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

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

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

Risks Related to Drug Discovery and Development

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

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

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

- regulators, IRBs or ethics committees authorizing us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- successful enrollment of volunteers in, and completion of, clinical trials, as well as completion of preclinical studies;
- favorable safety and efficacy data from our clinical trials and other studies;
- obtaining sufficient supplies of any qualified drug products that are used in combination with our drug candidates, competitor drugs or comparison drugs that may be necessary for use in clinical trials for evaluation of our drug candidates;
- receipt of regulatory approvals;

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

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

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

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

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

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

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

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

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

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

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

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

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

- inability to generate sufficient preclinical, toxicology or other *in vivo* or *in vitro* data to support the initiation of clinical trials;
- delays in reaching a consensus with regulatory authorities on trial design;
- delays in reaching agreement on acceptable terms with prospective CROs and clinical trial sites;
- delays related to COVID-19 disruptions at CROs, CDMOs, and/or clinical trial sites;

- delays in the opening of clinical trial sites or obtaining required IRB or IBC approval, or that of equivalent review groups for sites outside the United States, at each clinical trial site;
- imposition of a clinical hold by regulatory authorities, including as a result of a serious adverse event or after an inspection of our clinical trial operations or trial sites;
- failure by us, any CROs we engage or any other third parties to adhere to clinical trial requirements;
- failure to perform in accordance with Good Clinical Practices ("**GCPs**");
- failure by investigators and clinical sites to adhere to protocols leading to variable results;
- failure of our delivery approach in humans;
- delays in the testing, validation, manufacturing and delivery of our drug candidates to the clinical sites, including delays by third parties with whom we have contracted to perform certain of those functions;
- failure of our third-party contractors to comply with regulatory requirements or to meet their contractual obligations to us in a timely manner, or at all;
- inability to enroll volunteers or delays in having enrolled volunteers complete their participation in a trial or return for post-administration follow-up;
- clinical trial sites or volunteers dropping out of a trial;
- selection of clinical endpoints that require prolonged periods of clinical observation or analysis of the resulting data;
- clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon development programs;
- occurrence of serious adverse events associated with the drug candidate or administration of the drug candidate that are viewed to outweigh its potential benefits;
- occurrence of serious adverse events or other unexpected events in trials of the same class of agents conducted by other sponsors;
- changes in regulatory requirements and guidance that require amending or submitting new clinical trial protocols;
- changes in the legal or regulatory regimes domestically or internationally related to patient rights and privacy; or
- lack of adequate funding to continue a given clinical trial.

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

In addition, if we make manufacturing or formulation changes to our drug candidates, we may need to conduct additional preclinical studies or clinical trials to bridge our modified drug candidates to earlier

versions. Clinical trial delays could also shorten any periods during which we may have the exclusive right to commercialize our drug candidates or allow our competitors to bring products to the market before we do, which could impair our ability to successfully commercialize our drug candidates and may harm our business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

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

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

- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate; and

- the approval policies or regulations of the FDA, the NMPA, the EMA, the Medsafe, the TGA or other regulatory authorities may significantly change in a manner rendering our previously generated clinical data insufficient for approval.

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

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

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

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

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

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

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

- regulatory authorities may require additional warnings on the label of an approved product candidate or impose other limitations on an approved product candidate;
- we may be required to develop a risk evaluation mitigation strategy ("**REMS**") for our product candidates, or, if one is already in place, to incorporate additional requirements under the REMS, or to develop a similar strategy as required by the FDA, the NMPA, the EMA, the Medsafe, the TGA or a comparable regulatory authority;
- we may be required to conduct post-market studies;
- we could be subject to litigation proceedings and held liable for harm caused to patients; and
- the cost of clinical trials of our product candidates may be substantially higher than anticipated.

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

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

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

- the patient eligibility criteria defined in the protocol and the size and nature of the patient population who meets such criteria;
- the number of patients with the disease or condition being studied;
- the patients and their families' understanding of the risks and benefits of the product candidate in the trial;
- clinicians' and patients' perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including conventional therapies, approved therapeutic products that may be used off-label, and other new therapies that may be approved for the indications we are investigating;
- the proximity of patients to study sites;
- the design of the clinical trials;
- our ability to engage clinical trial investigators with the appropriate competencies and experience;
- completing clinical trials for potential treatment options in the same therapeutic areas;
- our ability to obtain and maintain patient consents; and
- the risk that patients enrolled in clinical trials will drop out before the completion of their treatment.

