible assets of US$3.0 million.

For 2022, our net cash used in investing activities was US$13.6 million, which was primarily attributable to purchase of property and equipment of US$11.0 million related to our automated lab.

In 2023, we purchased some money market fund products, which are mutual fund products that generally invest in low-risk, highly liquid and short-term financial instruments. With regards to the purchase of money market fund products, we have formulated the investment policy of diversifying risks and generating steady returns on the premise of ensuring the safety of funds. Our CEO and the finance department are mainly responsible for making, implementing and supervising our investment decisions. We have implemented the following treasury policies and internal authorization controls:

- We have formulated the internal control measures to control our process of investment in wealth management products;

- Our Board is responsible for the approval of the investment policy. It includes looking at our material investments in financial products through a strict review and decision-making process;

- Our finance department is responsible for implementation and management of our investment products; and

- All investments must be rated at least investment grade with a low risk of default, except for depository products and wealth management product investments that are not rated, as long as such wealth management products are issued by a commercial bank or other financial institution that is regulated by its respective reputable regulatory authority.

Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such investment products. We adopt a prudent approach in investing in such products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as the duration of the investment and the expected returns. To control our risk exposure, we have in the past sought, and may continue in the future to seek, other low-risk and liquidity investment products issued by a commercial bank or other financial institution that is regulated by its respective reputable regulatory authority. Our investments in financial products after the [**REDACTED**] will be subject to compliance with Chapter 14 of the Listing Rules.

Net Cash From/(Used in) Financing Activities

For 2023, our net cash used in financing activities was US$2.2 million, which was primarily attributable to the repayment of our lease liabilities of US$1.4 million.

For 2022, our net cash from financing activities was US$107.1 million, which was primarily attributable to proceeds from issuance of convertible redeemable preferred shares of US$109.7 million.

WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, including R&D costs, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this Document:

- our future operating cash flows in respective periods;
- cash and cash equivalents;
- available equity financing and bank facilities; and
- the estimated net [**REDACTED**] from the [**REDACTED**].

Our cash burn rate refers to the average monthly net cash used in operating activities and capital expenditures. We had cash and cash equivalents of US$177.2 million as of December 31, 2023. We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] after deducting the [**REDACTED**] fees and expenses payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the low-end of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**] in this Document. Assuming an average cash burn rate going forward of [**REDACTED**] the level in 2023, we estimate that our cash and cash equivalents as of December 31, 2023 will be able to maintain our financial viability for [**REDACTED**] or, if we take into account the estimated net [**REDACTED**] from the [**REDACTED**], [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated.

	For the year ended December 31, 2022	For the year ended December 31, 2023
	US$	*US$*
	(in thousands)	
Research and Development for Core Product		
Labor costs	787	2,378
Third-party contracting cost – Clinical trial expenses	5,060	8,124
Third-party contracting cost – Preclinical study costs	3,366	3,815
Others	44	147
Total	9,257	14,464
Research and Development for Pharma.AI Platform		
Labor costs	5,418	7,312
Third-party contracting costs	1,665	536
Others	270	405
Total	7,353	8,253
Research and Development for Other Product Candidates		
Labor costs	8,005	14,009
Third-party contracting costs	28,506	48,411
Others	537	911
Total	37,048	63,331
Workforce Employment Costs[(1)]	4,120	10,905
Others[(2)]	17,561	25,634
Total Cash Operating Costs	75,339	122,587

Notes:

(1) Workforce employment costs include non-R&D staff salaries and compensation benefits.

(2) Others include costs related to drug discovery services and professional services.

INDEBTEDNESS

The following table sets forth the breakdown of our financial indebtedness as of the dates indicated:

	As of December 31, 2022	As of December 31, 2023	As of January 31, 2024
	US$	*(in thousands)*	*US$* *(unaudited)*
Current			
Lease liabilities	1,382	1,267	1,255
Financial liabilities at FVTPL	648,978	775,111	775,349
Non-current			
Lease liabilities	1,841	926	761
Total	**652,201**	**777,304**	**777,365**

As of January 31, 2024, we had no unutilized bank facilities.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed below, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date for our indebtedness statement. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this Document.

Lease Liabilities

We recognized total lease liabilities of US$3.2 million, US$2.2 million and US$2.0 million as of December 31, 2022, December 31, 2023 and January 31, 2024, respectively, which are secured by rental deposit but not guaranteed. The increase in lease liabilities over these periods is primarily attributable to the new lease contracts we entered into for the expansion of our offices. For further information regarding our lease liabilities, see Note 25 to the Accountants' Report in Appendix I to this Document.

Since IFRS 16 was adopted by our Group throughout the Track Record Period, we recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and low value assets. The following table sets forth our lease liabilities for the periods indicated.

	As of December 31,		As of January 31,
	2022	2023	2024
	US$'000	*US$'000*	*US$'000* *(unaudited)*
Lease liabilities payable:			
Within one year	1,382	1,267	1,255
Within a period of more than one year but not exceeding two years	1,173	632	697
Within a period of more than two years but not exceeding five years	668	294	64
	3,223	2,193	2,016
Less: Amount due for settlement within 12 months shown as current liabilities	(1,382)	(1,267)	(1,255)
Amount due for settlement after 12 months shown as non-current liabilities	1,841	926	761

Financial Liabilities at FVTPL

As of December 31, 2022 and 2023, we had financial liabilities at FVTPL of US$649.0 million and US$775.1 million, respectively. As of January 31, 2024, we had financial liabilities at FVTPL of US$775.3 million. For more details, please see Note 26 to the Accountants' Report included in Appendix I to this Document.

Except as disclosed in the financial indebtedness table above, as of the Latest Practicable Date, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Our Directors have confirmed that since December 31, 2023 and up to Latest Practicable Date, there had been no material adverse change in our indebtedness.

CAPITAL EXPENDITURES

We regularly make capital expenditures to expand our operations, upgrade our facilities and increase our operating efficiency. The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,	
	2022	2023
	US$	*US$*
	(in thousands)	
Purchase of property and equipment	10,978	2,562
Purchase of other intangible assets	242	411
Total	**11,220**	**2,973**

The decrease in purchase of property and equipment from US$11.0 million in 2022 to US$2.6 million in 2023 was related to the construction of our automated lab in Suzhou, China. We expect to finance such capital expenditures through a combination of operating cash flows and net [**REDACTED**] from the [**REDACTED**]. For more details, see "Future Plans and Use of [**REDACTED**]." We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors, we believe to be appropriate.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2022 and 2023, we had capital commitments of US$2.5 million and US$263 thousand, respectively, primarily in connection with our capital expenditure in acquisition of intangible assets and equipment and construction of our automated lab in Suzhou, China.

CONTINGENT LIABILITIES

As of December 31, 2023, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group as of the dates indicated:

	As of December 31,	
	2022	2023
	%	%
Current ratio	32.1	22.1

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

Our current ratio was 32.1% and 22.1% as of December 31, 2022 and 2023, respectively. Our current ratio decreased as of December 31, 2023 compared to that as of December 31, 2022, primarily due to an increase in financial liabilities at FVTPL as a result of an increase in entity value.

MATERIAL RELATED-PARTY TRANSACTIONS

The below table sets forth material transactions between us and our related parties during the Track Record Period.

	For the year ended December 31,	
	2022	2023
	US$	*US$*
	(in thousands)	
Purchases of CRO services from:		
WuXi Group	20,611	15,594

The below table sets forth outstanding balances with related parties as of the dates indicated.

	As of December 31,	As of December 31,
	2022	2023
	US$	*US$*
	(in thousands)	
Trade payables — amount due to a related party		
WuXi Group	8,422	4,903

Our Directors confirm that all material related party transactions during the Track Record Period were conducted on an arm's-length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. The amounts are trade in nature. Details of our transactions with related parties during the Track Record Period are set out in Note 32 to the Accountants' Report included in Appendix I to this Document.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk, as set out below.

Credit Risk

Credit risk is the risk of financial loss to us if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from our receivables from customers. The carrying amounts of trade receivables, other receivables, bank balances included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to its financial assets.

The tables below detail the credit risk exposures of our financial assets, which are subject to ECL assessment:

			The Group	
	Internal credit rating	12m or lifetime ECL	As at December 31, 2022	As at December 31, 2023
			Gross carrying amount	
			(in US$ thousands)	
Financial assets at amortized cost				
Trade and other receivables	Low risk	Lifetime ECL/ 12m ECL	5,176	2,616
Other non-current assets	Low risk	12m ECL	538	562
Bank balances	N/A	12m ECL	207,883	177,181

We do not hold any collateral or other credit enhancements to cover its credit risks associated with our financial assets. For further details, see Note 35 to the Accountants' Report set out in Appendix I to this Document.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our objective when managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation.

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We rely on issuance of preferred shares and ordinary shares as significant sources of liquidity. Our directors are satisfied that we will have sufficient financial resources to meet our financial obligation as they fall due and to sustain its operations for the foreseeable future. For further details, including relevant sensitivity analysis, please see Note 35 to the Accountants' Report set out in Appendix I to this Document.

Interest Rate Risk

We are primarily exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to bank balances. We currently do not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

We consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

Currency Risk

Certain financial assets and liabilities are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For further details, including relevant sensitivity analysis, please see Note 35 to the Accountants' Report set out in Appendix I to this Document.

DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum of Association and the Cayman Companies Act. The declaration and payment of dividends in the future will be determined by our Board of Directors, in its discretion, or the Shareholders in general meeting, and will depend on a

number of factors, including our earnings, capital requirements, and overall financial condition. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend by paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business (i.e., the solvency test as provided in the Cayman Companies Act). As advised by our Cayman counsel, the financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that we satisfy the solvency test set out in the Cayman Companies Act. There is no assurance that dividends of any amount will be declared to be distributed in any year.

DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any distributable reserves.

[**REDACTED**] EXPENSES

The total [**REDACTED**] expenses payable by our Company are estimated to be approximately HK$[**REDACTED**] assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), which represent [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], assuming no Shares are issued pursuant to the [**REDACTED**]. These expenses are comprised of (i) [**REDACTED**] expenses of US$[**REDACTED**] and (ii) [**REDACTED**] expenses of US$[**REDACTED**], including (a) the legal advisors and the reporting accountants expenses of US$[**REDACTED**], and (b) other fees and expenses of US$[**REDACTED**].

For the years ended December 31, 2022 and 2023, we incurred [**REDACTED**] for the [**REDACTED**] of [**REDACTED**] and US$[**REDACTED**], respectively. We estimate that additional [**REDACTED**] of approximately US$[**REDACTED**] (including [**REDACTED**] and other expenses, assuming the [**REDACTED**] is not exercised and based on the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) will be incurred by us, approximately US$[**REDACTED**] of which is expected to be charged to our consolidated statements of profit or loss and approximately US$[**REDACTED**] of the [**REDACTED**] directly attributable to the issuance of shares will be deducted from equity.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES

[**REDACTED**]

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this Document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2023, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For further details of our future plans, see "Business — Our Strategies."

USE OF [REDACTED]

We estimate that the aggregate net [**REDACTED**] to our Company from the [**REDACTED**] (after deducting [**REDACTED**] and other estimated expenses in connection with the [**REDACTED**] paid and payable by us taking into account any additional discretionary incentive fee and assuming that the [**REDACTED**] is not exercised and an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share) will be approximately HK$[**REDACTED**] (US$[**REDACTED**]). We currently intend to apply such net [**REDACTED**] we will receive from this [**REDACTED**] for the following purposes:

- approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) to fund further clinical research and development of our Core Product:
    - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund the research and development of oral administration of ISM001-055 for IPF in China:
        - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund the Phase IIa clinical trial of ISM001-055 for IPF in the U.S. and China. We initiated a multi-center, randomized, double-blind, placebo-controlled Phase IIa clinical trial for ISM001-055 in the U.S. and China and will evaluate the safety, tolerability, pharmacokinetics and efficacy of ISM001-055 administered as oral doses for 12 weeks in patients with IPF. We initiated the China site clinical trials under the NMPA umbrella approval in April 2023. We filed an IND application with the FDA for U.S. site approval in February 2023 and received the IND approval for ISM001-055 in June 2023. The first patient for the Phase IIa trial in the U.S. was randomized and dosed in February 2024;
        - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund the Phase IIb clinical trial of ISM001-055 for IPF in the U.S. and China;
        - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund the Phase III clinical trial of ISM001-055 for IPF in the U.S. and China;

- approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund the research and development of inhalation administration of ISM001-055 for IPF:
  - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund preclinical studies of inhalation administration of ISM001-055 for IPF;
  - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund Phase I clinical trial of inhalation administration of ISM001-055 for IPF in China;
- approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund the research and development of ISM001-055 for kidney fibrosis:
  - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund preclinical studies of ISM001-055 for kidney fibrosis;
  - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund Phase I clinical trial of ISM001-055 for kidney fibrosis in China;

- approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) to fund the research and development of our other pipeline drug candidates:
  - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund the continued research and development of ISM3312 which targets $3CL^{pro}/M^{pro}$ and has the potential to treat COVID-19 and other coronaviruses. We expect to complete the Phase Ia clinical trial in China in April 2024 and plan to initiate the Phase II clinical trials following analysis of the data from the Phase Ia clinical trial;
  - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used to fund the continued research and development of ISM8207 which targets QPCTL and has potential applications in cancer immunotherapy. In collaboration with Fosun, we applied for pre-IND communication with the Center for Drug Evaluation ("**CDE**") and filed an IND application in April 2023. Together with Fosun, we are planning to initiate a first-in-human, open-label, multi-center Phase I study in China to evaluate the safety, tolerability, PK/pharmacodynamics and preliminary anticancer activity of ISM8207 in subjects with advanced/metastatic solid tumors and relapsed/refractory B-cell lymphoid malignancies in the second quarter of 2024;

  - approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) will be used for the preclinical evaluation and clinical development of our remaining pipeline products;

- approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) for the further development and expansion of our automated lab. We plan to utilize our next generation automated lab to generate valuable real-world experimental data to further train and validate our AI models. Our Pharma.AI platform generates predicted omics data/responses, then designs lab experiments to be carried out automatically in our automated lab. The result of these experiments will help us validate whether the initial predictions by our platform were correct and thus help us train the AI models. We will work to optimize the design of the Life Star 1 to expand its range of capabilities, miniaturize its physical footprint and optimize its construction and operating costs;

- approximately HK$[**REDACTED**] (or approximately [**REDACTED**]% of the net [**REDACTED**]) for development of new generative AI models and the associated validation work. The allocation is expected to be used to retain and recruit AI talent, perform lab validation of our AI models and purchase commercially available datasets;

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

If the [**REDACTED**] is exercised in full, the net [**REDACTED**] of the [**REDACTED**] would increase to approximately HK$[**REDACTED**] (US$[**REDACTED**]) (based on the mid-point [**REDACTED**] of HK$[**REDACTED**] per Share). We intend to apply the additional net [**REDACTED**] to the above uses in the proportions stated above.

The allocation of the [**REDACTED**] used for the above will be adjusted in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**] range. If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share, being the high end of the stated [**REDACTED**] range, our net [**REDACTED**] will (i) assuming the [**REDACTED**] is not exercised, be increased by approximately HK$[**REDACTED**] (US$[**REDACTED**]), or (ii) assuming the [**REDACTED**] is exercised in full, be increased by approximately HK$[**REDACTED**] (US$[**REDACTED**]). In such circumstances, we currently intend to use such additional [**REDACTED**] to increase the net [**REDACTED**] applied for the same purposes as set out above on a pro rata basis. If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share, being the low end of the stated [**REDACTED**] range, our net [**REDACTED**] will (i) assuming the [**REDACTED**] is not exercised, be decreased by approximately HK$[**REDACTED**] (US$[**REDACTED**]), or (ii) assuming the [**REDACTED**] is exercised in full, be decreased by approximately HK$[**REDACTED**] (US$[**REDACTED**]). In such circumstances, we currently intend to reduce the net [**REDACTED**] applied for the same purposes as set out above on a *pro rata* basis.

To the extent that our net [**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.

We will only place the net [**REDACTED**] from the [**REDACTED**] which are not immediately required for the disclosed purposes in short-term interest-bearing accounts at licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance).

