

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

GRACELL BIOTECHNOLOGIES INC.
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)

2834
(Primary Standard Industrial
Classification Code Number)

Not Applicable
(I.R.S. Employer
Identification Number)

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Approximate date of commencement of proposed sale to the public: as soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered		Proposed Maximum Aggregate Offering Price(2)(3)	Amount of Registration Fee
Ordinary shares, par value US\$0.0001 per share(1)		US\$100,000,000	US\$10,910
(1) American depositary shares, or ADSs, issuable upon deposit of ordinary shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No. 333-). Each ADS represents ordinary shares.			
(2) Includes the aggregate offering price of additional ordinary shares represented by ADSs that the underwriters have the option to purchase. Also includes ordinary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public. These Class A ordinary shares are not being registered for the purpose of sales outside the United States.			
(3) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.			

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS (Subject to Completion)

Issued, 2021

AMERICAN DEPOSITARY SHARES



GRACELL BIOTECHNOLOGIES INC.

Representing Ordinary Shares

This is an initial public offering of American depositary shares, or ADSs, representing ordinary shares of Gracell Biotechnologies Inc.

We are offering ADSs. Each ADS represents ordinary shares, US\$0.0001 par value per share. We anticipate the initial public offering price per ADS will be between US\$ and US\$.

Prior to this offering, there has been no public market for the ADSs or our ordinary shares. We have applied to list the ADSs on the Nasdaq Global Market, or Nasdaq, under the symbol “GRCL.”

We are an “emerging growth company” and a “foreign private issuer” under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements. See “Prospectus Summary—Implications of Being an Emerging Growth Company” and “Prospectus Summary—Implications of Being a Foreign Private Issuer” for additional information.

Investing in the ADSs involves risks. See “[Risk Factors](#)” beginning on page 18.

	Per ADS	Total
Public offering price	US\$	US\$
Underwriting discounts and commissions ⁽¹⁾	US\$	US\$
Proceeds, before expenses, to Gracell Biotechnologies Inc.	US\$	US\$

(1) See “Underwriting” for additional disclosure regarding compensation payable by us to the underwriters.

We have granted the underwriters the right to purchase up to an additional ADSs at the initial public offering price, less underwriting discounts and commissions.

Neither the Securities and Exchange Commission nor any other state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about , 2021 through the book-entry facilities of The Depository Trust Company.

Citigroup

Jefferies

Piper Sandler

Wells Fargo Securities

, 2021

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No dealer, salesperson or other person is authorized to give any information or to represent as to anything not contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell, and we are seeking offers to buy, only the ADSs offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or any sale of the ADSs.

Neither we nor the underwriters have done anything that would permit this offering or the possession or distribution of this prospectus or any filed free writing prospectus in any jurisdiction where other action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus or any free writing prospectus filed with the U.S. Securities and Exchange Commission, or the SEC, must inform themselves about, and observe any restrictions relating to, the offering of the ADSs and the distribution of this prospectus or any filed free writing prospectus outside of the United States.

Until , 2021 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. This summary does not contain all of the information that may be important to you in making your investment decision. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in the ADSs discussed under “Risk Factors,” before deciding whether to invest in the ADSs.

Overview

We are a global clinical-stage biopharmaceutical company dedicated to discovering and developing breakthrough cell therapies to address major industry challenges and fulfill unmet medical needs in the treatment of cancer. We aim to disrupt conventional approaches to CAR-T cell therapies with our proprietary technology platforms—FasTCAR and TruUCAR.

- With FasTCAR, we are able to deliver younger, less exhausted T cells for autologous cell therapies with enhanced activities and next-day manufacturing (22 to 36 hours) versus the industry norm of two to six weeks. Our lead FasTCAR-enabled autologous product candidate, GC012F, has achieved multiple minimal residual disease, or MRD, negative stringent complete responses, or sCR, in relapsed or refractory multiple myeloma, or r/r MM, patients in an ongoing investigator-initiated Phase 1 trial in China.
- With TruUCAR, we are able to derive T cells from non-HLA-matched healthy donors to generate allogeneic CAR-T cell therapies that are readily available off-the-shelf at lower cost for a broad patient base, including those less suitable for autologous CAR-T cell therapies. Our lead TruUCAR-enabled allogeneic product candidate, GC027, has achieved multiple complete responses, or CR, in relapsed or refractory T cell acute lymphoblastic leukemia, or r/r T-ALL, patients in an ongoing investigator-initiated Phase 1 trial in China.

In addition to our technology platforms, we utilize our proprietary genetic engineering techniques, Dual CAR and Enhanced CAR, to generate FasTCAR and TruUCAR product candidates with potentially enhanced therapeutic effects. Leveraging our pioneering platforms, know-how and experience, we are developing a rich clinical-stage pipeline of multiple autologous and allogeneic product candidates that we believe will unlock the long-held promise of CAR-T cell therapies for a broad range of patients with advanced hematologic malignancies and solid tumors.