In addition, since the number of qualified clinical investigators and suitable clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our

competitors use over the same period. Some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors in the same clinical trial sites and time frame, which could reduce the number of patients who are available for our clinical trials in these clinical trial sites.

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

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

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

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

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

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

We may never realize a return on our investment of resources and cash in our drug discovery efforts and collaborations. Our drug discovery collaborations may not lead to the development or commercialization of product candidates, which result in our receipt of upfront payments, or milestone payments in a timely manner, or at all. If any drug discovery collaborations that we enter into do not result in the successful development and commercialization of drug products that for which we receive upfront or milestone payments, we may not receive adequate return on the resources we have invested in the drug discovery collaborations. Moreover, even if a drug discovery collaboration initially leads to the achievement of milestones that result in payments to us, it may not continue to do so.

Our ability to generate revenues from these arrangements will depend on our collaborators' abilities and efforts to perform the functions assigned to them in these arrangements successfully. Our drug discovery collaborators may incur additional costs or experience delays in the development and commercialization of any product candidates. Drug discovery collaborations could involve numerous risks, including:

- collaborators have significant discretion in determining the amount and timing of efforts and resources that they will apply to our collaborations and may not perform their obligations as expected;

- collaborators may not pursue development or commercialization of any product candidates for which we are entitled to upfront payments or milestone payments or may elect not to continue or renew development or commercialization programs based on results of clinical trials or other studies, changes in the collaborator's strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;

- collaborators may delay clinical trials for which we are entitled to milestone payments;

- drug discovery collaborators have significant discretion in determining when to make announcements about the status of our collaborations, including whether to announce preclinical and clinical developments and timelines for advancing the collaborative programs;

- we may not have access to, or may be restricted from disclosing, certain information regarding our collaborators' product candidates being developed or commercialized and, consequently, may have limited ability to inform our Shareholders about the status of, and likelihood of achieving, milestone payments under such collaborations;

- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with any product candidates and products for which we are entitled to milestone payments;

- product candidates discovered in drug discovery collaborations with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause our collaborators to cease to devote resources to the commercialization of any such product candidates;

- existing collaborators and potential future collaborators may begin to perceive us to be a competitor more generally, particularly as we advance our internal drug discovery programs, and therefore may be unwilling to continue existing collaborations with us or to enter into new collaborations with us;

- collaborators may fail to comply with applicable regulatory requirements regarding the development, manufacture, distribution, or marketing of a product candidate or product, which may impact our ability to receive milestone payments;

- disagreements with collaborators, including disagreements over intellectual property or proprietary rights, contract interpretation, or the preferred course of development, might cause delays or terminations of the research, development, or commercialization of product candidates for which we are eligible to receive milestone payments, or might result in litigation or arbitration;

- collaborators may not properly obtain, maintain, enforce, defend or protect our intellectual property or proprietary rights or may use our proprietary information in such a way as to potentially lead to disputes or legal proceedings that could jeopardize or invalidate our or their intellectual property or proprietary information or expose us and them to potential litigation;

- collaborators may infringe, misappropriate, or otherwise violate the intellectual property or proprietary rights of third parties, which may expose us to litigation and potential liability; and

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

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

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

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

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

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

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

We have limited experience in clinical development. In consideration of our expertise and efficient allocation of resources, we expect to out-license product candidates when we believe doing so will help

maximize the commercial value of the product candidates. We also plan to foster strategic collaborations to co-develop molecules and/or product candidates. In the long term, we may pursue internally discovered product candidates by ourselves if we believe such product candidates have the potential to achieve a great commercial value.

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

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

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

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

any of our product candidates receives marketing approval, the accompanying label may limit its approved use, which could limit sales of the product.

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

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

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

Accordingly, assuming we receive marketing approval for one or more of our product candidates, we and our suppliers will continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production, product surveillance and quality control. If we are not able to comply with post-approval regulatory requirements, we could have the marketing approvals for our products withdrawn by regulatory authorities and our ability to market any future products could be limited, which could adversely affect our ability to achieve or sustain profitability. Thus, the cost of compliance with post-approval regulations may have a negative effect on our operating results and financial condition.

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

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

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

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

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

From time to time, we may publish interim or preliminary data from our clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Preliminary data are subject to audit and verification procedures, which may result in the final data being materially different

from the preliminary data we previously published. As a result, interim and preliminary data should be viewed with caution until the final data are available. Differences between preliminary or interim data and final data could significantly harm our business prospects and may lead to significant fluctuations in the **[REDACTED]** of our Shares.