We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

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The following is the text of a report set out on pages I-1 to I-[91], received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF INSILICO MEDICINE CAYMAN TOPCO, MORGAN STANLEY ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of InSilico Medicine Cayman TopCo (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-[91], which comprises the consolidated statements of financial position of the Group as at December 31, 2022 and 2023, the statements of financial position of the Company as at December 31, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended December 31, 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-3 to I-[91] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date, 2024] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2022 and 2023, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date, 2024]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with the International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("**IASB**") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in United States dollar ("**USD**") and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31, 2022	2023
		USD'000	*USD'000*
Revenue	*6*	30,147	51,180
Cost of services		(11,037)	(12,611)
Gross profit		19,110	38,569
Impairment losses under expected credit loss ("ECL") model, net of reversal		(234)	160
Selling and marketing expenses		(5,375)	(7,774)
Research and development expenses		(78,175)	(97,341)
Administrative expenses		(15,442)	(17,344)
[**REDACTED**]		[**REDACTED**]	[**REDACTED**]
Other income	*8*	275	5,437
Other gains and losses, net	*9*	(3,775)	319
Finance costs	*10*	(99)	(94)
Loss from changes in fair value of financial liabilities at FVTPL	*26*	(138,100)	(126,133)
Loss before tax	*11*	(221,815)	(211,556)
Income tax expense	*12*	(13)	(84)
Loss for the year		(221,828)	(211,640)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		794	228
Total comprehensive expense for the year		(221,034)	(211,412)
Loss per share			
– Basic and diluted (USD)	*14*	(3.31)	(3.13)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at December 31, 2022	As at December 31, 2023
		USD'000	USD'000
Non-current assets			
Property and equipment	*16*	11,172	10,667
Right-of-use assets	*17*	3,107	2,120
Other intangible assets		193	379
Financial assets at fair value through profit or loss ("FVTPL")	*19*	1,025	414
Other non-current assets	*20*	538	562
		16,035	14,142
Current assets			
Trade and other receivables	*21*	10,868	11,472
Bank balances and cash	*23*	207,883	177,181
		218,751	188,653
Current liabilities			
Trade and other payables	*24*	18,495	28,103
Amounts due to a related party	*22*	8,422	4,903
Lease liabilities	*25*	1,382	1,267
Financial liabilities at FVTPL	*26*	648,978	775,111
Contract liabilities	*6*	5,211	42,142
Deferred income	*27*	–	501
		682,488	852,027
Net current liabilities		(463,737)	(663,374)
Total assets less current liabilities		(447,702)	(649,232)
Non-current liability			
Lease liabilities	*25*	1,841	926
Net liabilities		(449,543)	(650,158)
Capital and reserves			
Share capital	*28*	–*	–*
Treasury shares	*29*	(11,346)	(11,346)
Share premium and reserves		(438,197)	(638,812)
Total deficits		(449,543)	(650,158)

* Amount is less than USD1,000.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at December 31, 2022	As at December 31, 2023
		USD'000	USD'000
Non-current asset			
Investments in subsidiaries	*18*	48,761	25,658
		48,761	25,658
Current assets			
Trade and other receivables	*21*	3,726	5,960
Amounts due from a subsidiary	*22*	–	10,964
Bank balances	*23*	149,132	89,173
		152,858	106,097
Current liabilities			
Trade and other payables	*24*	1,859	5,064
Amounts due to subsidiaries	*22*	325	1,738
Financial liabilities at FVTPL	*26*	648,978	775,111
		651,162	781,913
Net current liabilities		(498,304)	(675,816)
Total assets less current liabilities		(449,543)	(650,158)
Net liabilities		(449,543)	(650,158)
Capital and reserves			
Share capital	*28*	–*	–*
Treasury shares	*29*	(11,346)	(11,346)
Share premium and reserves	*30*	(438,197)	(638,812)
Total deficits		(449,543)	(650,158)

* Amount is less than USD1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Share- based payments reserve	Other reserve	Foreign exchange reserve	Accumulated losses	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
As at January 1, 2022	–*	–	(11,462)	–	–	(184)	(229,995)	(241,641)
Profit (loss) and total other comprehensive income (expense) for the year	–	–	–	–	–	794	(221,828)	(221,034)
Exercise of share options	–*	208	–	(136)	136	–	–	208
Restricted shares granted through the ordinary shares contributed by the Founder *(Note 29)*	–	–	(1,633)	–	1,633	–	–	–
Vested restricted shares from the ordinary shares contributed by Founder	–	–	1,749	(1,749)	–	–	–	–
Recognition of share-based compensation	–	–	–	12,924	–	–	–	12,924
As at December 31, 2022	–*	208	(11,346)	11,039	1,769	610	(451,823)	(449,543)
Profit (loss) and total other comprehensive income (expense) for the year	–	–	–	–	–	228	(211,640)	(211,412)
Exercise of share options	–*	6	–	(1)	1	–	–	6
Recognition of share-based compensation	–	–	–	10,791	–	–	–	10,791
As at December 31, 2023	–*	214	(11,346)	21,829	1,770	838	(663,463)	(650,158)

* Amount is less than USD1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
OPERATING ACTIVITIES		
Loss for the year	(221,828)	(211,640)
Adjustments for:		
Interest income	(219)	(4,116)
Finance costs	99	94
Depreciation of property and equipment	438	2,922
Depreciation of right-of-use assets	1,086	1,337
Amortization of other intangible assets	252	222
Impairment losses under ECL model, net of reversal	234	(160)
Share-based payment expenses	12,924	10,791
Net foreign exchange losses	571	122
Loss on disposal of property and equipment	–	8
Gain on termination of lease	(19)	–
Loss on disposal of a subsidiary	2,189	–
Loss (gain) from changes in fair value of financial assets at FVTPL	1,038	(449)
Loss from changes in fair value of financial liabilities at FVTPL	138,100	126,133
Operating cash flow before movements in working capital	(65,135)	(74,736)
(Increase) decrease in trade and other receivables	(5,947)	2,109
Increase in trade and other payables	12,692	9,138
Increase (decrease) in amounts due to a related party	5,840	(3,519)
Increase in contract liabilities	5,033	36,931
Increase in deferred income	–	501
NET CASH USED IN OPERATING ACTIVITIES	(47,517)	(29,576)
INVESTING ACTIVITIES		
Bank interest received	219	2,621
Investment income received from Money Market Fund	–	1,060
Proceeds on disposal of property and equipment	–	6
Withdrawal of Money Market Fund	–	85,000
Payments for lease deposits	(364)	(24)
Purchase of property and equipment	(10,978)	(2,562)
Purchase of other intangible assets	(242)	(411)
Net cash outflow on disposal of a subsidiary	(2,215)	–
Payments of purchase Money Market Fund	–	(85,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(13,580)	690
FINANCING ACTIVITIES		
Repayments of lease liabilities	(971)	(1,401)
Interests paid	(99)	(94)
Proceeds from issuance of convertible redeemable preferred shares	109,738	–
Deferred share issue costs paid	(1,728)	–
Accrued issue costs paid	–	(694)
Net proceeds from issuance of ordinary shares upon exercise of options	208	6
NET CASH FROM (USED IN) FINANCING ACTIVITIES	107,148	(2,183)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,051	(31,069)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	161,541	207,883
Effect of foreign exchange rate changes	291	367
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	207,883	177,181

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated under the laws of the Cayman Islands on November 19, 2018. The Group are primarily engaged in applying innovative artificial intelligence (AI) solutions to drug discovery and development by leveraging its proprietary platforms.

The Group commenced operations through InSilico Medicine Inc. ("InSilico Inc."), a corporation established in Delaware, United States ("US") in 2014 by Mr. Aleksandrs Zavoronkovs (the "Founder") and several outside investors (collectively referred to as the "Original Shareholders"). InSilico Inc. formed several subsidiaries in Russia, Hong Kong, Taiwan, Korea, and China to develop businesses.

From the end of 2018 through early 2019, the Group conducted a series of transactions to re-domicile the holding company from US to Cayman Islands (the "2019 Restructuring") as follows:

On March 15, 2019, the Original Shareholders set up the Company with the shareholding ratio and shareholder rights and obligations in the Company that mirrored that of InSilico Inc.. The Company then set up a subsidiary named InSilico Medicine Cayman Subco ("Subco") and holds all ordinary shares issued by the Subco. Subco and InSilico Inc. entered into a master contribution agreement, pursuant to which InSilico Inc. transferred all of its assets and business operations to Subco in exchange for one preferred share issued by Subco. Upon the completion of the 2019 Restructuring, the Company became the holding company of the Group. As the 2019 Restructuring was a transaction under common ownership with no economic substance, it was accounted for in a manner similar to common control transaction with assets and liabilities recognized at their historical amount in the Group's consolidated financial statements. The share and per share data relating to the ordinary shares issued by the Company during the 2019 Restructuring are presented as if the transactions occurred at the beginning of the first period presented.

In 2022, the Company disposed of all of its equity interest in InSilico LLC, a subsidiary set up on June 2, 2016 to an independent third party after the outbreak of conflict between Ukraine and Russia. The carrying value of net assets at the time of disposal was USD2,189,000 and the Company recognized loss of USD2,189,000 from the disposal as disclosed in Note 32.

2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRSs issued by the IASB.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

As at December 31, 2023, the Group is in a net liabilities position of approximately USD650.2 million in which the balance consists of financial liabilities at FVTPL of approximately USD775.1 million arising from the issuance of preferred shares by the Company. In addition, the Group's current liabilities exceeded its current assets by approximately USD663.4 million which consists of bank balances and cash of approximately USD177.2 million. After taking into account of the Group's cash flow projection and the expected working capital requirements, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for a period of twelve months and it is appropriate to prepare Historical Financial Information on a going concern basis.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting period beginning on January 1, 2023 throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which confirm with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company accounted using equity method as described in IAS 28 *Investments in Associates*. Under the equity method, investment in subsidiaries is initially recognised at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the subsidiaries. Dividends received reduce the carrying amount of the investment.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Except for granting of a license that is distinct from other promised services, control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

For granting of a license that is distinct from other promised services, the nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;

- the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and

- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a license as a performance obligation satisfied over time. Otherwise, the Group considers the grant of license as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the license is granted.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 *Financial Instruments*. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or services transferred to the customer to date (output method).

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liability represent the fixed payments of the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever: the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. USD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which there are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options and restricted shares granted to employees and others providing similar services

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options and restricted shares that vest immediately at the date of grant, the fair value of the share options and restricted shares granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to other reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When the restricted shares are forfeited after the vesting date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When restricted shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to other reserve.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the

vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification occurs after vesting period, the incremental fair value granted is recognized immediately, or over the vesting period if additional period of service is required before the modified equity instruments are vested.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit/(loss) before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each liabilities for reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes other than construction in progress. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties, including leasehold improvement in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives of 3 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally- generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

The intangible assets of the Company as of December 31, 2022 and 2023 pertained to acquired software.

Impairment on property and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable

amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash

Cash presented on the consolidated statements of financial position which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the Historical Financial Information.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the Historical Financial Information in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets the Group hold are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortised cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including trade receivables and other receivables and other non-current assets and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables, where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity interests is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Company's own equity interests.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade payables and other payables and amounts due to a related party are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Development expenses

Development expenses incurred on the Group's drug product pipelines are capitalised and deferred only when the Group could demonstrate (i) the technical feasibility of completing the development of the relevant intangible asset so that it will be available for use or sale; (ii) the Group's intention to complete and the Group's ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the pipeline; and (v) the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalisation. During the Track Record Period, all research and development expenses are expensed when incurred.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Fair value measurement of financial liabilities at FVTPL

The Company issued series of preferred shares to certain investors during the Track Record Period as set out in Note 26. The Group accounted for these financial instruments as financial liabilities at FVTPL.

The fair value of these financial instruments is determined using valuation techniques, namely back-solve method under market approach, discounted cash flow method ("DCF Method") and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as possibilities and expected date under different scenarios such as liquidation event, volatility and risk-free interest rate which require management estimates.

Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. As at December 31, 2022 and 2023, the carrying amounts of financial liabilities at FVTPL were USD648,978,000 and USD775,111,000 respectively, as disclosed in Note 26.

Fair value of share-based compensation

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the binomial option pricing model. Management is responsible for determining the fair value of the share options or restricted shares. The key assumptions used to determine the fair value of the share unit awards at the grant date include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses the Group recognise in the Historical Financial Statements.

6. REVENUE

Disaggregation of revenue from contracts with the customers of the Group:

	Year ended December 31,	
	2022	**2023**
	USD'000	*USD'000*
Types of services		
Drug discovery and pipeline development services	28,648	47,818
Software solution services	1,499	3,362
	30,147	51,180
Geographical market		
United States	9,374	45,906
Mainland China	9,235	3,447
Switzerland	766	655
Japan	207	438
Denmark	–	270
Belgium	–	120
Germany	332	93
United Kingdom	59	46
Hong Kong	10,010	23
Others *(Note)*	164	182
	30,147	51,180
Timing of revenue recognition		
Over time	29,399	49,930
At a point in time	748	1,250
	30,147	51,180

Note: Other geographical markets include Italy, Korea, Taiwan, Netherlands, Finland, Canada and United Arab Emirates.

The Group's revenue is from drug discovery and pipeline development services provided in collaborative arrangements and drug discovery projects with biopharmaceutical companies and academic research institutions, as well as subscription fees for its proprietary drug discovery software, Biology42, Chemistry42 and Medicine42. For the drug discovery and pipeline development services, the Group is mainly engaged to utilize its AI-powered technology to identify suitable or novel targets of interest or uncover potent drug candidates with desired drug-like properties for its customers. For the software solution services, the Group grant its customers with access to its AI-powered proprietary drug discovery software for a period of time based on the subscription agreement.

Drug discovery and pipeline development services

Revenue from drug discovery and pipeline development services is recognized either over time, typically by using hours expended or milestone reached to measure progress, or at a point in time upon completion of delivery of promised services based on the nature of the performance obligation. Payments for services are generally due upon achieving milestones stated in a contract, upfront at the start of a contract, or upon consumption of resources. Services may at times include variable consideration in the way of milestone payments and royalty payments. The Group has estimated the amount of consideration that is variable using the most likely amount method. The Group evaluates milestones on a case by case basis, including whether there are factors outside the Group's control that could result in a significant reversal of revenue, and the likelihood and magnitude of a potential reversal. If achievement of a milestone is not considered probable, the Group constrains (reduces) variable consideration to exclude the milestone payment until it is probable to be achieved. For the years ended December 31, 2022 and 2023, USD5,059,000 and USD2,588,000 revenue were recognized for the milestone events respectively, in which USD41,000 and USD39,000 were recognized from performance obligations satisfied in prior period respectively.

Software solution services

The Group's software solution service is provided to a specified customer in one of the two types of arrangements: (1) by providing access to its hosted software platform ("hosted software"), or (2) by granting right to use software installed on the customer's premise ("on-premise software").

Under the hosted software arrangements, the Group charges subscription fees from providing the Group's customers with access to its hosted software platform and recognizes the fees ratably over the term of the subscription agreement. The subscription

agreement is typically of a one-year term, with fees collected upfront. The Group recognized USD751,000 and USD2,112,000 for hosted software revenue for the years ended December 31, 2022 and 2023 respectively.

Under the on-premise software license arrangements, the Group grants customers the right to use its software on the device or cloud specified and controlled by the customer for a specified term, typically for one year. Revenue from on-premise software is recognized upon completion of software installation, as evidenced by receipt of acceptance by customers. Revenue recognized for on-premise software service were USD748,000 and USD1,250,000 for the years ended December 31, 2022 and 2023 respectively.

Transaction price allocated to the remaining performance obligation for contracts with customers

As at December 31, 2022 and 2023, the Group may receive remaining payments up to an aggregate amount of USD165,039,000 and USD203,177,000, respectively (excluding sales-based royalty arrangement and contingent milestone payments in accordance with relevant contracts), which is expected to be realized at certain milestone as agreed in the contract. The expected amount of revenue recognized is USD66,515,000 within one year after December 31, 2023. The management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of each reporting date during the reporting period will be recognised as revenue within nine years from the reporting date.

As variable considerations are recognized only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future, sales-based royalty arrangement and contingent milestone payments are not included in the transaction price in accordance with the requirements for constraining estimates of variable consideration.

Contract assets and contract liabilities

When the Group satisfies its performance obligations by providing services to a customer before the customer pays consideration and before payment is due, the Group recognizes its rights to consideration as a contract asset.

The Group did not have any contract assets as of December 31, 2022 and 2023.

When a customer pays consideration before the Group provide services, the Group records its obligation as a contract liability. The Group expects to recognize all of this balance as revenue over the next 12 months.

The contract liabilities of the Group as of December 31, 2022 and 2023 are listed in the table below.

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Types of services		
Drug discovery and pipeline development services	4,361	41,463
Software solution services	850	679
	5,211	42,142

The balance of contract liabilities as of December 31, 2022 and 2023 represents the transaction price allocated to the remaining performance obligations as the service fees for outstanding contracts were charged up-front.

The contract liabilities as of December 31, 2021 and 2022 were USD178,000 and USD5,211,000 respectively, in which USD178,000 and USD5,211,000 were recognized as revenue during the years ended December 31, 2022 and 2023 respectively. The contract liabilities as of December 31, 2023 were USD42,142,000 which is expected to be recognized within one year.

The compensation paid to obtain the contracts were immaterial, therefore, the Group has not capitalized any costs for the years ended December 31, 2022 and 2023.

7. SEGMENTS INFORMATION

Operating segments are identified on the basis of the Group's internal reports that are regularly reviewed by the chief operating decision maker ("CODM"), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance.

During the Trade Record Period, the CODM reviews the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies as set out in Note 4. Accordingly, the Group has only one single segment and no further analysis of the single segment is presented.

Geographical information

Information about the Group's non-current assets is presented based on the geographical location of the assets. USD12,471,000 and USD11,420,000 of the Group's non-current assets are located in mainland China as of December 31, 2022 and 2023, respectively. The remaining ones are located in other locations.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Relationship	Nature	Year ended December 31,	
			2022	2023
			USD'000	*USD'000*
Customer A	Third-party	Drug discovery and pipeline development services	8,333	*
Customer B	Third-party	Drug discovery and pipeline development services	–	39,022
Customer C	Principal Shareholder	Drug discovery and pipeline development services	17,066	*

* Represents less than 10% of revenue for the years ended December 31, 2022 and 2023.

8. OTHER INCOME

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
Bank interest income	219	4,116
Others	56	1,321
	275	5,437

9. OTHER GAINS AND LOSSES, NET

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
Net foreign exchange losses	(571)	(122)
Loss on disposal of property and equipment	–	(8)
Loss on disposal of a subsidiary (Note 32)	(2,189)	–
Gain on termination of lease	19	–
(Loss) gain from changes in fair value of financial assets at FVTPL	(1,038)	449
Others	4	–
	(3,775)	319

10. FINANCE COSTS

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
Interest on lease liabilities	(99)	(94)

11. LOSS BEFORE TAX

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
Loss before tax for the year has been arrived at after charging:		
Depreciation of property and equipment	438	2,922
Depreciation of right-of-use assets	1,086	1,337
Amortization of other intangible assets	252	222
Total depreciation and amortization	1,776	4,481
Directors' emoluments *(Note 13(a))*	3,077	5,982
Other staff costs:		
– salaries and other benefits	15,150	26,408
– discretionary bonuses (Note)	1,727	5,370
– retirement benefit scheme contributions	2,174	3,518
– share-based payments	11,996	8,522
	34,124	49,800

Note: Discretionary bonuses is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

12. INCOME TAX EXPENSE

For the years ended December 31, 2022 and 2023, current and deferred income tax expense were USD13,000 and USD84,000, respectively.