GC012F, our lead FasTCAR autologous product candidate, is being studied in an ongoing investigator-initiated Phase 1 trial in China. 16 r/r MM patients were enrolled and treated for this trial with 15, or 93.8%, of these patients exhibiting high-risk features, which represent a subgroup of MM patients that are most difficult to treat. As of the July 2020 data cutoff date, 15 of 16 patients responded to therapy, resulting in an overall response rate, or ORR, of 93.8%, with all six patients, or 100%, from the highest dose cohort achieving a sCR, which was maintained through the landmark analysis at six months after CAR-T infusion. Cytokine release syndrome, or CRS, was a common and expected adverse event in CAR-T cell therapy that initially manifests with fever and can potentially progress to a life-threatening condition. CRS was observed with mostly low grade and non-life-threatening symptoms and was managed with standard of care, or SOC, treatment, including tocilizumab and steroids, and resolved in all cases. No patient developed immune effector cell-associated neurotoxicity syndrome, or ICANS, another common adverse event and treatment-related toxicity observed after CAR-T cell therapy.

GC027, our lead TruUCAR allogeneic product candidate, has demonstrated in an ongoing investigator-initiated Phase 1 trial in China that all five enrolled adult r/r T-ALL patients, or 100%, achieved a CR or complete response with incomplete hematologic recovery, or CRi, on Day 14 or Day 28 after treatment, as of the

February 2020 data cutoff date. All CRS observed was managed and resolved following treatment and supportive care. No patients developed neurotoxicity, an adverse event commonly observed after CAR-T cell therapy, or graft versus host disease, or GvHD, a potentially fatal condition after allogeneic CAR-T cell therapy, where allogeneic CAR-T cells recognize the patient's normal tissues as foreign and cause potentially lethal tissue damage.


All of our clinical development programs to date have been conducted in China and have generated limited trial data due to their early-stage nature, and the U.S. Food and Drug Administration, or the FDA, or other comparable regulatory authorities may not accept data from these investigator-initiated trials. For more details, please see "Risk Factors—Risks Related to the Development of Our Product Candidates."

CAR-T Cell Therapeutics and Industry Challenges


Chimeric antigen receptor T cells, or CAR-T cells, can be classified as either autologous or allogeneic. Autologous CAR-T cells are derived from the T cells of the cancer patient while allogeneic CAR-T cells are derived from the T cells of a healthy donor. Theoretically, CAR-T cells can be engineered to target virtually any tumor-associated antigen. Currently, CAR-T cell therapies are primarily focused on hematologic malignancies. In 2017, the first two CAR-T cell therapies were approved: Kymriah (marketed by Novartis AG) for pediatric B cell acute lymphoblastic leukemia and Yescarta (marketed by Kite Pharma, Inc., acquired by Gilead Sciences, Inc.) for diffuse large B cell lymphoma.

Despite the vast potential of CAR-T cell therapies, major challenges persist for both autologous and allogeneic approaches. Autologous cell therapies are highly personalized, making the manufacturing process time-consuming, complex, costly and difficult to scale. It is also challenging to generate sufficient high-quality T cells as T cells of patients are often compromised from earlier lines of cancer treatment. Unlike autologous therapies that derive cells from patients, allogeneic therapies, including those intended for use off-the-shelf, derive cells from healthy donors but require modifications to reduce or eliminate host versus graft rejection, or HvG, where a patient's immune cells recognize infused non-HLA-matched donor cells as foreign and reject them, and GvHD. Additionally, despite progress in treating hematologic malignancies, CAR-T cell therapies have had little success with treating solid tumors, primarily as a result of CAR-T cells' limited ability to penetrate and persist in solid tumors. We believe we can disrupt the conventional approaches to CAR-T cell therapies by leveraging our highly innovative and proprietary technology platforms.

Our Proprietary Technology Platforms

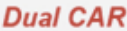


- Next-day manufacturing
- Improved transduction efficiency
- Fully-closed manufacturing capabilities
- Reduced manufacturing cost
- Improved productivity
- Cost savings
- Younger phenotype
- Increased activities, persistence and capability to migrate to tissue

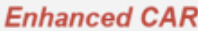


- Readily available off-the-shelf
- Potential to eliminate HvG without extra immunosuppressive therapeutics
- Potential to eradicate cancer cells as a standalone therapy
- Fast remission
- Cost savings
- Increased patient access

Technology enhancements that can be applied to the platforms



- Second CAR to target a second tumor antigen to enhance activities
- Ability to stay *in vivo* longer than single CAR-T cells
- Ability to target early lineage cancer cells or progenitors
- Improved safety profile