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

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

Risks Related to Industry and Commercialization of Our Drug Candidates

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

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

- our platform's ability to successfully identify suitable or novel targets of interest or uncover potent drug candidates with desired drug-like properties, and on the desired timeframes, that can ultimately be used to form the basis of drug development and patent protection;
- our ability to execute on our collaboration strategy to enter into new collaboration arrangements and establish a robust internal drug discovery programs;
- our ability to increase awareness of the capabilities of our technology and solutions;
- whether our platform reliably provides advantages over legacy and other alternative technologies and is perceived by customers to be cost effective;
- the rate of adoption of our solutions by pharmaceutical companies, biotechnology companies of all sizes, research institutions and others;
- prices we charge for our drug discovery services, required payments and the payment schedule in connection with our drug discovery collaborations, and the potential licensing fees we charge for our internally identified drug candidates;
- the relative reliability and robustness of our platform;

- our ability to develop new solutions for collaborators;
- our ability to maintain and develop customer relationship;
- our ability to follow closely with technological and industrial trends and continue to advance our integrated platform;
- if competitors develop a platform that performs AI-driven computational predictions at a greater accuracy and efficiency than us;
- the timing and scope of any approval that may be required by the FDA, the NMPA, the EMA, the Medsafe, the TGA or any other regulatory body;
- the impact of our investments in innovation and commercial growth;
- negative publicity regarding our or our competitors' technologies and/or the information security resulting from defects or errors; and
- our ability to further validate our technology through research and accompanying publications.

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

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

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

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

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

In addition, our scientific approach focuses on using our AI-driven platform technology and our drug discovery expertise to design molecules and predict their key drug-likeness properties to prioritize a small set of molecules with potentially optimal property profile for time-consuming and expensive chemical syntheses and physical experiments. Our integrated technology platform underpins our solutions, our drug

discovery collaborations and our own internal drug discovery pipeline. While the results of certain of our drug discovery collaborators suggest that our platform is capable of accelerating drug discovery and identifying high quality product candidates, these results do not assure future success for our drug discovery collaborators or for us with our internal drug discovery programs.

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

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

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

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

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

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

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

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

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

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

- economic weakness, including inflation;

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

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

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

- workforce uncertainty and labor unrest;

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

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

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

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

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

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

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

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

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

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

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

- the overall business environment of the industry.

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

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

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

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

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

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

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

regulations or healthcare laws are adopted or implemented that further increase labor costs, our business, financial condition and results of operations could be materially adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the clinical indications for which our product candidates are approved;
- physicians, hospitals, and patients considering our product candidates as a safe and effective treatment;
- the potential and perceived advantages of our product candidates over alternative treatments;
- the prevalence and severity of any side effects;

- product labeling or package insert requirements of regulatory authorities;
- limitations or warnings contained in the labeling approved by regulatory authorities;
- the timing of market introduction of our product candidates as well as competitive drugs;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payers and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payers and government authorities; and
- the effectiveness of our sales and marketing efforts.

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

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

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

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

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

There may be significant delays in obtaining reimbursement for approved product candidates, and coverage may be more limited than the purposes for which the product candidates are approved by the

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

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

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

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

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

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

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

Third-party intellectual property right holders may also actively bring infringement or other intellectual property-related claims against us, even if we have received patent protection for our technologies,

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

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

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

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

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

There also could occur serious natural disasters, which may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Damage or extended periods of interruption to our corporate, development, research or manufacturing facilities due to fire, disaster, epidemics, power loss, communications failure, unauthorized entry or other events could cause us to cease or delay development or commercialization of some or all of our drug candidates. As we rely on third parties on various services and supplies, the occurrence of any of the foregoing events could seriously harm ability to obtain services or supplies if such third parties are affected by disasters, epidemics, business interruptions and other force majeure events. In addition, our insurance might not cover all losses under such circumstances and our

business may be seriously harmed by such delays and interruption. Acts of war or terrorism may also injure our employees, disrupt our business network and destroy our markets. Any of the foregoing events and other events beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

Risks Related to Extensive Government Regulations

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

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

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

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

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

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

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

- failure to enter into or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a product candidate is safe, pure and potent for its proposed indication;

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

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

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

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

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

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

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

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

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

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

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

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

We must also comply with requirements concerning advertising and promotion for any of our product candidates for which we obtain marketing approval. The FDA, the NMPA, the EMA, the Medsafe, the TGA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products that are placed on the market. We must limit our promotional communications with respect to our

approved products only with regard to their approved indications and for use in accordance with the provisions of the approved label. Such limitations may potentially pose an adverse impact on our product's commercial potential. In addition, any approvals that we receive for our product candidates may contain requirements for potentially costly post-marketing studies and surveillance to monitor the safety and efficacy of the approved product candidate. We will need to incur additional costs and devote substantial resources to comply with such requirements to, for example, produce and submit safety and other post-marketing information and reports, registration, as well as ensure continued compliance with GMP, GCP, for any clinical trials that we conduct post-approval, as well as other applicable comparable regulations and standards. Such additional costs may have an adverse impact on our results of operations and financial condition.