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

Cayman Islands ("Cayman")

The Company and Subco are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, The Company and Subco are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

United States. ("U.S.")

InSilico Medicine US Inc. ("InSilico US") is incorporated in U.S. and is subject to U.S. federal corporate income tax at a rate of 21%. InSilico US is also subject to state income tax in some states, such as California, New Jersey and Delaware. InSilico US was slightly profitable in the year ended December 31, 2022, and generated tax provision USD25,000 for income taxes. InSilico US has no taxable income for the year ended December 31, 2023, therefore, no provision for income taxes is required.

Hong Kong ("HK")

InSilico Medicine Hong Kong Limited ("InSilico HK"), InSilico Medicine IP Limited ("InSilico IP") and Mir Pharma Innovation Limited ("Mir Pharma") are incorporated in Hong Kong. Companies registered in Hong Kong are subject to Hong Kong profits tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended December 31, 2022 and 2023, InSilico HK, InSilico IP and Mir Pharma did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong for any of the periods presented.

Under the Hong Kong tax law, InSilico HK and InSilico IP are partly exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

PRC

InSilico Medicine Ltd. ("InSilico SH"), InSilico Medicine Suzhou Ltd. ("InSilico SZ") and InSilico Medicine Beijing Ltd. ("InSilico BJ") are incorporated under PRC's Enterprise Income Tax Law ("EIT Law"), and the statutory income tax rate is 25%.

Russia

InSilico LLC is incorporated in Russian, and is subject to Russian income tax at Russian Federation profits tax. InSilico LLC has no taxable income for all periods presented, therefore, no provision for income taxes is required.

Taiwan

InSilico Taiwan LTD ("InSilico TW") is incorporated in Taiwan, and is subject to Taiwan income tax at a rate of 20%. Insilico TW was slightly profitable in the year ended December 31, 2022, and generated tax provision USD19,000 for income taxes. Insilico TW has no taxable income for the year ended December 31, 2023, therefore, no provision for income taxes is required.

Canada

InSilico Medicine Canada Inc ("InSilico Canada") is incorporated in Canada and is subject to Canada federal corporate income tax at a rate of 15% plus state corporate income tax at a rate ranging from 8%-16%. InSilico Canada has no taxable income for all periods presented, therefore, no provision for income taxes is required.

United Arab Emirates

InSilico Medicine AI Limited ("InSilico AI") is incorporated in United Arab Emirates. Under the current laws of the United Arab Emirates, InSilico AI is not subject to tax on income or capital gain. Therefore, no provision for income taxes is required.

The income tax expense for the Track Record Period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2022	**2023**
	USD'000	*USD'000*
Loss before tax	(221,815)	(211,556)
Tax at the applicable tax rate of 16.5% *(Note i)*	(36,599)	(34,907)
Tax effect of expenses that are not deductible for tax purpose	33,430	23,624
Tax effect of super deduction on research and development expenses *(Note ii)*	(1,496)	(5,587)
Tax effect of tax losses not recognised	4,653	16,866
Tax effect of deductible temporary differences not recognised	30	4
Withholding tax on license fee income	(13)	(40)
Utilisation of tax losses not recognised in prior years	(18)	–
Adjust provision in prior years	–	(44)
Income tax expense	(13)	(84)

Notes:

i. The domestic tax rate in the jurisdiction where the operation of the Company is substantially based (which is Hong Kong) is used.

ii. Pursuant to Caishui 2018 circular No. 99, InSilico SH and InSilico SZ enjoy super deduction of 175% on qualified research and development expenditures throughout the year ended December 31, 2022. Pursuant to Caishui 2023 circular No. 7, InSilico SH and InSilico SZ enjoy super deduction of 200% on qualified research and development expenditures throughout the year ended December 31, 2023.

As at December 31, 2022 and 2023, the Group has unused tax losses of USD37,890,000 and USD 230,438,000, respectively, and deductible temporary differences of USD240,000 and USD259,000 respectively. No deferred tax asset has been recognized in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

The unused tax losses will be carried forward and expire in years as follows:

	As at December 31,	
	2022	**2023**
	USD'000	*USD'000*
2024	22	22
2025	537	537
2026	8,511	8,511
2027	24,675	24,675
2028 and indefinite	4,145	196,693
	37,890	230,438

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments paid or payable to the individuals who were appointed as directors and the chief executive officer of the Company during the Track Record Period are as follows:

(a) Executive and non-executive directors

	Date of appointment	Director fees	Salaries and other benefits	Discretionary bonuses	Retirement benefit scheme contributions	Share-based payments	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
For the year ended December 31, 2022							
Executive director and chief executive officer:							
Dr. Aleksandrs Zavoronkovs	29 January 2019	–	450	500	–	–	950
Executive director:							
Dr. Feng Ren (任峰)	30 June 2021	–	384	772	23	1,040	2,219
Non-Executive directors:							
Mr. Min Fang (方敏)	30 June 2021	–	–	–	–	–	–
Dr. Kan Chen (陳侃)	26 August 2021	–	–	–	–	–	–
Dr. David Jonathan Madge	21 October 2021	–	–	–	–	–	–
Independent non-executive director:							
Dr. Steven Kenneth Galson *(Note v)*	11 August 2021	20	–	–	–	(112)	(92)
		20	834	1,272	23	928	3,077

	Date of appointment	Director fees	Salaries and other benefits	Discretionary bonuses	Retirement benefit scheme contributions	Share-based payments	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
For the year ended December 31, 2023							
Executive director and chief executive officer:							
Dr. Aleksandrs Zavoronkovs	29 January 2019	–	500	1,156	–	–	1,656
Executive director:							
Dr. Feng Ren (任峰). . . .	30 June 2021	–	447	1,586	24	2,269	4,326
Non-Executive directors:							
Mr. Min Fang (方敏) . . .	30 June 2021	–	–	–	–	–	–
Dr. Kan Chen (陳侃) . . .	26 August 2021	–	–	–	–	–	–
Dr. David Jonathan Madge *(Note vi)*	21 October 2021	–	–	–	–	–	–
		–	947	2,742	24	2,269	5,982

Notes:

(i) None of the directors of the Company waived or agreed to waive any emoluments during the Track Record Period.

(ii) During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(iii) The executive directors', non-executive director's emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company, respectively.

(iv) The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

(v) Dr. Steven Kenneth Galson was an independent non-executive director of the Group from August 11, 2021 till August 31, 2022.

(vi) David Jonathan Madge was a non-executive director of the Group from October 21, 2021 till March 9, 2023.

(b) Five Highest Paid Individuals

The five highest paid individuals of the Group included two and two directors of the Company for the years ended December 31, 2022 and 2023, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining three and three highest paid individuals for the years ended December 31, 2022 and 2023, respectively, are as follows:

	Year ended December 31,	
	2022	**2023**
	USD'000	*USD'000*
Salaries and other benefits	1,245	1,379
Retirement benefit scheme contributions	55	112
Discretionary bonuses *(Note)*	130	1,107
Share-based payments	3,473	2,201
	4,903	4,799

Note: Discretionary bonuses were determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The emoluments of the five highest paid individuals for the years ended December 31, 2022 and 2023 are within the following bands:

	Year ended December 31,	
	2022	**2023**
	No. of employees	*No. of employees*
HK$6,000,001 to HK$6,500,000	1	–
HK$7,000,001 to HK$7,500,000	1	–
HK$7,500,001 to HK$8,000,000	–	1
HK$9,500,001 to HK$10,000,000	1	–
HK$12,000,001 to HK$12,500,000	–	1
HK$12,500,001 to HK$13,000,000	–	1
HK$17,000,001 to HK$17,500,000	1	–
HK$17,500,001 to HK$18,000,000	–	1
HK$22,000,001 to HK$22,500,000	1	–
HK$34,500,001 to HK$35,000,000	–	1

14. LOSS PER SHARE

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

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
Loss for the purpose of calculating basic and diluted loss per share:		
Loss for the year attributable to the owners of the company (USD'000)	(221,828)	(211,640)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *(Note)*	67,060	67,566
Basic and diluted loss per share (USD)	(3.31)	(3.13)

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the Track Record Period has been determined on the assumption that the [**REDACTED**] as described in the section "Share Capital" of the Document had been effective since January 1, 2021.

Note: The effects of all outstanding Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series C+ Preferred Shares, Series D preferred Shares, share options and unvested restricted shares have been excluded from the computation of diluted loss per share for the years ended December 31, 2022 and 2023 as their effects would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2022 and 2023 are the same as basic loss per share for the respective years.

15. DIVIDENDS

No dividend was declared or paid by the Company during the Track Record Period.

16. PROPERTY AND EQUIPMENT

The Group

	Leasehold improvements	Office equipment	Machinery	Construction in process ("CIP")	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
COST					
As at January 1, 2022	445	612	–	–	1,057
Additions	293	190	–	10,653	11,136
Transfer from CIP	1,929	742	3,239	(5,946)	(36)
Disposals	(139)	–	–	–	(139)
Disposal of a subsidiary *(Note 32)*	–	(214)	–	–	(214)
Exchange adjustments	(41)	(14)	–	(20)	(75)
As at December 31, 2022	2,487	1,316	3,239	4,687	11,729
Additions	–	4	5	2,977	2,986
Transfer from CIP	1,030	664	5,394	(7,407)	(319)
Disposals	–	(138)	(12)	–	(150)
Exchange adjustments	(15)	(12)	(63)	(167)	(257)
As at December 31, 2023	3,502	1,834	8,563	90	13,989
DEPRECIATION					
As at January 1, 2022	175	258	–	–	433
Provided for the year	171	266	1	–	438
Eliminated on disposals	(139)	–	–	–	(139)
Eliminated on disposal of a subsidiary *(Note 32)*	–	(168)	–	–	(168)
Exchange adjustments	(19)	12	–	–	(7)
As at December 31, 2022	188	368	1	–	557
Provided for the year	1,448	404	1,070	–	2,922
Eliminated on disposals	–	(124)	(12)	–	(136)
Exchange adjustments	(6)	(4)	(11)	–	(21)
As at December 31, 2023	1,630	644	1,048	–	3,322
CARRYING AMOUNT					
As at December 31, 2022	2,299	948	3,238	4,687	11,172
As at December 31, 2023	1,872	1,190	7,515	90	10,667

The above items of property and equipment are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

Leasehold improvements	Over the shorter of the remaining lease terms or estimated useful lives of 3 years
Office equipment	3 years
Machinery	5 years

17. RIGHT-OF-USE ASSETS

The Group

	Leased properties
	USD'000
Carrying amount	
As at January 1, 2022	1,056
Additions	3,750
Termination of lease	(369)
Disposal of a subsidiary *(Note 32)*	(207)
Depreciation charge for the year	(1,086)
Exchange adjustments	(37)
As at December 31, 2022	3,107
Additions	400
Depreciation charge for the year	(1,337)
Exchange adjustments	(50)
As at December 31, 2023	2,120

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
Expenses relating to short-term leases	382	498
Total cash outflow for leases	1,816	2,385

During the Track Record Period, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The amounts of the Group's lease liabilities and interest on lease liabilities are disclosed in Note 25 and Note 10, respectively. At December 31, 2022 and 2023, lease liabilities of USD3,223,000 and USD2,193,000 are recognised with related right-of-use assets of USD3,107,000 and USD2,120,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Cost of investments in subsidiaries	175,395	222,395
Share of loss and other comprehensive expense	(126,634)	(196,737)
At the end of the year	48,761	25,658

19. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Financial assets measured at FVTPL:		
Non-current asset:		
Equity Investments with Readily Determinable Fair Value:		
Regent Pacific Group Limited (formerly known as Endurance RP Limited) *(Note 1)*	1,025	414

Note 1:

In June 2019, the Company set up Deep Longevity, Inc., ("Deep Longevity") as an exempted company in Cayman Islands. In June 2020, the Company's equity interest in Deep Longevity was diluted from 100.00% to 37.04% upon completion of a new equity financing raised by Deep Longevity from 3rd party, along with this new equity financing, the Company also invested USD500,000. As a result, the Company deconsolidated Deep Longevity and accounted for the investment using the equity method of accounting with a gain on deemed disposal of USD291,000. The Company recognized share of loss of this investee amounting to USD575,000 for the year ended December 31, 2020.

In August 2020, the Company further entered into an agreement with Regent Pacific Group Limited (formerly known as Endurance RP Limited, "Regent Pacific"), a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, to transfer all the equity interest of Deep Longevity, in exchange for 104,475,456 shares of Regent Pacific. The deal was closed upon completion of share transfer in December 2020. The shares are subject to limitation on transfer for a nine-month lock-up period required by the purchase agreement. The fair value of the shares received in excess of the carrying value of the equity method investment in Deep Longevity amounting to USD2,211,000 was recognized as gains on equity investment. Regent Pacific is an investment company focusing on investment in the healthcare, wellness and life sciences sectors. The Company does not have the ability to significantly influence the operations of the investee and records the investment in Regent Pacific using fair value method of accounting. The Company recognized gains and loss from fair value changes amounting to USD1,038,000 loss and USD611,000 loss for the years ended December 31, 2022 and 2023 respectively.

20. OTHER NON-CURRENT ASSETS

The Group

	As at December 31,	
	2022	**2023**
	USD'000	*USD'000*
Rental deposits	538	562

21. TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,	
	2022	**2023**
	USD'000	*USD'000*
Trade receivables from contracts with customers – third parties	5,169	1,115
Less: Allowance for credit losses	(273)	(38)
	4,896	1,077
Other receivables	7	6
Value added tax recoverable	1,420	2,331
Interest receivables	–	1,495
Prepayments	819	1,777
Deferred share issue costs *(Note)*	3,726	4,786
	5,965	10,389
	10,868	11,472

As at 1 January 2021, trade receivables from contracts with customers amounted to USD141,000.

The Company

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Deferred share issue costs *(Note)*	3,726	4,786
Interest receivables	–	983
Prepaid expenses	–	191
	3,726	5,960

Note: The deferred share issue costs were related to a financing activity in other capital market.

The following is an aged analysis of trade receivable net of allowance for credit losses presented based on the date of completion of service at the end of each reporting period:

The Group

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Within 1 year	4,872	1,077
1-2 years	24	–
	4,896	1,077

The Group normally grants a credit period of 30 days to 60 days effective from the date when the services have been completed and billed to the customer.

Details of the assessment on the provision of ECL of trade receivables of the Group as at December 31, 2022 and 2023 are set out in Note 36.

22. AMOUNT(S) DUE FROM/TO A RELATED PARTY/SUBSIDIARIES

The Group

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Trade payables		
Amounts due to a related party:		
WuXi AppTec Co., Ltd. and subsidiaries ("WuXi Group") *(Note 33)*	8,422	4,903

The following is an aged analysis of trade payables due to a related party presented based on the invoice dates at the end of each reporting period, for the trade payables having not received invoice at the end of each reporting period, the aging is within 0-30 days:

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
0-30 days	4,526	1,443
31-90 days	1,160	2,444
91-180 days	2,718	1,016
181-360 days	18	–
	8,422	4,903

The average credit period on purchases of goods/services of the Group is 45 days.

The Company

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Other payables		
Amounts due to subsidiaries:		
InSilico IP	–	61
SubCo	28	187
InSilico HK	50	270
InSilico SH	247	1,220
	325	1,738

The amounts are non-trade in nature, unsecured, interest free and repayable on demand.

The Company

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Other receivables		
Amounts due from a subsidiary:		
InSilico HK	–	10,964

The amounts are non-trade in nature, unsecured, interest free and repayable on demand.

23. BANK BALANCES AND CASH

The Group

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Cash at bank and in hand	207,883	177,181

The carrying amounts of the Group's bank balances and cash denominated in currencies other than functional currencies of the relevant group entities at the end of each reporting period are as follows:

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
USD	2,084	13,072
RMB	1,257	2,639
HK$	117	26

The Company

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Cash at bank	149,132	89,173

Bank balances held by the Group and the Company carry interests at market rates ranging from 0.001% to 0.35% and 0.001% to 5.46% as at December 31, 2022 and 2023 respectively.

24. TRADE AND OTHER PAYABLES

The Group

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Trade payables for research and development expenses	10,705	12,920
Payroll and related liabilities	3,780	8,542
Professional service fees and share issue costs *(Note a)*	2,244	2,592
Accrued issue costs	–	364
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Accrued office expenses	991	505
Other taxes and surcharge	287	233
Other payables	488	465
	18,495	28,103

The Company

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Professional service fees and share issue costs *(Note a)*	1,700	2,218
Accrued issue costs	–	364
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other payables	159	–
	1,859	5,064

Note:

a. The deferred share issue costs were related to a financing activity in other capital market.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period, for the trade payables having not received invoice at the end of each reporting period, the aging is within 0-30 days:

The Group

	As at December 31,	
	2022	**2023**
	USD'000	*USD'000*
0-30 days	6,891	9,129
31-90 days	1,969	3,532
91-180 days	1,535	259
181 -360 days	310	–
	10,705	12,920

The average credit period on purchases of goods/services of the Group is 45 days.