- Ability to infiltrate into tumor tissue
- Ability to remain active in suppressive TME
- Ability to proliferate in tumor tissue

Our pioneering platforms, FastTCAR and TruUCAR, are highly innovative and are designed to provide significant advantages as highlighted below:

- FastTCAR.** FastTCAR is designed to address the most pressing challenges associated with autologous therapies, such as lengthy manufacturing time, suboptimal manufacturing quality, high therapy cost and poor T cell fitness. We transform the three primary production steps—activation, transduction and expansion—into a single “concurrent activation-transduction” step. This is achieved by utilizing XLenti vectors derived from lentivirus to concurrently activate and transduce resting T cells and enable them to stably express one or more CARs and proliferate actively *in vivo*. In addition, FastTCAR manufactured CAR-T cells are younger, less exhausted and show enhanced proliferation, tissue migration and tumor cell clearance activities as demonstrated in preclinical studies, eliminating the need for the *ex vivo* expansion phase in the conventional process. This streamlined process significantly shortens the production time from an industry norm of two to six weeks and achieves next-day manufacturing. Shorter manufacturing time is of particular importance to increasing the widespread utility of CAR-T cell therapies, particularly in the case of rapidly progressing cancers. We established fully-closed production lines designed to produce FastTCAR product candidates while reducing the risk of contamination and optimizing cost-efficiency. Our significantly shorter manufacturing time and highly efficient manufacturing process may result in meaningful cost savings, increasing the accessibility of cell therapies for cancer patients. We are developing our lead autologous product candidate, GC012F, as well as multiple autologous clinical-stage pipeline candidates on our FastTCAR platform.
- TruUCAR.** TruUCAR is designed to generate high-quality allogeneic CAR-T cell therapies that can be administered “off-the-shelf” at lower cost. As with FastTCAR, TruUCAR uses a lentivirus to deliver its CAR. TruUCAR has several key design differences when compared to conventional allogeneic CAR-T approaches. TruUCAR is designed to specifically target a patient’s T cells and natural killer, or NK, cells that would otherwise be directed against the foreign, or allogeneic, cells resulting in rejection by the patients. This feature allows our allogeneic cell therapies to survive a patient’s immune system without the need for combination treatment with anti-CD52 antibodies that may leave a patient at increased risk for infection. TruUCAR is designed to avoid GvHD, one of the most severe adverse events of allogeneic CAR-T cell therapies, and rapidly eliminate cancer cells without the need to bridge

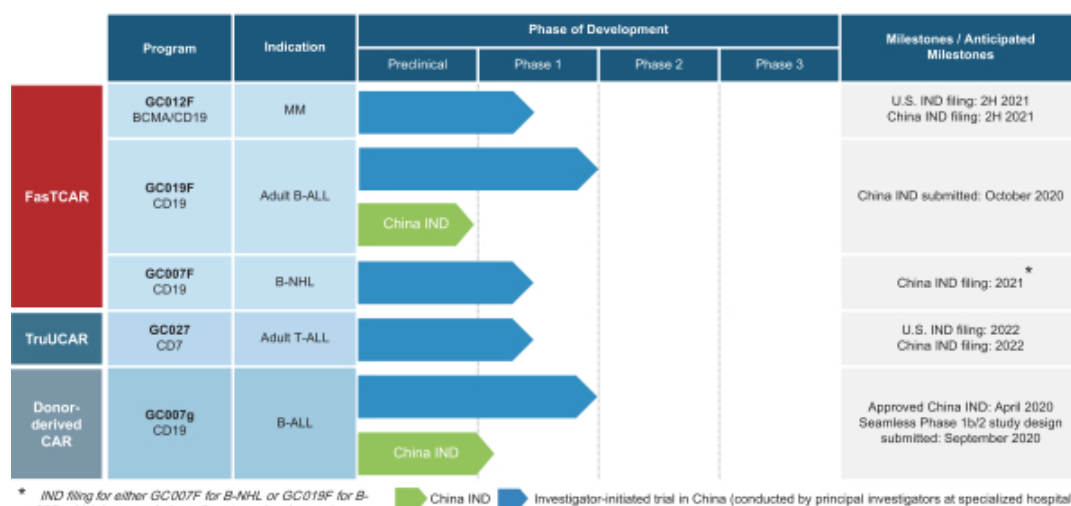
to hematopoietic stem cell transplantation, or HSCT, which is often used with conventional allogeneic CAR-T cell therapy to strengthen its therapeutic effects but pose a risk of early mortality. As a result, TruUCAR's monotherapy approach has the potential to significantly reduce the cost and length of treatment by achieving fast remission and avoiding anti-CD52 treatment and potentially HSCT. We believe that TruUCAR may result in meaningful cost savings, further increasing the accessibility of cell therapies for cancer patients. We are developing our lead allogeneic product candidate, GC027, as well as multiple allogeneic pipeline candidates on our TruUCAR platform.