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

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

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

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

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

Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approvals. Our operations are subject to various applicable anti-kickback, an-bribery, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in the jurisdictions in which we operate

or intent to operate. These laws may impact, among other things, our proposed sales and marketing programs. Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from governmental healthcare programs and debarment from contracting with governments.

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

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

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

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

Data protection and privacy laws and regulations generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enrolled patients and prohibit unauthorized disclosure of personal information. If such institutions or personnel divulge the patients' private or medical records without their consent, they will be held liable for damage caused thereby. The personal information of patients or subjects for our clinical trials is highly sensitive and we are subject to strict requirements under

the applicable privacy protection regulations in the relevant jurisdictions. Whilst we have adopted security policies and measures to protect our proprietary data and patients' privacy, privacy leakage incidents might not be avoided due to hacking activities, human error, employee misconduct or negligence or system breakdown.

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

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

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

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

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

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

We and third parties, such as our collaborators, CROs, CDMOs and other partners, are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory

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

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

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

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

a **[REDACTED]** in an overseas market and the disclosed risk factor in accordance with the rules of such overseas market is mainly relevant to China, the relevant parties shall conduct comprehensive demonstration and identification on whether such issuer shall subject to the filing obligation under the Overseas Listing Trial Measures.

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

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

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

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

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

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

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate. Since mid-2018, tension has increased between the United States and China and has escalated into a tariff war and deteriorating diplomatic relationships. Moreover, the bilateral relationship is an ongoing matter, evolving sometimes from day to day, and we cannot predict how the relationship will further evolve or what impact any subsequent developments in the relationship may have on our business.

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

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

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

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

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

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

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

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

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

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

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

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

As described in "History, Reorganization and Corporate Structure—Reorganization," prior to the Reorganization the Group's holding company was Insilico Inc, a U.S. corporation. As part of the Reorganization InSilico Medicine Inc. transferred its assets to Insilico Subco, which had elected to be treated as a partnership for U.S. federal income tax purposes, in consideration for a preferred interest in the partnership. In connection with the Reorganization, InSilico Medicine Inc. received advice that the Company should not be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code as a result of the Reorganization. However, the **[REDACTED]** of Section 7874 of the Code is complex and subject to rules the **[REDACTED]** of which is uncertain in various respects. There is a risk that the

U.S. Internal Revenue Service (the "IRS"), will seek to challenge the status of the Company as a non-U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code and there can be no assurance that any such challenge will not be sustained by a court.

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

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

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

Risks Related to Our Operations and Financial Prospects

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

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

partners, suppliers and other organizations and establish a sales and marketing team in preparation for commercialization activities.

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

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

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

Our international operations and expansion are subject to various risks.

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

- ever changing global environment, including changes in the United States, Greater China and international trade policies;
- challenges caused by distance as well as language, cultural and time zone differences;
- difficulties managing operations in new regions, including complying with the various regulatory and legal requirements;
- different approval or licensing requirements;
- recruiting sufficient suitable personnel in new markets;
- challenges in providing services and solutions as well as support in these new markets;
- challenges in attracting customers and collaborators;
- potential adverse tax consequences;
- foreign exchange losses;
- limited protection for intellectual property rights;

- inability to effectively enforce contractual or legal rights; and
- local political, regulatory and economic instability or wars, civil unrest, and terrorist incidents.

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

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

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

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

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

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

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

development activities, we are unable to predict the accurate timing and amount of our operating expenditures, which will depend largely on:

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

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

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

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

- continue ongoing and planned research and development of our pipeline programs;
- continue advancement of and investment in our integrated technology platform;

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

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

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

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

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

Our five largest customers in 2021 and 2022 contributed 53.2% and 90.6% of total revenues in the respective periods. Our fifth and sixth largest customers in 2021 shared identical sales amount and percentage. The largest customer in 2021 and 2022 contributed 14.3% and 56.6% of total revenues in the respective periods. The loss of any of our major customers could have a material adverse effect on our results of operations and financial condition. We may not be able to maintain our customer relationships, and our customers may delay payment under, or fail to renew, their agreements with us, which could adversely affect our business, results of operations or financial condition. Any reduction in the amount of revenues that we derive from our major customers, without an offsetting increase in new sales to other customers, could have a material adverse effect on our operating results. A significant change in the liquidity or financial position of our customers generally could also have a material adverse effect on the collectability of our accounts receivable, our liquidity, and our future operating results.