25. LEASE LIABILITIES

The Group

	As at December 31,	
	2022	**2023**
	USD'000	*USD'000*
Lease liabilities payable:		
Within one year	1,382	1,267
Within a period of more than one year but not exceeding two years	1,173	632
Within a period of more than two years but not exceeding five years	668	294
	3,223	2,193
Less: Amount due for settlement within 12 months shown as current liabilities	(1,382)	(1,267)
Amount due for settlement after 12 months shown as non-current liabilities	1,841	926

The weighted average incremental borrowing rates applied to the lease liabilities for the years ended December 31, 2022 and 2023 and range from 2.44% to 4.15% and 2.44% to 4.32%, respectively per annum for the Track Record Period.

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
HK$	263	163

26. FINANCIAL LIABILITIES AT FVTPL

26.1 One Preferred Share of Subco

As part of the 2019 Restructuring (see Note 1), on March 15, 2019, Subco issued one preferred share ("Preferred Share of Subco") to InSilico Inc. with par value of USD1, in exchange for the assets and business operations of InSilico Inc. valued at USD17,100,000 with the assistance of an external valuer. The Original Shareholders, including both Series A preferred shareholders and ordinary shareholders, remained their ownership interest in InSilico Inc. and were entitled to distributions by the Group from both the Company and InSilico Inc..

In connection of the issuance of Series B redeemable convertible preferred shares by the Company ("Series B Preferred Shares") in August 7, 2019, the rights associated with the Preferred Share of Subco were amended in order to give priority in distributions to the holders of Series B Preferred Shares, who could obtain their return only through Subco's distribution to the Company. The key terms of the Preferred Share of Subco are as follows:

Voting Rights

The Preferred Share is a non-voting class of share.

Conversion

The Preferred Share is not convertible into ordinary shares.

Preference in dividend distribution and liquidation

In the event the Board of Directors of the Subco declares dividends on any class or series of shares, or in the event of any voluntary or involuntary liquidation, dissolution, winding up, or Deemed Liquidation Event of Subco (as defined below), the sequence of distribution shall be as follows:

(1) ordinary shareholder, i.e., the Company to receive up to the issuance price of Series B Preferred Shares; (2) Preferred Share of Subco, i.e., InSilico Inc. to receive USD6,000,000, which was the issuance price of Series A Preferred Shares (see Note 26.2 below); (3) on a pari passu basis to both ordinary and preferred shares, unless and until the total distribution paid to InSilico Inc. equal to InSilico Delaware Full Redemption Price, which is defined as USD17,100,000 plus an interest at 6% annum from March 15, 2019. Once the InSilico Delaware Full Redemption Price has been paid to InSilico Inc., the Preferred Share of Subco shall be deemed to be simultaneously and automatically fully redeemed and cancelled. Any remaining funds legally available for distribution after the distributions above shall be distributed to the Company.

Deemed Liquidation Events of Subco include: (a) merger or consolidation in which Subco or the Company (or only if Subco issues shares pursuant to the merger or consolidation, a subsidiary of Subco) is a constituent party; (b) the sale, lease, transfer, exclusive license or other disposition of all or substantially all the assets or intellectual property of Subco and its subsidiaries; and (c) [**REDACTED**] of the Company or Subco.

In connection with the Series C equity financing in June 2021, the Preferred Share of Subco was fully redeemed. The total redemption price amounting to USD19,433,000 was settled in July 2021.

26.2 Convertible Redeemable Preferred Shares of the Company

In June 2018, InSilico Inc. issued 904,888 shares of Series A convertible redeemable preferred shares with par value of USD0.00001 per share ("Series A Preferred Shares") to investors ("Series A Preferred Shareholders") with total proceeds of USD6,000,000 at the price of USD6.6306 per share ("Series A Issued Price"). On March 15, 2019, in connection with 2019 Restructuring, the Series A Preferred Shareholders obtained preferred shares in the Company with shareholding ratio and shareholder rights identical to the Series A Preferred Shares issued by InSilico Inc..

On August 12, 2019, the Company issued 4,403,933 shares of Series B convertible redeemable preferred shares with par value of USD0.00001 ("Series B Preferred Shares") for a total cash proceed of USD36,762,000 at USD8.3476 per share ("Series B Issue Price"). In connection with the Series C equity financing, 196,329 Series B Preferred Shares were repurchased and re-designated to Series C Preferred Shares in June 2021.

In June 2021, the Company issued 8,909,665 shares of Series C convertible redeemable preferred shares with par value of USD0.00001 ("Series C Preferred Shares") for a total cash proceeds of USD255,023,000 at USD28.6232 per share ("Series C Issue Price"). The total cash proceeds were fully received in July 2021.

As part of the round C financing arrangements, in order to avoid further dilution, the Company repurchased 2,631,231 ordinary shares, 173,805 Series A Preferred Shares and 196,329 Series B Preferred Shares from the respective shareholders (including Founder and certain employees) and re-designate all these shares to Series C Preferred Shares through retirement of repurchased shares accompanied with issuance of same number of Series C preferred shares. The repurchase price was USD22.1322, USD25.2939, and USD28.4557 per share for ordinary share, Series A and Series B preferred share, respectively. Out of total repurchase price, USD12,625,000 was paid by InSilico Inc. using the proceeds received as a result of redemption of the One Preferred Share of Subco, remaining USD47,310,000 was paid by the Company. The share repurchase price paid by the Company of USD8,282,000 approximated the fair value of Series A and Series B preferred share on the repurchase date. The repurchase and redemption payments were fully settled in July 2021.

In January 2022, the Company issued 524,051 shares of Series C+ convertible redeemable preferred shares with par value of USD0.00001 ("Series C+ Preferred Shares") for a total cash proceeds of USD15,000,000 at USD28.6232 per share ("Series C+ Issue Price") to Fosun Industrial Co., Limited ("Fosun"), of which the major terms are consistent with those of Series C convertible redeemable preferred shares. The total cash proceeds were fully received in January 2022.

In 2022, the Topco issued 2,421,692 shares of Series D convertible redeemable preferred shares with par value of US$0.0001 ("Series D Preferred Shares") for a total cash proceed of US$94,204,000 at US$39.1204 per share ("Series D Issue price"). The total cash proceeds were fully received in July 2022.

In connection with the issuance of Series C, Series C+ and Series D Preferred Shares, the Company and other Series A and B Preferred Shareholders agreed to modify certain terms related to shareholders' rights, including the Series B Preferred Shareholders' liquidation price, the updated redemption events, and the definition of a Qualified [**REDACTED**]. The Company deemed the modification did not result in any accounting consequence as it was mainly a transfer of wealth amongst different classes of preferred shareholders and the value transferred between preferred shareholders and ordinary shareholders was not material.

The rights, preferences and privileges of the Series A, Series B, Series C, Series C+ and Series D convertible redeemable preferred shares of the Company (together, "Preferred Shares") after the issuance of Series D Preferred Shares are as follows:

Voting Rights

Preferred shareholders are entitled to vote together with the holders of ordinary shares as a single class and on an as-converted to ordinary shares basis.

Dividends

If the Company declares dividends on any class or series of shares, the sequence of dividend right was as follows:

(1) each holder of the Series D Preferred Shares to receive equal to the Series D Issue Price; (2) each holder of the Series C and Series C+ Preferred Shares to receive equal to the Series C and Series C+ Issue Price; (3) each holder of the Series B Preferred Shares to receive equal to the Series B Issue Price; (4) each holder of the Series A Preferred Shares to receive equal to the Series A Issue Price;

If there are any dividends remaining after the aggregate dividends have been distributed or paid in full to the applicable holders above, the remaining dividends available for distribution shall be distributed rateably among all shareholders.

Conversion

The holders of the Preferred Shares are entitled to convert into ordinary shares at any time after the issuance date at the then applicable conversion price. The initial conversion ratio shall be 1: 1, and shall be subject to adjustments for diluting issues such as [**REDACTED**], capital reorganisation or issuance of additional new ordinary stocks. All outstanding Preferred Shares shall automatically be converted, at the applicable conversion ratio at the time of conversion, upon the earlier of a Qualified [**REDACTED**] ("Qualified [**REDACTED**]") or the date specified by written consent or agreement approved by holders of the majority of outstanding preferred shares. Qualified [**REDACTED**] means the closing of a firm commitment [**REDACTED**] of the ordinary shares the Company (or depositary receipts or depositary shares therefor) on the Stock Exchange of Hong Kong Limited, National Association of Securities Dealers Automated Quotation, New York Stock Exchange or another internationally recognized securities exchange with an [**REDACTED**] that implies a market capitalization of the Company immediately prior to such [**REDACTED**] of not less than US$[**REDACTED**] or the equivalent amount in other currencies.

Redemption

Upon the occurrence of any of the following events, the Series B, Series C, Series C+ and Series D Preferred Shares become redeemable:

(a) the Company fails to complete a Qualified [**REDACTED**] within (3) years from the Series D issue date; (b) any other Preferred Shares of the Company become redeemable; (c) any material breach or violation by any Group Company or the Founder of any of its representations, warranties or covenants contained in the transaction documents; (d) the Company fails to achieve at least five (5) licensing and drug discovery deals which generate total cash payment of at least USD10,000,000 within twenty-four (24) months of the Series D issue date; (e) the Company fails to close at least one (1) drug discovery partnership which generates total cash payment of at least USD10,000,000 with a major pharmaceutical company (means Pfizer, Johnson & Johnson, Merck, Novartis, AstraZeneca, Roche, Fosun Pharma and the like) within twenty-four (24) months of the Series D issue date; (f) the Company fails to dose the first (1st) human patients with an artificial intelligence-designed molecule within twelve (12) months of the Series D issue date; or (g) the Company fails to deliver three (3) artificial intelligence-designed preclinical candidates within twelve (12) months of the Series D issue date.

For Series B Preferred Shares, the redemption price for events (a) or (b) is 150% of Series B Issue Price plus declared but unpaid dividends, and for events (c), (d), (e), (f) or (g), the redemption price is 100% of Series B Issue Price plus declared but unpaid dividends. For Series C, Series C+ and Series D Preferred Shares, for all events, the redemption price shall be equal to 100% of the Series C, Series C+ and Series D Issue Price plus all declared but unpaid dividends thereon, plus an additional amount that will result in an annualized rate of return of 8% on the Series C, Series C+ and Series D Issue Price, respectively.

After the Company has filed the submission of [**REDACTED**] for the [**REDACTED**] of shares on the Stock Exchange (the "[**REDACTED**]") on June 27, 2023, the redemption rights for preferred shareholders have been modified as follows:

The redemption rights have ceased to be effective immediately before the Company's submission of the [**REDACTED**]. The redemption rights shall be automatically reinstated upon the earliest of: (i) the return or rejection of the [**REDACTED**] from the Stock Exchange; (ii) the Company serving a notice of withdrawal of the [**REDACTED**] to the Stock Exchange; (iii) the non-renewal of the [**REDACTED**] to the Stock Exchange within nine months after the [**REDACTED**] has lapsed; or (iv) the failure by the Company to achieve a Qualified [**REDACTED**] within 18 months after the date of the [**REDACTED**] to the Stock Exchange.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution, winding up or Deemed Liquidation Event of the Company, distributions to the shareholders of the Company out of the assets available for distribution to its shareholders of the Company should be made in the following sequence.

(1) each holder of the Series D Preferred Shares to receive the Series D Issue Price plus an 8% annualized interest on the Series D Issue Price and any declared but unpaid dividends; (2) each holder of the Series C and Series C+ Preferred Shares to receive the Series C and Series C+ Issue Price plus an 8% annualized interest on the Series C and Series C+ Issue Price and any declared but unpaid dividends; (3) each holder of the Series B Preferred Shares to receive the Series B issue price plus an 8% annualized interest and any declared but unpaid dividends; (4) each holder of the Series A Preferred Shares to receive the Series A issue price.

If there are any dividends remaining after the aggregate dividends have been distributed or paid in full to the applicable holders above, the remaining available for distribution shall be distributed rateably among all Series A, B, C, C+ and D Preferred Shareholders and ordinary shareholders.

Deemed Liquidation Events of the Company include: (a) merger or consolidation in which the Company (or only if the Company issues shares pursuant to the merger or consolidation, a subsidiary of the Company) is a constituent party; (b) the sale, lease, transfer, exclusive license or other disposition of all or substantially all the assets or intellectual property of the Group.

26.3 Presentation and Classification

The Company recognized both the One Preferred Share of Subco and the Convertible Redeemable Preferred Shares of Company as financial liabilities at FVTPL and classified as current liabilities, because not all triggering payment events mentioned in the key terms above were within the control of the Company and these financial instruments did not meet the definition of equity for the Company. Financial liabilities are measured at fair value and any changes in the fair value of the financial liabilities were recorded in "loss on changes in fair value of financial liabilities at FVTPL" in the consolidated statements of profit or loss and other comprehensive income. The directors of the Company considered that the changes in the fair value of the preferred shares attributable to the change in credit risk of the Group is minimal.

For the One Preferred Share of Subco, the Company estimated the underlying fair value based on the redemption price under redemption scenario.

For the Convertible Redeemable Preferred Shares, the Company used DCF Method to determine the underlying total equity value of the Company at the end of each reporting period and performed an equity allocation method to allocate total equity value to preferred shares and ordinary shares on different bases under three different scenarios: Liquidation Scenario, Redemption Scenario and [**REDACTED**] Scenario. Under the Liquidation Scenario and Redemption Scenario, since the holders of the preferred shares would have priority rights to claim for the equity value over the holders of ordinary shares, the Company applied the option pricing method ("OPM") to allocate the Group's total equity value to these different classes of equity. Under the [**REDACTED**] Scenario, the Group's total equity value is allocated to the ordinary shares and the preferred shares on an as-if-fully-converted basis because all the preferred shares will be converted into ordinary shares upon the consummation of [**REDACTED**]. After deriving the value of the preferred shares and ordinary shares under each of the Liquidation, Redemption and [**REDACTED**] Scenario by the method described above, the Company then assigned the probabilities of each scenario to arrive at the probability weighted average value of each class of equity. The valuation was carried out by the directors of the Company with the assistance of an independent qualified valuer.

The key valuation assumptions used to determine the fair value are as follows:

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Expected [**REDACTED**] date	[**REDACTED**]	[**REDACTED**]
Expected liquidation date	20/5/2025	20/5/2025
Expected redemption date	20/5/2025	20/5/2025
Risk-free interest	4.34%	4.58%
Probability of [**REDACTED**] scenario	70%	70%
Probability of liquidation scenario	15%	15%
Probability of redemption scenario	15%	15%
Volatility	75.09%	65.57%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Strips with a maturity life equal to the expected terms for a liquidation or redemption event as of the valuation date, sourced from Bloomberg. Volatility was estimated on the average annualized standard deviation of the historical stock price of [**REDACTED**] comparable companies for a period with length commensurate to expected time to a liquidation or redemption event as of the valuation date.

The movements of the financial liabilities at FVTPL are set out below:

The Group

	One Preferred Share of Subco	Series A	Series B	Series C	Series C+	Series D	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
As at January 1, 2022	–	18,600	108,842	273,698	–	–	401,140
Issuance of Series C+ Preferred Shares	–	–	–	–	15,000	–	15,000
Issuance of Series D Preferred Shares	–	–	–	–	–	94,738	94,738
Changes in fair value	–	6,655	38,539	74,393	5,388	13,125	138,100
As at December 31, 2022	–	25,255	147,381	348,091	20,388	107,863	648,978
Changes in fair value	–	4,951	29,605	72,086	4,210	15,281	126,133
As at December 31, 2023	–	30,206	176,986	420,177	24,598	123,144	775,111

The Company

	Series A	Series B	Series C	Series C+	Series D	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
As at January 1, 2022	18,600	108,842	273,698	–	–	401,140
Issuance of Series C+ Preferred Shares	–	–	–	15,000	–	15,000
Issuance of Series D Preferred Shares	–	–	–	–	94,738	94,738
Changes in fair value	6,655	38,539	74,393	5,388	13,125	138,100
As at December 31, 2022	25,255	147,381	348,091	20,388	107,863	648,978
Changes in fair value	4,951	29,605	72,086	4,210	15,281	126,133
As at December 31, 2023	30,206	176,986	420,177	24,598	123,144	775,111

27. DEFERRED INCOME

The Group

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Government grants related to property and equipment *(Note a)*	–	39
Other subsidies *(Note b)*	–	462
	–	501

Notes:

a. The Group received grants for capital expenditure incurred for the acquisition of plant and equipments. The amounts are deferred and amortized over the estimated useful lives of the respective assets.

b. Other subsidies are generally provided in relation to the R&D activities of the Group. The grants were recognised in profit or loss as other income upon the Group complied with the conditions attached to the grants and the acknowledged acceptance of compliance.

28. SHARE CAPITAL

The Company

	Number of shares	Nominal value of shares
		USD'000
Ordinary shares of USD0.00001 each		
Authorized		
As at January 1, 2022	45,257,463	–*
Increase in authorised ordinary shares	35,817	–*
As at December 31, 2022	45,293,280	–*
As at December 31, 2023	45,293,280	–*
Issued and fully paid		
As at January 1, 2022	3,782,893	–*
Exercise of share options	50,000	–*
As at December 31, 2022	3,832,893	–*
Exercise of share options	1,000	–*
As at December 31, 2023	3,833,893	–*

* Amount is less than USD1,000.

29. TREASURY SHARES

The Company

	Number of shares	Treasury shares
		USD'000
As at January 1, 2022	463,000	11,462
Restricted shares granted through the ordinary shares contributed by the Founder	60,770	1,633
Restricted shares vested	(69,000)	(1,749)
As at December 31, 2022	454,770	11,346
As at December 31, 2023	454,770	11,346

Treasury shares represented unvested restricted shares granted to the directors, employees and consultants of the Group which are from the ordinary shares contributed by Founder as disclosed in Note 31.