In addition, we have a suite of genetic engineering techniques, Dual CAR and Enhanced CAR, that can be leveraged with FasTCAR and TruUCAR to potentially further enhance the therapeutic effects of our CAR-T cell therapies. Dual CAR has the potential to control relapse by reducing the likelihood of antigen escape and to reduce rejection of the CAR-T cells by patients treated with TruUCAR-enabled allogeneic CAR-T cell therapies. Enhanced CAR further strengthens CAR-T cells' functionality, for example by overcoming the immunosuppressive tumor microenvironment, or TME, and/or increasing cytokine signaling. We also have an allogeneic donor-derived CAR technique based on HLA-matching to avoid GvHD.

Our technology platforms and our product candidates generated by these platforms are innovative and it may be difficult to predict the timing, results and costs of product candidate development and likelihood of obtaining regulatory approval.

Our Clinical Development Pipeline

We have generated a pipeline of autologous and allogeneic cell therapy candidates with the potential to treat both hematologic malignancies and solid tumors. Our clinical development strategy is built on the robust pre-IND investigator-initiated trials program that we have established in partnership with top-tier hospitals in China. We engineer, produce and provide CAR-T cells to the principal investigators at those hospitals for administration in patients. The principal investigators agree to provide us results and findings generated from the investigator-initiated trials, and will only provide the underlying data points if separately requested by us and approved by them. To the extent that, after discussions with the FDA and/or the NMPA, we are permitted to rely on all or part of the initial results and the underlying data points from these studies to support our regulatory filings with the FDA and/or the NMPA, we work in close collaboration with the principal investigators to collect the data with their approval. This strategy is designed to expedite our global clinical development activities with the initial results in investigator-initiated Phase 1 trials utilizing safety as primary endpoint and overall response rate, or ORR, as key secondary endpoint. We have generated all our product candidates internally. Our most advanced product candidates are presented in the pipeline diagram below:



MM = multiple myeloma, B-ALL = B cell acute lymphoblastic leukemia, B-NHL = B cell non-Hodgkin's lymphoma, T-ALL = T cell acute lymphoblastic leukemia

Our lead product candidates include:

- GC012F.** GC012F is a FasTCAR-enabled dual BCMA- and CD19-directed autologous CAR-T product candidate being studied for the treatment of MM in an ongoing investigator-initiated Phase 1 trial across multiple centers in China. As of July 2020, 16 r/r MM patients were enrolled and treated with 93.8% of these patients having high-risk features, which represent a subgroup of MM patients with a poor prognosis and potentially rapid disease progression, making them particularly challenging to treat even with novel agents. All patients in the trial had relapsed from, or were refractory to, previous treatments, including the most commonly used agents and SOC treatments. 15 of 16 patients achieved and maintained a response. In the highest dose cohort which is the recommended dosage level, 100% of the six evaluable patients achieved MRD- sCR as best response which was maintained through the landmark analysis at six months after CAR-T infusion. Based on these results, we expect to submit IND applications for GC012F in r/r MM to the FDA and the NMPA by the end of 2021.

- **GC019F.** GC019F is a FasTCAR-enabled CD19-directed autologous CAR-T product candidate that has been studied for the treatment of adult B-ALL in a completed investigator-initiated Phase 1 trial across multiple centers in China. We submitted an IND application to study GC019F in B-ALL to the NMPA in October 2020, which was accepted by the Center for Drug Evaluation, or CDE. An investigator-initiated trial for GC019F for the treatment of r/r B-NHL is currently in the planning stage and is expected to begin patient enrollment by the end of 2020.
- **GC007F.** GC007F is a FasTCAR-enabled CD19-directed autologous CAR-T product candidate being studied for the treatment of B-NHL in an ongoing investigator-initiated Phase 1 trial across multiple centers in China. Based on the clinical results from the investigator-initiated trial, we plan to submit an IND application for either GC019F or GC007 in r/r B-NHL to the NMPA in 2021.
- **GC027.** GC027 is a TruUCAR-enabled CD7-directed allogeneic CAR-T product candidate being studied for the treatment of adult T-ALL in an ongoing investigator-initiated Phase 1 trial across multiple centers in China. As of February 2020, five adult r/r T-ALL patients were enrolled and treated. All patients enrolled had relapsed from, or were refractory to, their prior line of therapy. All five evaluable patients achieved a CR or CRi, resulting in an ORR of 100%, including four patients, or 80%, achieving MRD- CR on Day 28 after treatment. CRS was observed in all patients and was resolved with treatment. No patient developed neurotoxicity or GvHD. We expect to submit an IND application for GC027 in adult r/r T-ALL to the FDA and the NMPA in 2022.
- **GC007g.** GC007g is a donor-derived CD19-directed allogeneic CAR-T cell therapy that has been studied for the treatment of r/r B-ALL in a completed investigator-initiated Phase 1 trial, where CAR-T cells were manufactured using T cells from an HLA-matched healthy donor. We obtained IND approval to study GC007g in B-ALL from the NMPA on April 1, 2020 and are initiating the Phase 1 study in China. We submitted an updated innovative seamless Phase 1b/2 study design for GC007g's registration-enabling clinical trial to the CDE in September 2020 which may enable us to roll over the ongoing Phase 1 clinical trial into the seamless Phase 1b/2 registration-enabling clinical trial in the first half of 2021. Our goal is to submit a biologics license application, or BLA, to the NMPA for GC007g upon completion of a registrational trial.