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

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

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

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

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

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

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

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

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

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

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

additional services from us, result in reputational damage or subject us to third-party lawsuits or other action or liability, which could adversely affect our operating results.

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

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

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

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

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

In addition, the continued growth of our business depends on our ability to hire additional qualified personnel, in particular those with expertise in molecular biology, chemistry, biological information

processing, software, engineering, and technical support. We compete for qualified management and scientific personnel with other life science and technology companies, universities, and research institutions globally. Competition for these individuals is intense, and the turnover rate can be high. Failure to attract and retain management and research and development personnel could prevent us from pursuing collaborations or developing our product candidates or technologies.

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

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

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

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

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

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

- increased operating expenses and cash requirements;

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

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

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

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

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

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

The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and back-solve method involving various parameters and inputs. Valuation techniques are

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

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

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

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

Risks Related to Our Intellectual Property

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

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

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

their rights to other third parties, including our competitors, and our competitors could market competing products and use the same technologies. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects. As such, we do not know the degree of future protection that we will have on our product candidates and technologies, if any, and a failure to obtain adequate intellectual property protection with respect to our product candidates and technologies could have a material adverse impact on our business.

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

In addition, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our technologies or product candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. Third parties may also raise similar claims before administrative bodies, even outside the context of litigation. Such mechanisms include ex parte re-examination, inter 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.

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

A central component of our growth strategy is to license pipeline assets we have developed. An inability to license these programs could materially impact our business and financing prospects. Because our integrated platform and programs may involve additional technologies and/or drug candidates that may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire and maintain licenses or other rights to use these proprietary rights. We may be unable to acquire or in-license any compositions, methods of use, or other intellectual property rights from third parties that we identify.

The in-licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to in-license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to in-license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain or in-license rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant technology, program or drug candidate, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

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

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

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

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

In addition, collaboration agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may

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

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

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

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

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

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

We, our collaborators and/or our business partners may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. In addition, we cannot assure you that all inventors have been or will be identified by us and/or by our collaborators and/or our business partners despite diligent effort. The failure to name the proper inventors on a patent application can result in the patents issuing thereon being unenforceable. Inventorship disputes may arise from conflicting views regarding the contributions of different individuals named as inventors, the effects of foreign laws where foreign nationals are involved in the development of the subject matter of the patent, conflicting obligations of third parties involved in developing our product candidates or as a result of questions regarding co-ownership of potential joint inventions. Litigation may be

necessary to resolve these and other claims challenging inventorship and/or ownership. Alternatively, or additionally, we may enter into agreements to clarify the scope of our rights in such intellectual property. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to enforce, such valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

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

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

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

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

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

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

breaches or violations. Any of the foregoing could have a material and adverse effect on our business, financial condition and results of operations.

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

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

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

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

The following examples are illustrative:

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

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

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

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

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

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

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

- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive services and products for commercialization in our major markets;

- we may fail to develop additional proprietary technologies that are patentable;
- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and
- the patents of others may have an adverse effect on our business, for example by preventing us from commercializing one or more of our product candidates for one or more indications.

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

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

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

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

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

Filing, prosecuting and defending patents on our products in all countries throughout the world would be prohibitively expensive. We may also encounter difficulties in protecting and defending such rights in

foreign jurisdictions. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the jurisdictions of the registration of our intellectual properties. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products. Our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

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

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

Risks Related to the [REDACTED]

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

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

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

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

***There will be a gap of several days between* [REDACTED] *and* [REDACTED] *of our Shares, and the* [REDACTED] *of our Shares when* [REDACTED] *begins could be lower than the* [REDACTED].**

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

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

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

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

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

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

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

Our Board has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our Shareholders may, subject to the provisions of the Cayman Islands law and our articles of association, by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as

they fall due in the ordinary course of business. Even if our Board declares and pays dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distribution (if any) received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by the Board. Accordingly, the return on your **[REDACTED]** in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the **[REDACTED]** or even maintain the price at which you purchased the Shares. You may not realize a return on your **[REDACTED]** in our Shares and you may even lose your entire **[REDACTED]** in our Shares.

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

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

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

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

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

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

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

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

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

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

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