30. SHARE PREMIUM AND RESERVES OF THE COMPANY

	Share premium	Share-based compensation reserve	Other reserve	Foreign exchange reserve	Accumulated losses	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
As at January 1, 2022	–	–	–	(184)	(229,995)	(230,179)
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	794	(221,828)	(221,034)
Exercise of share options	208	(136)	136	–	–	208
Restricted shares granted through the ordinary shares contributed by the Founder *(Note 29)*	–	–	1,633	–	–	1,633
Vested restricted shares from the ordinary shares contributed by the Founder	–	(1,749)	–	–	–	(1,749)
Recognition of share-based compensation	–	12,924	–	–	–	12,924
As at December 31, 2022	208	11,039	1,769	610	(451,823)	(438,197)
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	228	(211,640)	(211,412)
Exercise of share options	6	(1)	1	–	–	6
Recognition of share-based compensation	–	10,791	–	–	–	10,791
As at December 31, 2023	214	21,829	1,770	838	(663,463)	(638,812)

31. SHARE-BASED COMPENSATION

31.1 Share options

In order to provide additional incentives to employees and directors and to promote the success of business, InSilico Inc. had issued several batches of options since 2014 according to the share based compensation plan of InSilico Inc. (collectively called "US plan"). On March 15, 2019, as part of the 2019 Restructuring (see Note 1), the Company became the holding company of the Group and established the InSilico Medicine Cayman Topco 2019 Share Incentive Plan to replace the US plan, with no changes on any of the terms of the options. The new plan was subsequently amended and restated on December 31, 2019 and August 13, 2020, respectively (collectively called "2019 Share Incentive Plan"), which permits the granting of share options and restricted share awards to employees, directors and consultants of the Group. The Company authorized a total of 1,192,423 shares for issuance under the 2019 Share Incentive Plan, including 909,000 options inherited from the US plan, and has granted 22,500 and 137,453 share options in 2022 and 2023, respectively.

On December 31, 2019, the Company further established the InSilico Medicine Cayman Topco Equity Incentive Plan as adopted on December 31, 2019 ("2019 Equity Incentive Plan"), which permits the granting of equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors, consultants and other eligible persons. The Company authorized 540,484 shares for issuance under the 2019 Equity Incentive Plan and has granted in total of nil and 45,000 share options for the years ended December 31, 2022 and 2023, respectively.

On June 30, 2021, the Company established the InSilico Medicine Cayman Topco 2021 Equity Incentive Plan as adopted on June 30, 2021 ("2021 Equity Incentive Plan"), which permits the granting of incentive share options, nonstatutory share options, share appreciation rights, restricted shares and restricted share units (collectively as "Awards") to attract and retain employees, directors and consultants and to promote the success of the Group's business. The Company authorized 700,867 shares for issuance under the 2021 Equity Incentive Plan and has granted in total of 52,330 and 60,375 share options for the years ended December 31, 2022 and 2023 respectively. The options granted expire in ten years from the date of grant.

On November 25, 2022, the Company established the InSilico Medicine Cayman Topco 2022 Equity Incentive Plan as adopted on November 25, 2022 ("2022 Equity Incentive Plan"), which permits the granting of incentive share options and restricted share units (collectively as "Awards") to attract and retain employees, directors and consultants and to promote the success of the Group's business. The Company authorized 360,000 shares for issuance under the 2022 Equity Incentive Plan and has granted in total of nil and 36,750 share options for the years ended December 31, 2022 and 2023 respectively. The options granted expire in ten years from the date of grant.

Details of the options granted under 2019 Share Incentive Plan, 2019 Equity Incentive Plan, 2021 Equity Incentive Plan and 2022 Equity Incentive Plan are as follows:

Share award plan	Grantee	Grant during the year of	Vesting schedule defined in contract term	Number of share options granted
2019 Share Incentive Plan	Consultant	2014	100% on grant date	84,000
2019 Share Incentive Plan	Employee	2014	100% on grant date	15,000
2019 Share Incentive Plan	Consultant	2015	Note i	20,000
2019 Share Incentive Plan	Employee	2015	Note ii	45,000
2019 Share Incentive Plan	Employee	2015	Note i	40,000
2019 Share Incentive Plan	Consultant	2016	Note iii	30,000
2019 Share Incentive Plan	Employee	2016	Note iv	80,000
2019 Share Incentive Plan	Consultant	2017	Note v	110,000
2019 Share Incentive Plan	Consultant	2017	Note vi	5,000
2019 Share Incentive Plan	Consultant	2017	100% on grant date	30,000
2019 Share Incentive Plan	Employee	2017	Note v	75,000
2019 Share Incentive Plan	Employee	2017	Note vi	75,000
2019 Share Incentive Plan	Consultant	2018	Note vii	15,000
2019 Share Incentive Plan	Consultant	2018	Note viii	60,000
2019 Share Incentive Plan	Consultant	2018	Note ix	30,000
2019 Share Incentive Plan	Employee	2018	Note viii	195,000
2019 Equity Incentive Plan . . .	Employee	2020	Note v	139,860
2019 Share Incentive Plan	Consultant	2020	Note v	50,000
2019 Share Incentive Plan	Consultant	2020	Note x	30,000
2019 Share Incentive Plan	Employee	2020	Note v	130,000
2019 Equity Incentive Plan . . .	Director	2021	Note v	173,291
2019 Equity Incentive Plan . . .	Employee	2021	Note v	265,910
2019 Share Incentive Plan	Consultant	2021	Note v	15,000
2019 Share Incentive Plan	Employee	2021	Note v	35,000
2021 Equity Incentive Plan . . .	Consultant	2021	Note v	25,000
2021 Equity Incentive Plan . . .	Director (Note xi)	2021	Note v	30,000
2021 Equity Incentive Plan . . .	Employee	2021	Note v	352,882
2019 Share Incentive Plan	Employee	2022	Note v	22,500
2021 Equity Incentive Plan . . .	Consultant	2022	Note v	20,000
2021 Equity Incentive Plan . . .	Director	2022	Note v	13,330
2021 Equity Incentive Plan . . .	Employee	2022	Note v	19,000
2019 Share Incentive Plan	Director	2023	Note v	109,703
2019 Share Incentive Plan	Employee	2023	Note xii	27,750
2019 Equity Incentive Plan . . .	Director	2023	Note v	30,000
2019 Equity Incentive Plan . . .	Employee	2023	Note v	15,000
2021 Equity Incentive Plan . . .	Employee	2023	Note v	4,500
2021 Equity Incentive Plan . . .	Employee	2023	Note xii	55,875
2022 Equity Incentive Plan . . .	Director	2023	Note xii	30,000
2022 Equity Incentive Plan . . .	Employee	2023	Note xii	5,250
2022 Equity Incentive Plan . . .	Employee	2023	Note v	1,500

Notes:

i The vesting schedule is over 4 years in 4 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

ii The vesting schedule is over 3 years in 3 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

iii The vesting schedule is over 6 years in 6 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

iv The vesting schedule is over 10 years in 10 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

v The vesting schedule is over 4 years with 25% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 75% of the options vesting in 36 equal monthly installments from such one year anniversary of the vesting commencement date.

vi The vesting schedule is over 4 years in 48 equal monthly installments from the vesting commencement date as stipulated in respective grant notices.

vii The vesting schedule is over 3 years with 1/3 of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 2/3 of the options vesting in 24 equal monthly installments from such one year anniversary of the vesting commencement date.

viii The vesting schedule is over 3 years in 36 equal monthly installments from the vesting commencement date as stipulated in respective grant notices.

ix The vesting schedule is over 5 years in 5 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

x The vesting schedule is over 5 years with 20% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 80% of the options vesting in 48 equal monthly installments from such one year anniversary of the vesting commencement date.

xi The director resigned from the Company in August 2022.

xii The vesting schedule is over 4 years with 50% of the options vesting on the two year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 50% of the options vesting in 24 equal monthly installments from such one year anniversary of the vesting commencement date.

The following table summarized the Company's share option activities under 2019 Share Incentive Plan, 2019 Equity Incentive Plan, 2021 Equity Incentive Plan and 2022 Equity Incentive Plan for the years ended December 31, 2022 and 2023:

	Number of options	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual life
		USD	*USD*	*Years*
Outstanding as of December 31, 2021	**1,795,776**	**9.93**	**9.71**	**7.76**
Granted	74,830	24.60	22.65	[●]
Exercised	(50,000)	4.17	2.73	[●]
Forfeited	(184,440)	11.37	11.99	[●]
Outstanding as of December 31, 2022	**1,636,166**	**10.61**	**10.26**	**6.89**
Granted	279,578	29.61	24.30	[●]
Exercised	(1,000)	5.88	1.45	[●]
Forfeited	(84,914)	22.40	16.93	[●]
Outstanding as of December 31, 2023	**1,829,830**	**12.97**	**12.10**	**6.34**

For share options exercised during the years ended December 31, 2022 and 2023, the weighted average share price at the date of exercise was USD28.192 and USD40.681.

Fair value of share options

For share options granted during the years ended December 31, 2022 and 2023, the weighted average fair value of those options at the measurement date was USD22.647 and USD24.463.

The Company applies the binomial option pricing model in determining the fair value of stock options. The key assumptions used to estimate the fair value of the share options granted in 2022, and 2023 are as follows:

	Year ended December 31,	
	2022	**2023**
Risk-free interest rate	2.06%~3.89%	3.51%~4.43%
Expected dividend yield	0.00%	0.00%
Expected volatility range	69.01%~71.68%	68.10%~69.49%
Exercise multiples	2.8	2.8
Contractual life	10 Years	10 Years
Fair value of underlying ordinary shares	USD27.695~34.077	USD33.781~40.955

The Company estimated expected volatility by reference to the historical price volatilities of ordinary shares of comparable companies over a period close to the contract term of the options. The Company estimated the risk free interest rate based on the yield to maturity of US government bonds at grant date with a maturity period close to the contract term of options. The dividend yield was estimated as zero based on the plan to retain profit for corporate expansion and no dividend will be distributed in the near future. The Company determined the fair value of ordinary shares underlying each share option grant based on estimated equity value and allocation of it to each element of its capital structure. The assumptions used in share-based compensation expenses recognition represent the Company's best estimates, but these estimations involve inherent uncertainties and the application of judgement. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period.

Share-based compensation expenses for all share options

Total share-based compensation expenses for all share options recognized for the years ended December 31, 2022 and 2023 were as follows:

	Year ended December 31,	
	2022	**2023**
	USD'000	*USD'000*
Research and development expenses	1,563	2,708
General and administrative expenses	3,798	2,095
Selling and marketing expenses	476	113
Total share-based compensation expenses	**5,837**	**4,916**

31.2 Restricted shares unit under 2021 Equity Incentive Plan

The Company authorized 700,867 shares for issuance under the 2021 Equity Incentive Plan and has granted in total of 40,000 and 110,000 restricted shares unit for the years ended December 31, 2022 and 2023 respectively.

Details of the restricted shares unit granted under 2021 Equity Incentive Plan are as follows:

Share award plan	Grantee	Grant date	Vesting schedule defined in contract term	Subscribe price	Number of restricted shares unit granted
2021 Equity Incentive Plan.	Director	25/11/2022	Note i	–	40,000
2021 Equity Incentive Plan.	Director	23/08/2023	Note i	–	80,000
2021 Equity Incentive Plan.	Director	01/12/2023	Note i	–	30,000

Note:

i The restricted shares unit will vest with 1/3 vesting on the day of an [**REDACTED**] after the vesting commencement date as stipulated in respective grant notices and the remaining 2/3 vesting in 24 equal monthly installments from such [**REDACTED**] date.

The following table summarized the Company's restricted shares unit activities under 2021 Equity Incentive Plan for the years ended December 31, 2022 and 2023:

	Number of restricted shares unit	Weighted average subscribe price	Weighted average grant date fair value
		USD	*USD*
Outstanding as of December 31, 2021	**–**	**–**	**–**
Granted.	40,000	–	34.08
Outstanding as of December 31, 2022	**40,000**	**–**	**34.08**
Granted.	110,000	**–**	41.09
Outstanding as of December 31, 2023	**150,000**	**–**	**39.22**

Fair value of restricted shares under 2021 Equity Incentive Plan

The fair value of the Founder shares granted was determined using the grant date fair value of the underlying ordinary shares of the Company. The Group used the back-solve method or DCF Method to determine the underlying equity fair value of the Company. The foresaid underlying equity fair value of the Company at date of grant was valued by directors of the Company with the assistance of an independent qualified valuer.

Share-based compensation expenses for all restricted shares under 2021 Equity Incentive Plan

Total share-based compensation expenses for all restricted shares under 2021 Equity Incentive Plan recognized for the years ended December 31, 2022 and 2023 were as follows:

	Year ended December 31,	
	2022	**2023**
	USD'000	*USD'000*
Research and development expenses	–	272
General and administrative expenses	78	1,770
Total share-based compensation expenses	**78**	**2,042**

31.3 Restricted shares unit under 2022 Equity Incentive Plan

The Company authorized 360,000 shares for issuance under the 2022 Equity Incentive Plan and has granted in total of nil and 26,250 restricted shares unit for the years ended December 31, 2022 and 2023 respectively.

Details of the restricted shares unit granted under 2021 Equity Incentive Plan are as follows:

Share award plan	Grantee	Grant date	Vesting schedule defined in contract term	Subscribe price	Number of restricted shares unit granted
2022 Equity Incentive Plan	Director	23/08/2023	Note i	–	4,000
2022 Equity Incentive Plan	Employee	23/08/2023	Note i	–	22,250

Note:

i The restricted shares unit will vest with 1/3 vesting on the day of an [**REDACTED**] after the vesting commencement date as stipulated in respective grant notices and the remaining 2/3 vesting in 24 equal monthly installments from such [**REDACTED**] date.

The following table summarized the Company's restricted shares unit activities under 2021 Equity Incentive Plan for the years ended December 31, 2022 and 2023:

	Number of restricted shares unit	Weighted average subscribe price	Weighted average grant date fair value
		USD	*USD*
Outstanding as of December 31, 2022	**–**	**–**	**–**
Granted	26,250	–	40.96
Outstanding as of December 31, 2023	**26,250**	**–**	**40.96**

Fair value of restricted shares under 2022 Equity Incentive Plan

The fair value of the Founder shares granted was determined using the grant date fair value of the underlying ordinary shares of the Company. The Group used the back-solve method or DCF Method to determine the underlying equity fair value of the Company. The foresaid underlying equity fair value of the Company at date of grant was valued by directors of the Company with the assistance of an independent qualified valuer.

Share-based compensation expenses for all restricted shares under 2022 Equity Incentive Plan

Total share-based compensation expenses for all restricted shares under 2022 Equity Incentive Plan recognized for the years ended December 31, 2022 and 2023 were as follows:

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
Research and development expenses	–	196
General and administrative expenses	–	294
Selling and marketing expenses	–	82
Total share-based compensation expenses	–	572

31.4 Restricted shares granted through the ordinary shares contributed by the Founder

To retain the best talents for the Group, and in order to incentivize the directors, employees and non-employee consultants (collectively as "the Purchaser") to provide services of the highest quality to the Group, the Founder of the Company granted 60,770 and nil ordinary shares held by him at par value to the directors, employees and consultants for the years ended December 31, 2022 and 2023, respectively. For the shares granted for the years ended December 31, 2022 and 2023, 57,000 and nil shares were

vested immediately upon grant, while the remaining grants would be vested after requisite service periods. This transaction is in substance, share-based compensation expenses incurred by the Founder on behalf of the Company, and accounted for as a capital contribution by the Founder to the Company accompanied with a simultaneous grant by the Company. The Group recognized compensation expenses based on the fair value of the shares as of the grant dates with a corresponding increase in share-based payments reserve.

Details of the restricted shares granted through the ordinary shares contributed by the Founder are as follows:

Grantee	Grant during the year of	Vesting schedule defined in contract term	Number of restricted shares granted
Consultant	2019	100% on grant date	5,000
Employee	2019	100% on grant date	285,000
Employee	2020	100% on grant date	5,000
Consultant	2021	Note iii	15,000
Consultant	2021	100% on grant date	15,000
Consultant	2021	Note ii	362,000
Director	2021	100% on grant date	10,000
Director	2021	Note ii	10,000
Employee	2021	100% on grant date	24,000
Employee	2021	Note i	2,000
Employee	2021	Note ii	71,000
Employee	2021	Upon the achievement of certain performance conditions	3,000
Consultant	2022	100% on grant date	25,000
Director	2022	Note ii	3,770
Employee	2022	100% on grant date	32,000

Notes:

i The vesting schedule is 18 months following the vesting commencement date or until [**REDACTED**], whichever is later.

ii The vesting schedule is 2 years following the vesting commencement date or until [**REDACTED**], whichever is later.

iii The vesting schedule is 1 year following the vesting commencement date or until [**REDACTED**], whichever is later.

Fair value of Founder shares grant

The fair value of the Founder shares granted was determined using the grant date fair value of the underlying ordinary shares of the Company. The Group used the back-solve method or DCF Method to determine the underlying equity fair value of the Company. The foresaid underlying equity fair value of the Company at date of grant was valued by directors of the Company with the assistance of an independent qualified valuer.

The following table summarized the restricted shares granted through the ordinary shares contributed by the Founder during the years ended December 31, 2022 and 2023:

	Number of shares	Weighted average grant date fair value
		USD
Unvested as of December 31, 2021	463,000	24.76
Granted by the Founder	60,770	[●]
Vested	(69,000)	[●]
Unvested as of December 31, 2022	454,770	24.83
Unvested as of December 31, 2023	454,770	24.83

Note: Unvested restricted shares granted to the directors, employees and consultants of the Group which are from the ordinary shares contributed by Founder are recorded in treasury shares as disclosed in Note 29.