In addition to our lead product candidates, we have a broad portfolio of earlier stage product candidates targeting various cancer indications, such as ovarian cancer, breast cancer, peripheral T cell lymphoma, or PTCL, a subtype of NHL, and T cell lymphoblastic leukemia, or T-LBL.

CAR-T cell manufacturing is a critical component of our clinical development and future commercialization, as CAR-T cell therapies are complex and, in the case of autologous therapies, highly personalized. We control our manufacturing through our two good manufacturing practices, or GMP, compliant manufacturing facilities in Suzhou and Shanghai, making us self-sufficient in the production of CAR-T cells for clinical development and early-stage commercialization. We established fully-closed production lines in our Suzhou and Shanghai facilities, which are designed to produce FasTCAR product candidates while reducing contamination risks and optimizing cost-efficiency. With this fully-closed design, we are able to operate multiple systems in one manufacturing cleanroom at the same time, with each system producing CAR-T cells for an individual patient. We believe these advantages, coupled with our ability to achieve next-day manufacturing for autologous CAR-T cells in one production shift, allow us to substantially reduce manufacturing costs, improve productivity and scale up our production in a cost-efficient manner.

Our Strategy

Our goal is to disrupt conventional approaches to CAR-T cell therapy by using our proprietary technology platforms and techniques to discover and develop treatments that deliver fast, deep and durable responses for

advanced hematologic malignancies and solid tumors. In order to achieve our goal, the key elements of our strategy include:

- Rapidly advance our lead product candidates through clinical development by leveraging our global clinical development capabilities.
- Continue to leverage the strength of our technology platforms to broaden our pipeline of next-generation autologous and allogeneic CAR-T cell therapies.
- Expand our CAR-T therapies into solid tumor indications.
- Enhance our leadership position within the cell and gene therapy field.
- Expand our proprietary genetic engineering and cell manufacturing capabilities.
- Evaluate strategic partnerships to maximize the value of our technology platforms.

Our Team

We are led by an experienced management team with an unwavering commitment to developing next generation cell and gene therapies. Our Founder and Chief Executive Officer, Dr. William Wei Cao, Ph.D., B.M., has over 30 years of research and development experience in the biotechnology industry and previously co-founded and served as chief executive officer and executive board member of Cellular Biomedicine Group, Inc. (Nasdaq: CBMG), a Nasdaq-listed cell therapy company. Prior to that, Dr. Cao held research positions at Harvard Medical School and Standard University Medical Center, as well as senior roles at Chiron (Novartis and Bayer) and Affymetrix (ThermoFisher). Our Chief Medical Officer, Dr. Martina Sersch, M.D., has over 25 years of academia and industry experience and previously served in senior roles at Amgen, Roche/Genentech and Pfizer. Dr. Sersch also served as Chief Medical Officer of Mustang Bio, Inc. (Nasdaq: MBIO), a Nasdaq-listed CAR-T and gene therapy company where she successfully led the IND approval of a CAR-T cell therapy. Our Chief Financial Officer, Dr. Kevin Xie, Ph.D., has over 18 years of experience in healthcare investment and held various leadership and management positions at Fosun Group, Locust Walk Capital, Scopia Capital, and Great Point Partners. Dr. Xie serves on the board of ViewRay Inc (Nasdaq: VRAY) and Alpha Healthcare Acquisition Corp. (Nasdaq: AHACU).

Summary Risk Factors

Our business is subject to numerous risks and uncertainties that you should be aware of before making a decision to invest in our ADSs. These risks are more fully described in the section titled “Risk Factors” immediately following this prospectus summary. These risks include, among others, the following:

- We are a clinical-stage biopharmaceutical company with limited operating history, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.
- We have incurred significant losses in every year since our inception. We expect to continue to incur losses over the next several years and may never achieve or maintain profitability.
- We will need to obtain funding from time to time to complete the development and any commercialization of our product candidates, which may not be available on acceptable terms, or at all. If we are unable to raise capital when needed, we may be forced to delay, reduce or eliminate our product development programs or other operations.
- If we fail to implement and maintain effective internal controls to remediate our material weakness over financial reporting, our ability to produce accurate financial statements on a timely basis could be impaired.