Share-based compensation expenses for Founder shares grant

Total share-based compensation expenses for Founder shares grant recognized for the years ended December 31, 2022 and 2023 were as follows:

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
Research and development expenses	4,711	2,653
General and administrative expenses	1,355	580
Selling and marketing expenses	943	28
Total share-based compensation expenses	**7,009**	**3,261**

32. DISPOSAL OF A SUBSIDIARY

In October 2022, the Group disposed 100% equity interest of its wholly owned subsidiary InSilico LLC to an independent third party in 2022. The aggregate net assets of InSilico LLC at the date of disposal was as follows:

Consideration received:

	USD'000
Cash received	–*

Analysis of assets and liabilities over which control was lost:

	20/10/2022
	USD'000
Assets:	
Property and equipment	46
Right-of-use assets	207
Trade and other receivables and prepayments	50
Cash and cash equivalents	2,215
Liabilities:	
Trade and other payables	(115)
Lease liabilities	(214)
Net assets disposed of	2,189

Loss on disposal of a subsidiary:

	USD'000
Consideration received	–*
Net assets disposed of	(2,189)
Loss on disposal	(2,189)

Net cash outflow arising on disposal

	USD'000
Cash and cash equivalents disposed of	2,215
Less: cash consideration	–*
	2,215

* Amount is less than USD1,000.

33. RELATED PARTY TRANSACTIONS

Other than as disclosed in Notes 13, 22 and 31 in the Historical Financial Information, the Group has the following transactions with its related parties during the Track Record Period.

(1) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Company	Relationship
WuXi Group	A shareholder of the Group

(2) Related party transactions:

(a) R&D expense and Cost of services for contract research organizations ("CRO") services

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
WuXi Group	20,611	15,594

(3) Related party balances

Related party balances and nature refer to Note 22.

(4) Compensation of key management personnel

The remuneration of members of key management of the Group during the Track Record Period were as follows:

	Year ended December 31,	
	2022	2023
	USD'000	*USD'000*
Salaries and other benefits	2,310	2,496
Retirement benefit scheme contributions	119	138
Discretionary bonuses *(Note)*	1,999	4,264
Share-based payments	4,714	4,980
	9,142	11,878

Note: Discretionary bonuses is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

34. CAPITAL COMMITMENTS

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of:		
– acquisition of intangible assets and equipment . .	2,460	263

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes lease liabilities disclosed in Note 25 and financial liabilities at FVTPL disclosed in Note 26, net of bank balances and cash disclosed in Note 23 and equity attributable to owners of the Company, comprising share capital, treasury shares, share premium and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendation of the management of the Group, the Group will balance its overall capital structure through the new share issues or issue of new debt.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Financial assets		
Amortised cost	213,324	180,321
Financial assets at FVTPL	1,025	414
Financial liabilities		
Amortised cost	21,371	23,261
Financial liabilities at FVTPL	648,978	775,111
Lease liabilities	3,223	2,193

The Company

	As at December 31,	
	2022	2023
	USD'000	*USD'000*
Financial assets		
Amortised cost	149,132	90,156
Financial liabilities		
Amortised cost	2,025	6,802
Financial liabilities at FVTPL	648,978	775,111

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, bank balances and cash, trade and other payables, amounts due to a related party, lease liabilities and financial liabilities at FVTPL. The Company's major financial assets and liabilities include bank balances, amounts due from a subsidiary, trade and other payables, amounts due to subsidiaries and financial liabilities at FVTPL. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Certain financial assets and liabilities are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

The Group

	As at December 31,	
	2022	**2023**
	USD'000	*USD'000*
Assets		
RMB	1,257	2,639
HK$	117	26
Liabilities		
HK$	263	163

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in USD against RMB or HK$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where USD strengthens 5% against RMB or HK$. For a 5% weakening of USD against RMB or HK$, there would be an equal and opposite impact on loss for the year.

	Year ended December 31,	
	2022	**2023**
	USD'000	*USD'000*
Impact on profit or loss		
The Group		
RMB	(63)	(132)
HK$	7	7

(ii) Interest rate risk

The Group and the Company are primarily exposed to fair value interest rate risk in relation to lease liabilities (Note 25) and cash flow interest rate risk in relation to bank balances (Note 23). The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

(iii) Other price risk

The Group and the Company are exposed to other price risk arising from issue of preferred shares, which were classified as financial liabilities at FVTPL for the years ended December 31, 2022 and 2023.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

If the equity value of the Company had been changed based on the 5% higher/lower:

The Group and the Company

- the post-tax loss for the year ended December 31, 2022 would increase by approximately USD31,206,000 and decrease by approximately USD31,229,000; and

- the post-tax loss for the year ended December 31, 2023 would increase by approximately USD36,877,000 and decrease by approximately USD36,900,000.

Credit risk

The carrying amounts of trade receivables, other receivables and other non-current assets, bank balances and cash included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

The ECL on trade receivables are assessed collectively using a provision matrix based on the past default experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions and industry in which the debtor operates and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each reporting period. The ECL rate of trade receivables as at December 31, 2022 and 2023 were insignificant. Management considered the ECL provision of trade receivables is insignificant as these balances are mainly due from a counterparty of good credit quality.

Other receivables and other non-current assets

For other receivables and other non-current assets, the Group has applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on other receivables and other non-current assets are assessed collectively using a provision matrix based on the past default experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions and industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period. The ECL rate of other receivables and other non-current assets as at December 31, 2022 and 2023 were insignificant. Management considered the ECL provision of other receivables and other non-current assets is insignificant.

Bank balances and cash

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's and the Company's financial assets, which are subject to ECL assessment:

				The Group		The Company	
				As at December 31, 2022	As at December 31, 2023	As at December 31, 2022	As at December 31, 2023
	Notes	Internal credit rating	12m or Lifetime ECL	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
				USD'000	USD'000	USD'000	USD'000
Financial assets at amortised cost							
Trade and other receivables	*21*	Low risk	Lifetime ECL/ 12m ECL	5,176	2,616	–	983
Other non-current assets	*20*	Low risk	12m ECL	538	562	–	–
Bank balances and cash	*23*	N/A	12m ECL	207,883	177,181	149,132	89,173

(a) The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	USD'000	*USD'000*	*USD'000*
As at 1 January 2022	39	–	39
– Transfer to credit-impaired	(3)	3	–
– Impairment losses recognised	162	72	234
As at 31 December 2022	198	75	273
– Impairment losses reversed	(160)	–	(160)
– Write-offs	–	(75)	(75)
As at 31 December 2023	38	–	38

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The Group relies on issuance of preferred shares and ordinary shares as significant sources of liquidity. The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due and to sustain its operations for the foreseeable future.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
	%	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
The Group							
As at December 31, 2022							
Trade and other payables	–	12,949	–	–	–	12,949	12,949
Amounts due to a related party	–	8,422	–	–	–	8,422	8,422
Financial liabilities at FVTPL	–	458,662	–	–	–	458,662	648,978
Lease liabilities	2.44 to 4.15	1,462	1,213	681	–	3,356	3,223
		481,495	1,213	681	–	483,389	673,572
As at December 31, 2023							
Trade and other payables	–	18,358	–	–	–	18,358	18,358
Amounts due to a related party	–	4,903	–	–	–	4,903	4,903
Financial liabilities at FVTPL	–	458,662	–	–	–	458,662	775,111
Lease liabilities	2.44 to 4.32	1,347	648	243	–	2,238	2,193
		483,270	648	243	–	484,161	800,565
The Company							
As at December 31, 2022							
Trade and other payables	–	1,700	–	–	–	1,700	1,700
Amounts due to subsidiaries	–	325	–	–	–	325	325
Financial liabilities at FVTPL	–	458,662	–	–	–	458,662	648,978
		460,687	–	–	–	460,687	651,003
As at December 31, 2023							
Trade and other payables	–	5,064	–	–	–	5,064	5,064
Amounts due to subsidiaries	–	1,738	–	–	–	1,738	1,738
Financial liabilities at FVTPL	–	458,662	–	–	–	458,662	775,111
		465,464	–	–	–	465,464	781,913

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities (except for those set out below) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

(i) Financial assets and liabilities measured at fair values on a recurring basis

The Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of those financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Notes	Fair value as at December 31,		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
		2022	2023				
		USD'000	*USD'000*				
Financial assets							
Equity Investments with Readily Determinable Fair Value	*19*	1,025	414	Level 1	Active market quoted transaction price	N/A	N/A
Financial liabilities							
Financial liabilities at FVTPL. . .	*26*	648,978	775,111	Level 3	DCF Model and OPM Model – the key inputs are possibilities under different scenarios as disclosed in Note 26 and volatility	Volatility 2022: 75.09% 2023: 65.57% Probability of [**REDACTED**] scenario 2022: 70.00% 2023: 70.00%	The higher the volatility, the lower the fair value (Note i) The higher the probability of [**REDACTED**] scenario, the lower the fair value (Note ii)

Note i: A 5% increase/decrease in volatility, while all other variables keep constant, would decrease the carrying amount of financial liabilities as at December 31, 2022 and 2023 by USD602,000 and USD283,000, respectively, increase the carrying amount as at December 31, 2022 and 2023 by USD598,000 and USD255,000, respectively.

Note ii: A 5% increase/decrease in the probability of [**REDACTED**] scenario, while all other variables keep constant, would decrease the carrying amount of financial liabilities as at December 31, 2022 and 2023 by USD2,673,000 and USD3,460,000, respectively, increase the carrying amount as at December 31, 2022, and 2023 by USD2,673,000 and USD3,460,000, respectively.

There were no transfers between different levels during the Track Record Period.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

(iii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of Level 3 fair value measurement for preferred shares is set out in Note 26. Fair value gains or losses on financial liabilities at FVTPL are included in "other gains and losses, net".

(iv) Fair value measurement and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the directors of the Company to perform the valuation or uses quoted forward exchange rates derived from quoted exchange rates matching maturities of the contracts at the end of each reporting period with the assistance of independent qualified valuers. The finance department of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

37. RETIREMENT BENEFIT PLANS

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labour regulations require that the Group's PRC subsidiaries make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were USD2,008,000 and USD3,018,000 for the Group's PRC subsidiaries for the years ended December 31, 2022 and 2023, respectively.

In Taiwan, the government also mandated defined contribution plan including certain pension benefits, medical care, unemployment insurance and other welfare benefits, to be provided to full time employees of the Group. The local regulations require that the Group's Taiwan subsidiary make contributions to the government for these benefits based on certain percentage of the employee's salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were USD119,000 and USD139,000 for the Group's Taiwan subsidiary for the years ended December 31, 2022 and 2023, respectively.

In United States, the Group sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code, which covers US employees who are 21 years of age and over. Under this plan, the Group matches voluntary employee contributions from their annual compensation. The total amounts for such employee benefits, which were expensed as incurred, were USD90,000 and USD230,000 for the Group's US subsidiary for the years ended December 31, 2022 and 2023, respectively.

38. PARTICULARS OF SUBSIDIARIES

During the Track Record Period and as at the date of this report, the Company has direct or indirect equity interests in the following subsidiaries:

		Issued and fully Paid-in/registered capital		Equity interest attributable to the Company				
	Region and date of establishment/	As at December 31,		As at December 31, 2022		As at December 31, 2023		
Name of subsidiaries	incorporation	2022	2023	direct	indirect	direct	indirect	Principal activities
SubCo *(Note i)*	Cayman/ November 19, 2018	US$100	US$100	100%	–	100%	–	Holding company
InSilico HK *(Note ii)*	Hong Kong/January 11, 2019	US$100	US$100	–	100%	–	100%	R&D collaboration and software solution
InSilico TW *(Note iii)*	Taiwan/April 16, 2018	TWD 29,825,137	TWD 29,825,137	–	100%	–	100%	Business development
InSilico US *(Note i)*	Delaware/February 11, 2019	US$0.001	US$0.001	–	100%	–	100%	Software solution
InSilico IP *(Note ii)*	Hong Kong/July 21, 2019	US$100	US$100	–	100%	–	100%	IP ownership
InSilico SH *(Note iv)*	China/June 13, 2019	US$ 20,000,000	US$ 50,000,000	–	100%	–	100%	New drug discovery
Mir Pharma *(Note ii)*	Hong Kong/ June 1, 2021	US$100	US$100	–	100%	–	100%	Business development
InSilico LLC *(Note v)*	Russia/June 2, 2016	– *(Note v)*	– *(Note v)*	–	100%	–	100%	AI development
InSilico SZ *(Note iv)*	China/September 1, 2021	RMB 100,000,000	RMB 122,000,000	–	100%	–	100%	R&D collaboration and software solution
InSilico Canada *(Note i)*	Canada/June 6, 2022	CAD100	CAD100	–	100%	–	100%	AI development and Business development
InSilico AI *(Note vi)*	United Arab Emirates/July 29, 2022	AED50,000	AED50,000	–	100%	–	100%	AI development
InSilico BJ *(Note vii)*	China/December 22, 2023	– *(Note viii)*	– *(Note viii)*	–	100%	–	100%	R&D collaboration and software solution

Notes:

i No audited financial statements have been prepared since their respective dates of incorporation as they are incorporated in the jurisdiction where there are no statutory audit requirements.

ii The statutory financial statements of these subsidiaries for the year ended December 31, 2022 were prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA and were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Hong Kong. The statutory financial statements of these subsidiaries for the year ended December 31, 2023 have not been prepared as they are not due for issue.

iii The statutory financial statements of this subsidiary for the year ended December 31, 2022 were prepared in accordance with IFRSs, International Accounting Standards, International Financial Reporting Issues Committee, and IASB Standing Interpretations Committee endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and were audited by Deloitte & Touche, certified public accountants registered in Taiwan. The statutory financial statements of this subsidiary for the year ended December 31, 2023 have not been prepared as they are not due for issue.

iv The statutory financial statements of these subsidiaries for the year ended December 31, 2022 were prepared in accordance with Accounting Standards for Business Enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, certified public accountants registered in the PRC. The statutory financial statements of these subsidiaries for the year ended December 31, 2023 have not been prepared as they are not due for issue.

v The subsidiary was disposed of by the Group in October 2022.

vi The statutory financial statements of this subsidiary for the year ended December 31, 2022 were prepared in accordance with IFRSs, issued by UAECA and were audited by Deloitte Touche Tohmatsu, certified public accountants registered in AI. The statutory financial statements of this subsidiary for the year ended December 31, 2023 have not been prepared as they are not due for issue.

vii No statutory audited financial statements have been prepared for the year ended December 31, 2023 as the subsidiary is newly incorporated and the financial statements have not yet been due to issue.

viii The subsidiary was newly incorporated by the Group in 2023.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities	Financial liabilities at FVTPL	Deferred share issue costs and accrued issue costs	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*
As at January 1, 2022	1,108	401,140	1,264	403,512
Financing cash flow	(1,070)	109,738	(1,728)	106,940
Deferred professional service fee accrued	–	–	1,852	1,852
Exchange adjustments	(62)	–	–	(62)
Fair value changes	–	138,100	–	138,100
Finance costs	99	–	–	99
New leases entered	3,750	–	–	3,750
Disposal of a subsidiary	(214)	–	–	(214)
Termination of lease	(388)	–	–	(388)
As at December 31, 2022	3,223	648,978	1,388	653,589
Financing cash flow	(1,495)	–	(694)	(2,189)
Deferred professional service fee accrued	–	–	1,058	1,058
Exchange adjustments	(29)	–	–	(29)
Fair value changes	–	126,133	–	126,133
Finance costs	94	–	–	94
New leases entered	400	–	–	400
As at December 31, 2023	2,193	775,111	1,752	779,056

40. MAJOR NON-CASH TRANSACTIONS

During the Track Record Period, the Group entered into new lease agreements for the use of leased properties. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of USD3,750,000 and USD400,000 for the years ended December 31, 2022 and 2023, respectively.

41. SUBSEQUENT EVENTS

Saved as disclosed in the report, subsequent to December 31, 2023, the following significant events took place:

(i) Pursuant to the written resolutions of the shareholders of the Company passed on [DATE], the shareholders resolved to, among other things, conduct the [**REDACTED**] pursuant to which each share in the Company's then issued and unissued share capital with a par value of US$0.00001 was [**REDACTED**] into [**REDACTED**] shares of the corresponding class with a par value of US$[**REDACTED**] each effective upon the conditions of the [**REDACTED**] and the [**REDACTED**] being fulfilled.

(ii) In December 2023, the Company entered into an exclusive license agreement, with an independent third party Stemline Therapeutics Inc. ("Stemline"), a commercial-stage biopharmaceutical company and a wholly-owned subsidiary of the Menarini Group, to grant to Stemline a worldwide, royalty-bearing, exclusive license, with the right to grant sublicenses, to research, develop and commercialize ISM5043, the small molecule KAT6 inhibitor and any other products incorporating ISM5043.

In consideration of the rights granted to Stemline, Stemline paid the Company a non-refundable upfront payment of US$12.0 million in January, 2024. Pursuant to the agreement, the Company is also entitled to receive development and regulatory milestones payments, sales milestones payments and tiered royalty payments upon the achievement of certain milestone events as stipulated in the agreement.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2023 and up to the date of this report.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the "**Companies Act**").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 19, 2018 under the Companies Act. The Company's constitutional documents consist of its Memorandum and Articles.

1 Memorandum of Association

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 Articles of Association

The Articles were adopted on [Date]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of not less than three-fourths of in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general

meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than person(s) together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy holding not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members:

(i) increase its share capital by the creation of new shares of such amount as it thinks expedient;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;

(v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled;

(vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on their behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed on terms equivalent to section 632 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong as amended from time to time) as at the date of the adoption of the Articles (or its equivalent provision from time to time) at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, for so long as any part of the call or installment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by them to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after their appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after their appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of their willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of their term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between them and the Company) and the Company may by ordinary resolution appoint another in their place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if they:

(i) resign;

(ii) die;

(iii) are declared to be of unsound mind and the Board resolves that their office be vacated;

(iv) become bankrupt or has a receiving order made against them or suspends payment or compounds with their creditors generally;

(v) are prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that their office is vacated;

(vii) have been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) are removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the

Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to their ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, their actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with their retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with their office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by them as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by their office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of their interest at the earliest meeting of the Board at which they may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which they or any of their close associate(s) has/have a material interest, and if they shall do so their vote shall not be counted nor shall they be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or their close associate(s) in respect of money lent or obligations incurred or undertaken by any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or their close associate(s) have themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an 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 their close associate(s) 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 the adoption, modification or operation of either:

(A) any employees' share scheme or any share incentive or share option scheme under which the Director or their close associate(s) may benefit; or

(B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or their close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or their close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the "**Registrar of Companies**") within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

(i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in their name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and

(ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

Members shall have the right to:

(i) speak at general meetings of the Company; and

(ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

On a poll, a member entitled to more than one vote need not use all their votes or cast all the votes used in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights, on a one vote per share basis, of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company, at any meeting of any class of members, or at any meeting of the creditors of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and vote.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held within six months after the end of the Company's financial year, at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document to be given or issued under the Articles (including any corporate communications within the meaning ascribed thereto under the Listing Rules) shall be in writing, and may be served by the Company on any member personally, or by post to such member's registered address or by any other means authorised in writing by the member concerned or (other than a share certificate) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be their registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means or by publishing it on the Company's and the Stock Exchange's websites without the need for any additional consent of the member.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it can be demonstrated to the Stock Exchange that reasonable written notice can be given in less time, and it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company. The requisitionist(s) may add resolutions to the agenda of a general meeting so requisitioned.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as their proxy to attend and vote instead of them. A member who is the holder of two or more shares may appoint more than one proxy to represent them and vote on their behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the

Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom they act as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which they act as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of their attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to their intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise their discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by another body independent of the Board.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term. A body that is independent of the board may also remove the auditors by a simple majority vote before the expiration of the term of office and shall by a simple majority vote to appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by them to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post. Every such check or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [**REDACTED**] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to them of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong, as amended from time to time).

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. The board shall have no authority to present a winding up petition on behalf of the Company without the sanction of a resolution passed by the Company in general meeting.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as they deem fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 Cayman Islands Company Law

The Company was incorporated in the Cayman Islands as an exempted company on November 19, 2018 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorized share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account." At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in Section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of a company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

(a) all sums of money received and expended by it;

(b) all sales and purchases of goods by it; and

(c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the "**TIA Act**"), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the "**Tax Concessions Act**"), the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 30 years from December 5, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

(a) an order of the court;

(b) voluntarily by its members; or

(c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

(a) the company is or is likely to become insolvent; or

(b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on their appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court their view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Scheme of arrangement

Following amendments to the Companies Act that became effective on August 31, 2022, the majority-in-number "headcount test" in relation to the approval of members' schemes of arrangement has been abolished. Section 86(2A) of the Companies Act provides that, if 75% in value of the members (or class of members) of a Cayman Islands company agree to any compromise or arrangement, such compromise or arrangement shall, if sanctioned by the Court, be binding on all members (or class of members) of such company and on the company itself. Where a Cayman Islands company is in the course of being wound up, such compromise or arrangement would be binding on the liquidator and contributories of the company. In contrast, section 86(2) of the Companies Act continues to require (a) approval by a majority in number representing 75% in value and (b) the sanction of the court, in relation to any compromise or arrangement between a company and its creditors (or any class of them).

3.21 General

Walkers (Hong Kong), the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which that person is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 19, 2018. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of certain aspects of the Cayman Islands company law and a summary of certain provisions of our Articles of Association are set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III.

Our registered place of business in Hong Kong is at Unit 310, 3/F, Building 8W, Phase 2, Hong Kong Science Park Pak Shek Kok New Territories, Hong Kong. We were registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on July 10, 2023. Ms. So Ka Man and Ms. Leung Kwan Wai at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, have been appointed as our authorized representatives for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of our Company

Save as disclosed in the section headed "History, Reorganization and Corporate Structure — [**REDACTED**] investments", there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Document.

3. Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [**REDACTED**] of our Shares on the Stock Exchange. See the section headed "History, Reorganization and Corporate Structure — Reorganization" in this Document for information relating to the Reorganization.

4. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this Document.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this Document:

(a) Insilico Shanghai

On July 1, 2022, the registered capital of Insilico Shanghai increased from US$10,000,000 to US$20,000,000.

On June 9, 2023, the registered capital of Insilico Shanghai increased from US$20,000,000 to US$56,000,000.

(b) Insilico Suzhou

On June 12, 2023, the registered capital of Insilico Suzhou increased from RMB100,000,000 to RMB170,000,000.

(c) Insilico Hong Kong

On August 5, 2022, Insilico Hong Kong increased its share capital from US$100 to US$101,781,506.6 without allotting new shares.

On February 24, 2023, Insilico Hong Kong increased its share capital from US$101,781,506.6 to US$149,781,506.6 without allotting new shares.

On June 13, 2023, Insilico Hong Kong increased its share capital from US$149,781,506.6 to US$161,181,506.6 without allotting new shares.

(d) Insilico Beijing

On December 22, 2023, Insilico Beijing was established in the PRC with a registered share capital of US$1,000,000.

(e) Insilico Yixing

On March 22, 2024, Insilico Yixing was established in the PRC with a registered share capital of US$1,000,000.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this Document.

5. Resolutions of Our Shareholders

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on [●], 2024, it [was resolved], among others:

(a) the Memorandum and Articles of Association were approved and adopted, and will come into effect upon [**REDACTED**];

(b) conditional on (i) the Stock Exchange granting the [**REDACTED**] of, and permission to deal in, the Shares in [**REDACTED**] and to be [**REDACTED**] as mentioned in this Document; and (ii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and the [**REDACTED**] not being terminated in accordance with the terms therein or otherwise:

- the [**REDACTED**] and the re-designation and re-classification of each authorized issued and unissued Preferred Share into an Ordinary Share on a one-to-one basis were approved;

- upon completion of the [**REDACTED**], the re-designation and re-classification of each authorized issued and unissued Preferred Shares into an Ordinary Share on a one-for-one basis, having the rights and restrictions as set out in the Memorandum and the Articles, and amendment of share capital from US$635 divided into (i) 905,865,600 Ordinary Shares, (ii) 14,621,660 Series A Preferred Shares, (iii) 84,152,080 Series B Preferred Shares, (iv)

63,558,020 Series C1 Preferred Shares, (v) 125,116,300 Series C2 Preferred Shares, and (vi) 76,686,340 Series D Preferred Shares, with a par value of US$0.00001 each, to US$635 divided into [**REDACTED**] Ordinary Shares with a nominal or par value of US$[**REDACTED**] each were approved.

- the [**REDACTED**] was approved and our Directors were authorized to effect the same, and to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**];

- the grant of the [**REDACTED**] by our Company to the [**REDACTED**] to allot and issue up to [**REDACTED**]% of the [**REDACTED**] initially available under the [**REDACTED**] to cover, among other things, the [**REDACTED**] in the [**REDACTED**] was approved; and

- the proposed [**REDACTED**] was approved, and our Directors were authorized to implement such [**REDACTED**];

(c) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements, or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**].

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders, or upon the exercise of the [**REDACTED**], or under the [**REDACTED**] Equity Incentive Plans. This general mandate to issue Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

(d) a general unconditional mandate was granted to our Directors to exercise all power of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] (excluding any Shares which may be allotted and issued upon the exercise of the [**REDACTED**] and excluding any Shares which may be allotted and issued under the [**REDACTED**] Equity Incentive Plans).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be [**REDACTED**] (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

(e) the general unconditional mandate as mentioned in paragraph (e) above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**], excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the [**REDACTED**] and excluding any Shares to be allotted and issued under the [**REDACTED**] Equity Incentive Plans).

6. Restrictions on Repurchase of Our Own Securities

This section sets out information required by the Stock Exchange to be included in this Document concerning the repurchase by us of our own Shares.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary [**REDACTED**] on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders' Approval. All proposed repurchases of Shares (which must be fully paid up) by a company with a primary [**REDACTED**] on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written Shareholder's resolution of our Company dated [●], 2024, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue immediately following the completion of the [**REDACTED**] and the [**REDACTED**] but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(b) Source of Funds. Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles of Association and the applicable laws of Hong Kong. A [**REDACTED**] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(c) Trading Restrictions. The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (but not taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]). Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of [**REDACTED**] Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect

a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were [**REDACTED**] on the Stock Exchange.

(d) Status of Repurchased Shares. All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically [**REDACTED**] and the certificates for those Shares must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the Directors of the Company resolve to hold the shares repurchased by the Company as treasury shares, shares repurchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

(e) Suspension of Repurchase. Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(f) Procedural and Reporting Requirements. As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(g) Connected Parties. A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Act or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this Document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this Document. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

Exercise in full of the current repurchase mandate, on the basis of [**REDACTED**] Shares in issue after completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and any Shares to be allotted and issued under the [**REDACTED**] Equity Incentive Plans), could accordingly result in up to [**REDACTED**] Shares being repurchased by us during the period prior to:

(a) the conclusion of our next annual general meeting;

(b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(c) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Act or any other applicable laws of the Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Document are or may be material:

(a) [**REDACTED**].

2. Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our Group's business:

No.	Trademark
1 . . .	INSILICO MEDICINE
2 . . .	
3 . . .	PANDAOMICS
4 . . .	CHEMISTRY42
5 . . .	inClinico
6 . . .	BIOLOGY42
7 . . .	GOLDEN CUBES
8 . . .	Medicine42
9 . . .	英矽智能

Domain Names

As of the Latest Practicable Date, the following was the key domain name registration of our Group: insilico.com

Patents

For a discussion of the details of the material filed patent applications by our Group, please refer to the section headed "Business — Intellectual Property" in this Document.

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of our Directors and chief executive of our Company as of the Latest Practicable Date and immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued under the [**REDACTED**] Equity Incentive Plans) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our Shares are [**REDACTED**]:

Name	Position	Nature of Interest	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding in the total issued share capital of our Company	
				As of the Latest Practicable Date	Upon the completion of the [REDACTED] and the [REDACTED]
				(%)	(%)
Mr. Alex Zhavoronkov, Ph.D.	Chairman of the Board, executive Director, founder and CEO	Beneficial owner	2,129,175	10.32	[REDACTED]
Mr. Feng Ren, Ph.D.[(1)]	Executive Director, CEO and Chief Scientific Officer	Beneficial owner	340,391	1.65	[REDACTED]

Notes:

(1) Assuming the [**REDACTED**] is not exercised and without taking into account any Shares to be issued under the [**REDACTED**] Equity Incentive Plans and assuming all Preferred Shares are converted into Ordinary Shares on 1:1 basis, the number of Shares held as of the Latest Practicable Date is subject to adjustments as a result of the [**REDACTED**].

(2) As of the Latest Practicable Date, Mr. Feng Ren, Ph.D. held 23,770 Shares and were granted 186,621 option and 130,000 restricted share units by our Company, upon the exercise or vesting, respectively, of which the same number of Shares will be issued to him.

2. Interests of the substantial shareholders in the Shares and underlying Shares of our Company

Save as disclosed in the section headed "Substantial Shareholders", immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and any Shares which may be allotted and issued under the [**REDACTED**] Equity Incentive Plan, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company and any other member of our Group.

3. Directors' Service Contracts and Letters of Appointment

Each of Mr. Alex Zhavoronkov, Ph.D. and Mr. Feng Ren, Ph.D., being our executive Directors, [has entered] into a letter of appointment with us for an initial term of [three] years commencing from the [**REDACTED**], which may be terminated by not less than 30 days' notice in writing served by either the executive Director or our Company.

Each of Mr. Min Fang and Mr. Kan Chen, Ph.D., being our non-executive Directors, [has entered] into a letter of appointment with us for an initial term of [three] years commencing from the [**REDACTED**], which may be terminated by not less than 30 days' notice in writing served by either the non-executive Director or our Company.

Each of Mr. Jingsong Wang, Ph.D., Ms. Denitsa Milanova, Ph.D. and Mr. Roman Kyrychynskyi, being our independent non-executive Directors, [has entered] into a letter of appointment with us for an initial term of [three] years commencing from the [**REDACTED**], which may be terminated by not less than 30 days' notice in writing served by either the independent non-executive Director or our Company.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Director's Remuneration

Save as disclosed in "Directors and Senior Management" and note 13 to the Accountants' Report in Appendix I for the two financial years ended December 31, 2022 and 2023, none of our Directors received other remunerations or benefits in kind from us.

5. Disclaimers

Save as disclosed in this Document

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in the section headed "— Other Information — Qualifications and consents of experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this Document;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of the Group taken as a whole;

(e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and any Shares to be allotted and issued under the [**REDACTED**] Equity Incentive Plans, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [**REDACTED**], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;

(f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are [**REDACTED**] thereon;

(g) there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong; and

(h) none of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

[**REDACTED**] EQUITY INCENTIVE PLANS

Our Company adopted the [**REDACTED**] Equity Incentive Plans, which included;

(i) 2019 Share Plan (as amended and restated on December 31, 2019) adopted on March 15, 2019;

(ii) 2019 Equity Incentive Plan adopted on December 31, 2019;

(iii) 2021 Equity Incentive Plan adopted on June 30, 2021; and

(iv) 2022 Equity Incentive Plan adopted on November 25, 2022.

The terms of the [**REDACTED**] Equity Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules, given none of them involves any grant of options or awards by our Company after the [**REDACTED**].

Details of the terms of the [**REDACTED**] Equity Incentive Plans are set out below:

1. 2019 Share Plan

(i) *Purpose* — To advance the interest of our Group and our Shareholders by providing an incentive to attract, retain and reward persons performing services for our Group and by motivating such persons to contribute to the growth and profitability of our Group.

(ii) *Participants* — Employees, consultants and Directors.

(iii) *Administration* — Administered by the Board, with all questions of interpretation of the 2019 Share Plan, of any award agreement or of any other form of agreement or other document employed by the Company in the administration of the 2019 Share Plan, or of any award determined by the Board.

(iv) *Grant of Options* — Options shall be evidenced by award agreements specifying the number of Shares covered thereby, in such form as the Board shall establish. Such award agreements may incorporate all or any of the terms of the 2019 Share Plan by reference and shall comply with and be subject to the following terms and conditions.

(v) *Option Period* — Options shall be exercisable at such times, or upon the occurrence of such events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Board and set forth in the award agreement evidencing such option; provided, however, that (a) no option shall be exercisable after the expiration of 10 years after the effective date of grant of such option, (b) no incentive share option (as defined in the 2019 Share Plan) granted to a 10% Shareholder shall be exercisable after the expiration of five years after the effective date of grant of such option, and (c) no option granted to an employee who is a non-exempt employee for purposes of the relevant laws and regulations, as amended, shall be first exercisable until at least six months following the date of grant of such option (except in the event of such employee's death, disability or retirement, upon a change in control, or as otherwise permitted by the relevant laws and regulations). Subject to the above, unless otherwise specified by the Board in the grant of an option, each option shall terminate ten years after the effective date of grant of the option, unless earlier terminated in accordance with its provisions.

(vi) *Exercise Price* — The exercise price for each option shall be established in the discretion of the Board, subject to certain limitations under the 2019 Share Plan.

(vii) *Exercise of Options* — Options shall be exercisable at such times, or upon the occurrence of such events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Board and set forth in the award agreement evidencing such option, subject to certain limitations under the 2019 Share Plan.

(viii) *Transferability* — During the lifetime of the participant, an option shall be exercisable only by the participant or the participant's guardian or legal representative. An option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the participant or the participant's beneficiary, except transfer by will or by the laws of descent and distribution, save for certain exceptions as provided under the 2019 Share Plan.

(ix) *Maximum Number of Shares subject to the 2019 Share Plan* — The maximum number of Shares underlying the options or other awards granted under the 2019 Share Plan shall be 1,192,423 Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]).

2. 2019 Equity Incentive Plan

(i) *Purpose* — To promote the success of our Company and the interests of our Shareholders by providing a means through which our Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors, consultants and other eligible persons and to further link the interests of award recipients with those of our Shareholders generally.

(ii) *Participants* — Any person who qualifies as one of the following at the time of grant of the respective award: (a) an officer (whether or not a director) or employee of our Company or any of our Affiliates; (b) any member of the Board; or (c) any director of one of our Company's affiliates, or any individual consultant or advisor who renders or has rendered bona fide services to our Company or one of our affiliates.

(iii) *Administration* — Administered by the Board, or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of the 2019 Equity Incentive Plan.

(iv) *Grant of Options* — Options shall be evidenced by an award agreement in the form approved by the administrator. The award agreement evidencing an option shall contain the terms established by the administrator for that award and any other terms, provisions, or restrictions that the administrator may impose on the option or any Ordinary Shares subject to the option, in each case subject to the applicable provisions and limitations of the 2019 Equity Incentive Plan.

(v) *Option Period* — Each option shall expire not more than 10 years after its date of grant.