- All of our product candidates are in early stages of development. If we are unable to advance our product candidates through clinical development, obtain regulatory approval and ultimately commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.
- Our product candidates are based on novel technologies, which make it difficult to predict the timing, results and cost of product candidate development and likelihood of obtaining regulatory approval.
- Our future success is highly dependent on the regulatory approval of GC012F, GC027 and our other pipeline programs. All of our product candidates will require significant preclinical study and clinical trial before we can seek regulatory approval for and launch a product commercially.
- Adverse effects or other safety risks associated with our product candidates could delay or preclude approval, cause us to suspend or discontinue clinical trials, cause us to abandon product candidates, limit the commercial profile of an approved label or result in significant negative consequences following any potential marketing approval.
- We may not be successful in our efforts to extend our pipeline of product candidates, including identifying or discovering additional product candidates in the future.
- 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.
- We have derived and plan to continue to derive results from investigator-initiated trials of our product candidates to expedite our global clinical development activities. Investigator-initiated trials are sponsored and conducted by principal investigators. As a result, our role and access to the clinical results and data are limited and there is no assurance that the clinical data from these trials will be accepted or considered by the FDA, the NMPA, or other comparable regulatory authorities.
- As a company currently with substantial operations outside of the United States, our business is subject to economic, political, regulatory and other risks associated with international operations.
- 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.
- If we are unable to establish sales, marketing and distribution capabilities for our product candidates, or enter into sales, marketing and distribution agreements with third parties, we may not be successful in commercializing our product candidates, if and when they are approved.
- If we are unable to obtain, maintain, defend and enforce patent and other intellectual property rights for our technologies and product candidates, or if the scope of the patent and other intellectual property rights obtained is not sufficiently broad, our competitors and other third parties could develop and commercialize technology and biologics similar or identical to ours, and our ability to successfully commercialize our technology and product candidates may be impaired. We currently do not own or license any issued patents that cover any of our platforms or product candidates and we are aware of several third-party patents and patent applications, if issued, may be construed to cover our proprietary and modular CAR-T cell technology and product candidates, including GC012F and GC027.
- The audit report included in this prospectus is prepared by an auditor who is not inspected by the Public Company Accounting Oversight Board and, as such, our investors are deprived of the benefits of such inspection.
- If the 2020 Negative List that prohibits foreign investment in the development and application of human stem cell or gene diagnostic and therapeutic technologies applies to CAR-T cell therapies,

Gracell Bioscience would be prohibited from engaging in the research and development of CAR-T cell therapies in the future. Additionally, if our control over our variable interest entity, or VIE, through contractual arrangements are deemed as foreign investment in the future, and any business of our VIE is restricted or prohibited from foreign investment under the Negative List effective at the time, our ability to prepare for and seek approval and commercialization of our product candidates both in China and elsewhere may be affected.

- If the ownership of our shares continues to be highly concentrated, it may prevent you and other minority shareholders from influencing significant corporate decisions and may result in conflicts of interest.

Implications of Being an Emerging Growth Company

As a company with less than US\$1.07 billion in revenue for the last fiscal year, we qualify as an “emerging growth company” pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, related to the assessment of the effectiveness of the emerging growth company’s internal control over financial reporting. We have elected to take advantage of such exemptions.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US\$1.07 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the previous three-year period, issued more than US\$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