(vi) *Exercise Price* — The administrator will determine the purchase price per share of the ordinary Shares covered by each option (the "exercise price" of the option) at the time of the grant of the option, which exercise price will be set forth in the applicable award agreement. In no case will the exercise price of an option be less than the greatest of: (a) the par value of an Ordinary Share; (b) subject to clause (c) below, 100% of the fair market value of an Ordinary Share on the date of grant; or (c) in the case of an incentive stock option granted to a participant, 110% of the fair market value of an ordinary Share on the date of grant.

(vii) *Transferability* — Unless otherwise expressly provided under the 2019 Equity Incentive Plan, by applicable law and by the award agreement, (a) all options are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (b) options will be exercised only by the participant; and (c) amounts payable or shares issuable pursuant to an option will be delivered only to (or for the account of), and, in the case of ordinary Shares, registered in the name of, the participant.

(viii) *Maximum Number of Shares subject to the 2019 Equity Incentive Plan* — The maximum number of Shares underlying the options or other awards granted under the 2019 Equity Incentive Plan shall be 540,484 Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]).

3. 2021 Equity Incentive Plan

(i) *Purpose* — To attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants, and to promote the success of the Company's business.

(ii) *Participants* — Employees, directors and consultants.

(iii) *Administration* — Administered by (a) the Board or (b) a committee, which committee will be constituted to satisfy the applicable articles of association and applicable laws.

(iv) *Grant of Options* — Each award of an option will be evidenced by an award agreement that will specify the exercise price, the term of the option, the number of Shares subject to the option, the exercise restrictions, if any, applicable to the option, and such other terms and conditions as the administrator, in its sole discretion, will determine.

(v) *Option Period* — The term of each option will be stated in the award agreement; provided, however, that the term will be no more than ten years from the date of grant thereof, subject to restrictions under the 2021 Equity Incentive Plan.

(vi) *Exercise Price* — The per Share exercise price for the Shares to be issued pursuant to the exercise of an option will be determined by the administrator, but will be no less than 100% of the fair market value per Share on the date of grant save for exceptions provided in the 2021 Equity Incentive Plan.

(vii) *Grant of RSUs* — RSUs may be granted at any time and from time to time as determined by the administrator. After the administrator determines that it will grant RSUs, it will advise the participant in an award agreement of the terms, conditions, and restrictions related to the grant, including the number of RSUs. The administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of RSUs that will be paid out to the participant. The administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the administrator in its discretion.

(viii) *Maximum Number of Shares subject to the 2021 Equity Incentive Plan* — The maximum number of Shares underlying the options or other awards granted under the 2021 Equity Incentive Plan shall be 700,867 Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]).

4. 2022 Equity Incentive Plan

(i) *Purpose* — To attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants, and to promote the success of the Company's business.

(ii) *Participants* — Employees, directors and consultants.

(iii) *Administration* — Administered by (a) the Board or (b) a committee, which committee will be constituted to satisfy the applicable articles of association and applicable laws.

(iv) *Grant of Options* — Each award of an option will be evidenced by an award agreement that will specify the exercise price, the term of the option, the number of Shares subject to the option, the exercise restrictions, if any, applicable to the option, and such other terms and conditions as the administrator, in its sole discretion, will determine.

(v) *Option Period* — The term of each option will be stated in the award agreement; provided, however, that the term will be no more than ten years from the date of grant thereof. In the case of an incentive share option granted to a participant who, at the time the incentive share option is granted, owns Shares representing more than 10% of the total combined voting power of all classes of Shares of the Company or any parent, subsidiary or affiliate, the term of the incentive share option will be five years from the date of grant or such shorter term as may be provided in the award agreement.

(vi) *Exercise Price* — The per Share exercise price for the Shares to be issued pursuant to the exercise of an option will be determined by the administrator, but will be no less than 100% of the fair market value per Share on the date of grant save for exceptions provided in the 2022 Equity Incentive Plan.

(vii) Grant of RSUs — RSUs may be granted at any time and from time to time as determined by the administrator. After the administrator determines that it will grant RSUs, it will advise the participant in an award agreement of the terms, conditions, and restrictions related to the grant, including the number of RSUs. The administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of RSUs that will be paid out to the participant. The administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the administrator in its discretion.

(viii) *Maximum Number of Shares subject to the 2022 Equity Incentive Plan* — The maximum number of Shares underlying the options or other awards granted under the 2022 Equity Incentive Plan shall be 360,000 Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]).

5. Outstanding Grants under the [REDACTED] Equity Incentive Plans

(i) Options

As of the Latest Practicable Date, outstanding options to subscribe for an aggregate of 1,831,917 Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]) have been granted by our Company under the [**REDACTED**] Equity Incentive Plans, representing 8.88% of the total issued Shares of our Company immediately before the [**REDACTED**] and the [**REDACTED**] and [**REDACTED**]% immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and without taking into any Shares to be issued pursuant to the [**REDACTED**] Equity Incentive Plans). As of the Latest Practicable Date, none of such outstanding options granted under the [**REDACTED**] Equity Incentive Plans have been exercised. The Company will not grant further options under the [**REDACTED**] Equity Incentive Plans after the [**REDACTED**].

As of the Latest Practicable Date, the grantees of outstanding Options under the [**REDACTED**] Equity Incentive Plans include one Director, five members of the senior management, one connected person and 87 other grantees under the [**REDACTED**] Equity Incentive Plans. Details of the outstanding options granted under the [**REDACTED**] Equity Incentive Plans as of the Latest Practicable Date are set out below:

Name of Grantee	Position held at our Group	Address	Exercise price as adjusted after the [REDACTED] (US$ per Share)	Number of Shares underlying the options granted as adjusted after the [REDACTED]	Date of grant	Vesting period	Approximate shareholding percentage immediately following the [REDACTED] and the [REDACTED]
Director							
Mr. Feng Ren, Ph.D.	Executive Director, CEO, Chief Scientific Officer	Room 601, Building 1, Lane 219 Jinan East Road Pudong, Shanghai China	0.42 1.08	[REDACTED]	February 14, 2021 and February 21, 2022	Note 1	[REDACTED]%
Senior Management							
Mr. Aleksandr Aliper, Ph.D.	President	Unit 103, Mayan 1, Yas Island, Abu Dhabi	0.01 0.01 0.29 0.42 0.42	[REDACTED]	April 4, 2014, September 1, 2016, May 18, 2018, April 18, 2020 and April 26, 2021	Note 2	[REDACTED]%
Ms. Jun Wang	General Counsel and Board Secretary	208 Juli Road, Pudong New District, Shanghai China	0.42 0.42	[REDACTED]	September 23, 2020 and April 26, 2021	Note 3	[REDACTED]%

Name of Grantee	Position held at our Group	Address	Exercise price as adjusted after the [REDACTED] (US$ per Share)	Number of Shares underlying the options granted as adjusted after the [REDACTED]	Date of grant	Vesting period	Approximate shareholding percentage immediately following the [REDACTED] and the [REDACTED]
Ms. Michelle Chen, Ph.D.	Chief Business Officer	301 Barclay Court, Palo Alto, CA 94306, United States of America	[REDACTED] [REDACTED]	[REDACTED]	November 15, 2021 and April 6, 2023	Note 4	[REDACTED]%
Mr. Peng Dai	Head of Finance, Vice President	Room 702, No. 2, Lane 619, Yaohong Road, Changning District, Shanghai, China	[REDACTED]	[REDACTED]	November 15, 2021	Note 5	[REDACTED]%
Dr. Sujata Rao	Chief Medical Officer	2823 NW 66th Street, Seattle, WA 98117-6234, United States of America	[REDACTED]	[REDACTED]	April 6, 2023	Note 6	[REDACTED]%
Connected Persons							
Mr. Yen-chu Lin, Ph.D.	Director of Insilico Taiwan	3F, No. 25, Lane 120 Zhong 3rd Street, Xizhi District, New Taipei City Taiwan, China	[REDACTED] [REDACTED] [REDACTED]	[REDACTED]	April 18, 2020, April 26, 2021, and November 15, 2021	Note 7	[REDACTED]%
87 Other Grantees	—	—	Note 8	[REDACTED]	Note 9	Note 10	[REDACTED]%
Total:				[REDACTED]			[REDACTED]%

In respect of the outstanding options granted under the [**REDACTED**] Equity Incentive Plans, we have applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules; and (ii) an exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See "Waivers and Exemptions" for details.

Notes:

(1) The vesting schedules for these grants are: (i) vested upon one-year anniversary of the on-boarding date; and (ii) 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

(2) The vesting schedules for these grants are: (i) fully vested; (ii) 1/10 to be vested every year from the vesting commencement date; (iii) 1/36 to be vested every month from the vesting commencement date; (iv) 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter; and (v) 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

(3) The vesting schedules for all three grants are 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

(4) The vesting schedules for both grants are 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

(5) The vesting schedule for this grant is 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

(6) The vesting schedule for this grant is 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

(7) The vesting schedules for all three grants are 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

(8) The exercise prices as adjusted after the [**REDACTED**] for other grantees range from US$[**REDACTED**] to US$[**REDACTED**].

(9) The dates of grant for other grantees range from April 28, 2014 to December 1, 2023.

(10) The vesting schedules for other grantees are: (i) fully vested; (ii) 1/3 to be vested every year from the vesting commencement date; (iii) 1/4 to be vested every year from the vesting commencement date; (iv) 1/5 to be vested every year from the vesting commencement date; (v) 1/36 to be vested every month from the vesting commencement date; (vi) 1/5 to be vested one year from the vesting commencement date and 1/60 to be vested every month thereafter; (vii) 1/6 to be vested every year from the vesting commencement date; (viii) 1/2 to be vested two year from the vesting commencement date and 1/48 to be vested every month thereafter (ix) 1/3 to be vested one year from the vesting commencement date and 1/36 to be vested every month thereafter; (x) 1/4 to be vested one year from the vesting commencement date and 1/48 to be vested every month thereafter.

(ii) RSUs

As of the Latest Practicable Date, 176,250 RSUs have been granted by our Company under the [**REDACTED**] Equity Incentive Plans, corresponding to 176,250 underlying Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]) and representing 0.85% of the total issued Shares of our Company immediately before the [**REDACTED**] and the [**REDACTED**] and [**REDACTED**]% immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and without taking into any Shares to be issued pursuant to the [**REDACTED**] Equity Incentive Plans). As of the Latest Practicable Date, none of the RSUs granted under the [**REDACTED**] Equity Incentive Plans have been vested. The Company will not grant further RSUs under the [**REDACTED**] Equity Incentive Plans after the [**REDACTED**].

As of the Latest Practicable Date, there are 12 grantees of unvested RSUs under the [**REDACTED**] Equity Incentive Plans, including one Director, three members of senior management and eight other employees. Details of such unvested RSUs as of the Latest Practicable Date are set out below:

Name of Grantee	Position held at our Group	Address	Price (as adjusted after the [REDACTED]) (US$ per Share)	Number of Shares underlying the RSUs granted as adjusted after the [REDACTED]	Date of grant	Vesting period	Approximate shareholding percentage immediately following the [REDACTED] and the [REDACTED]
Director							
Mr. Feng Ren, Ph.D.	Executive Director, CEO, Chief Scientific Officer	Room 601, Building 1, Lane 219 Jinan East Road Pudong, Shanghai China	[REDACTED]	[REDACTED]	Note 1	Note 2	[REDACTED]%
Senior Management							
Dr. Sujata Rao	Chief Medical Officer	2823 NW 66th Street, Seattle, WA 98117-6234, United States	[REDACTED]	[REDACTED]	August 23, 2023	Note 2	[REDACTED]%
Mr. Peng Dai	Head of Finance, Vice President	Room 702, No. 2, Lane 619, Yaohong Road, Changning District, Shanghai, China	[REDACTED]	[REDACTED]	August 23, 2023	Note 2	[REDACTED]%
Ms. Jun Wang	General Counsel and Board Secretary	208 Juli Road, Pudong New District, Shanghai, China	[REDACTED]	[REDACTED]	August 23, 2023	Note 2	[REDACTED]%
8 Other Grantees	**—**	**—**	[REDACTED]	[REDACTED]	**August 23, 2023**	**Note 2**	[REDACTED]%
Total:				[REDACTED]			[REDACTED]%

Notes:

(1) The RSUs granted to Mr. Feng Ren, Ph.D. includes [**REDACTED**] RSUs as adjusted after the [**REDACTED**] granted on November 25, 2022, [**REDACTED**] RSUs as adjusted after the [**REDACTED**] granted on August 23, 2023 and [**REDACTED**] RSUs as adjusted after the [**REDACTED**] granted on December 1, 2023.

(2) The vesting schedule for these grants are 1/3 to be vested on the day of the [**REDACTED**] after the vesting commencement date as stipulated in the respective grant notices, and the remaining 2/3 to be vested in 24 equal monthly installments from the [**REDACTED**] date.

In respect of the outstanding RSUs granted under the [**REDACTED**] Equity Incentive Plans, we have applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules. See "Waivers and Exemptions" for details.

(iii) Dilution Effect and Impact on Earnings per Share

As of the Latest Practicable Date, there are 1,831,917 outstanding options and 176,250 unvested RSUs granted under the [**REDACTED**] Equity Incentive Plans, amounting to a total of 2,008,167 underlying Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]) which may be issued to the grantees representing [**REDACTED**]% of the total issued Shares of our Company immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (assuming that the [**REDACTED**] not exercised and without taking into any Shares to be issued pursuant to the [**REDACTED**] Equity Incentive Plans). No further grant will be made pursuant to the [**REDACTED**] Equity Incentive Plans after the [**REDACTED**].

Assuming the full exercise of the options granted and vesting of the RSUs granted prior to the [**REDACTED**], the shareholding of our Shareholders immediately following completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will be diluted by approximately [**REDACTED**]%. The consequent impact on the earnings per ordinary Share for the years ended December 31, 2022 and 2023 is nil and nil, respectively, being the incremental impact to diluted earnings per share, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

[**REDACTED**] has been made to the Stock Exchange for the [**REDACTED**] of and permission to deal in the [**REDACTED**] Shares (as adjusted after the [**REDACTED**]) which will be allotted and issued upon the exercise of the outstanding options and vesting of RSUs granted under the [**REDACTED**] Equity Incentive Plans.

OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of the subsidiaries of the Company.

2. Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors both satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US$500,000 for acting as the sponsor for the [**REDACTED**].

The Joint Sponsors have made an application on our Company's behalf to the Stock Exchange for the granting of the approval for the [**REDACTED**] of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this Document. All necessary arrangements have been made for the Shares to be admitted into [**REDACTED**].

4. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

5. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2023 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

6. Promoter

Our Company has no promoter for the purpose of the [**REDACTED**]. Within the two years preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [**REDACTED**] and the related transactions described in this Document.

7. Taxation of holders of Shares

Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares save for those which hold interests in land in the Cayman Islands.

Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing 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 dealing in Shares or exercise of any rights attaching to them.

8. Qualifications and Consents of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this Document:

Name	Qualification
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng	Legal advisers to our Company as to PRC law
Walkers (Hong Kong)	Legal advisers to our Company as to Cayman Islands law
Deloitte Touche Tohmatsu	Certified Public Accountants Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this Document with the inclusion of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

9. Binding Effect

This Document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual Document

The English language and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Document, the English language version shall prevail.

11. Miscellaneous

Save as disclosed in this Document:

(a) within the two years preceding the date of this Document, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued;

(d) none of our Directors or experts referred to in the paragraph headed "Other Information — Qualifications and consents of experts" in this section has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this Document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(e) none of our Directors or experts referred to in the paragraph headed "Other Information — Qualifications and consents of experts" in this section is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;

(f) none of the equity and debt securities of the Company is [**REDACTED**] or dealt in on any stock exchange (other than the Stock Exchange) nor is any [**REDACTED**] or permission to deal being or proposed to be sought;

(g) the Group has no outstanding convertible debt securities or debentures;

(h) within the two years preceding the date of this Document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;

(i) within the two years preceding the date of this Document, no commission has been paid or is payable (except [**REDACTED**] to [**REDACTED**]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;

(j) there is no arrangement under which future dividends are waived or agreed to be waived; and

(k) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in the section headed "Statutory and General Information — Other information — Qualifications and Consent of Experts" in Appendix IV to this Document; and

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — Further Information about our Business — Summary of Material Contracts" in Appendix IV to this Document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Company's website (**insilico.com**) and the Stock Exchange's website (**https://www.hkexnews.hk**) up to and including the date which is 14 days from the date of this Document:

(a) the Memorandum and Articles of Association of our Company;

(b) the audited consolidated financial statements of our Company for the two financial years ended December 31, 2022 and 2023;

(c) the Accountants' Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this Document;

(d) the report on the unaudited [**REDACTED**] financial information from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this Document;

(e) the legal opinion issued by Jingtian & Gongcheng, our PRC Legal Advisor in respect of general matters and property interests of our Group in the PRC;

(f) the letter of advice from Walkers (Hong Kong), our legal advisor as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this Document;

(g) the report issued by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview";

(h) the material contracts referred to in the section entitled "Statutory and General Information — Further Information about Our Business — Summary of Material Contracts" in Appendix IV to this Document;

(i) the written consents referred to in the section entitled "Statutory and General Information — Other Information — Qualifications and Consents of Experts" in Appendix IV to this Document;

(j) the service contracts and the letters of appointment with our Directors referred to in the section headed "Statutory and general information — Further information about our Directors, Chief Executives and Substantial Shareholders — Director's Service Contracts and Letters of Appointment" in Appendix IV to this Document;

(k) the 2019 Share Plan;

(l) the 2019 Equity Incentive Plan;

(m) the 2021 Equity Incentive Plan;

(n) the 2022 Equity Incentive Plan; and

(o) the Cayman Companies Act.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the [**REDACTED**] Equity Incentive Plans, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Document.