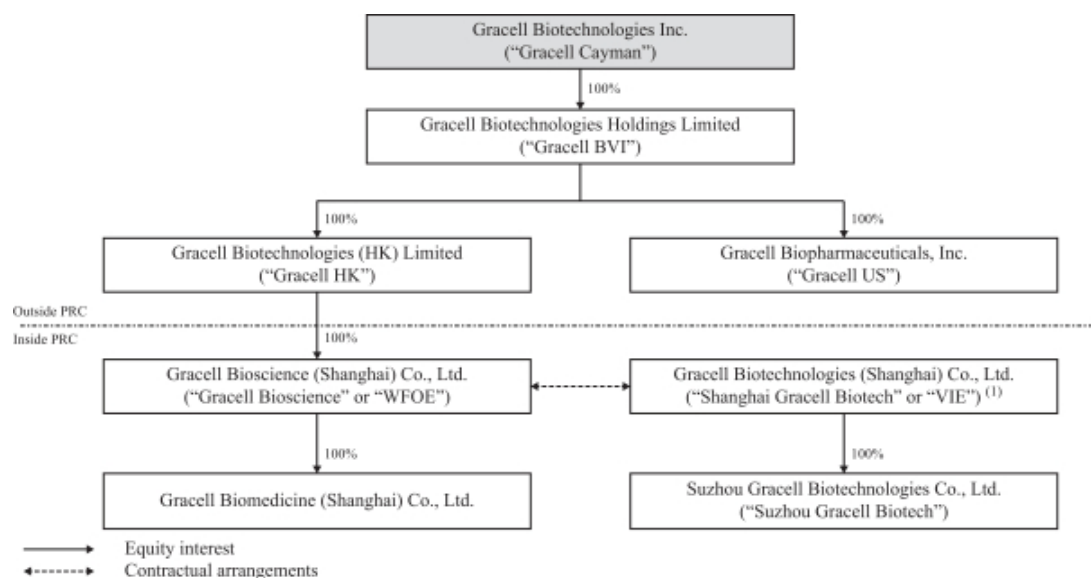
Corporate History and Information

We are an exempted company incorporated in the Cayman Islands with limited liability. We commenced operations in May 2017 through Gracell Biotechnologies (Shanghai) Co., Ltd., a company incorporated in China, which we refer to as Shanghai Gracell Biotech in this prospectus. In April 2018, Shanghai Gracell Biotech incorporated Suzhou Gracell Biotechnologies Co., Ltd., a company incorporated in China, which we refer to as Suzhou Gracell Biotech in this prospectus. Currently, we conduct research and development activities in biotechnologies and pharmaceutical industries primarily through Suzhou Gracell Biotech and Shanghai Gracell Biotech. In May 2018, we incorporated Gracell Biotechnologies Inc., or Gracell Cayman, under the laws of the Cayman Islands as our offshore holding company. Shortly after its incorporation, Gracell Cayman established a wholly owned subsidiary, Gracell Biotechnologies Holdings Limited, or Gracell BVI, under the laws of the British Virgin Islands in May 2018. Gracell BVI in turn established its wholly owned subsidiaries Gracell Biotechnologies (HK) Limited, or Gracell HK, and Gracell Biopharmaceuticals, Inc., or Gracell US, in June 2018 and February 2020, respectively. In August 2018, Gracell Bioscience (Shanghai) Co., Ltd., which we refer to as Gracell Bioscience or our wholly foreign-owned enterprise, or WFOE, in this prospectus, was incorporated as a PRC subsidiary wholly owned by Gracell HK. Our WFOE incorporated its wholly owned PRC subsidiary Gracell Biomedicine (Shanghai) Co., Ltd. in August 2020.

We obtained control over our VIE and its subsidiary through a series of contractual arrangements, as amended and restated, entered into among our WFOE, our VIE and shareholders of our VIE. As a result, we are regarded as the primary beneficiary of our VIE and its subsidiary. We treat our VIE and its subsidiary as our consolidated affiliated entities under U.S. GAAP and have consolidated the financial results of these entities in our consolidated financial statements in accordance with U.S. GAAP.

PRC laws and regulations impose restrictions on foreign ownership companies engaged in the development and application of human stem cell or gene diagnostic and therapeutic technologies, or the Restricted Activities. Although as of the date of this prospectus, there has been no official interpretation of the scope of the Restricted Activities, and the application of this regulation remains unclear, we carry out all of our operations that may fall into the Restricted Activities through our VIE and its subsidiary. We use our WFOE to carry out preliminary research and development activities on animals, which we believe do not fall into the Restricted Activities. The research and development activities of our VIE and its subsidiary are not attributable to our WFOE.

The following diagram illustrates our corporate structure as a result of our reorganization mentioned above and as of the date of this prospectus, including our significant subsidiaries and other entities that are material to our business:



(1) Shareholders of Shanghai Gracell Biotech are Dr. William Wei Cao and Xiaomi Hua holding 99.9% and 0.1%, respectively, of the equity interest in the VIE. Dr. Cao is our Founder, Chairman of board of directors and Chief Executive Officer.

Our principal executive offices are located at Building 12, Block B, Phase II, Biobay Industrial Park, 218 Sangtian St., Suzhou Industrial Park, People's Republic of China. Our telephone number at this address is +86-512-6262-6701. Our registered office in the Cayman Islands is located at Sertus Incorporations (Cayman) Limited, Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands. Investors should submit any inquiries to the address and telephone number of our principal executive offices.

Our main website is www.gracellbio.com. The information contained on this website is not a part of this prospectus. Our agent for service of process in the United States is Cogency Global Inc., located at 10E 40th Street, 10th Floor, New York, NY 10016.

This prospectus includes our trademarks, trade names and service marks, such as "Gracell", the Gracell logo and the FasTCAR logo, which are protected under applicable intellectual property laws and are our property. This prospectus also contains trademarks, trade names and service marks of other companies, which are the property of their respective owners. Solely for convenience, trademarks, trade names and service marks referred

to in this prospectus may appear without the ®, ™ or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to such trademarks, trade names and service marks. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

Implications of Being a Foreign Private Issuer

Upon completion of this offering, we will report under the Exchange Act as a non-U.S. company with foreign private issuer status. Even after we no longer qualify as an emerging growth company, as long as we qualify as a foreign private issuer under the Exchange Act we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events.

Both foreign private issuers and emerging growth companies are also exempt from certain more stringent executive compensation disclosure rules. Thus, even if we no longer qualify as an emerging growth company, but remain a foreign private issuer, we will continue to be exempt from the more stringent compensation disclosures required of companies that are neither an emerging growth company nor a foreign private issuer.

Conventions that Apply to this Prospectus

Unless otherwise indicated or the context otherwise requires, references in this prospectus to:

- “ADSs” are to the American depositary shares, each of which represents of our ordinary shares;
- “ADRs” are to the American depositary receipts that evidence the ADSs;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this prospectus only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan; “Greater China” does not exclude Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- “ordinary shares” are to ordinary shares of our company, par value US\$0.0001 per share;
- “Renminbi” or “RMB” refers to the legal currency of the PRC;
- “Preferred Shares” are to the series A, series B-1, series B-2 and series C preferred shares, par value \$0.0001 per share; and
- “US\$,” “U.S. dollars,” “\$,” or “dollars” are to the legal currency of the United States.

Technical Terms that Apply to this Prospectus

- “CAR” refers to chimeric antigen receptor;

- “CR” refers to complete response, which generally means the disappearance of all signs of cancer in response to treatment, with the exact criteria varying from indication to indication;
- “CRi” refers to complete response with incomplete hematologic recovery;
- “CRS” refers to cytokine release syndrome, a symptom complex and an expected adverse event associated with CAR-T cell therapies and measured by Lee grading system or ASBMT grading system. Grade 1 CRS is generally associated with non-life threatening symptoms and requires symptomatic treatment only, Grade 2 or Grade 3 CRS requires moderate to more aggressive intervention, and Grade 4 or higher CRS is associated with life-threatening symptoms that require ventilation support, or death;
- “GvHD” refers to graft versus host disease, where donor cells recognize the patient’s normal tissues as foreign and cause potentially lethal tissue damage;
- “HvG” refers to host versus graft rejection, where a patient’s immune cells recognize infused non-HLA-matched donor cells as foreign and reject them;
- “ICANS” refers to immune effector cell-associated neurotoxicity syndrome, a common adverse event and treatment-related toxicity observed after CAR-T cell therapies and measured by ASBMT grading system. Grade 1 ICANS is generally associated with low depressed level of consciousness where patients awaken spontaneously, Grade 2 or Grade 3 ICANS is generally associated with moderate depressed level of consciousness where patients still awaken to voice or tactile stimulus, and clinical seizure that resolves rapidly, and Grade 4 ICANS is generally associated more serious symptoms such as stupor, coma, prolonged seizure and deep focal motor weakness;
- “MRD” refers to minimal residual disease, the small number of cancer cells in the body after cancer treatment. An MRD positive or MRD+ test result means that disease was still detected after treatment; an MRD negative or MRD- result means that no disease was detected after treatment;
- “ORR” refers to overall response rate, percentage of patients achieving a response to therapy;
- “PFS” refers to progression-free survival, the length of time during and after the treatment of a disease, such as cancer, that a patient lives without the disease getting worse;
- “PR” refers to partial response;
- “sCR” refers to stringent complete response, a deeper response category than CR used in multiple myeloma;
- “SOC” refers to standard of care; and
- “VGPR” refers to very good partial response.

Our reporting currency is Renminbi. This prospectus contains translations of certain Renminbi amounts into U.S. dollars solely for the convenience of readers. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.7896 to US\$1.00, the noon buying rate on September 30, 2020 set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. On December 11, 2020, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board was RMB6.5445 to US\$1.00.

THE OFFERING	
ADSs offered by us	ADSs.
Over-allotment option	We have granted to the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to an aggregate of additional ADSs.
ADSs outstanding immediately after this offering	ADSs (or ADSs if the underwriters exercise their over-allotment option in full).
Ordinary shares outstanding immediately after this offering	ordinary shares (or ordinary shares if the underwriters exercise their option to purchase additional ADSs in full).
The ADSs	Each ADS represents ordinary shares.
	The depositary, through its custodian, will hold ordinary shares underlying your ADSs. You will have rights as provided in the deposit agreement among us, the depositary and owners and holders of ADSs from time to time.
	We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our ordinary shares, the depositary will distribute the cash dividends and other distributions it receives on our ordinary shares after deducting its fees and expenses in accordance with the terms set forth in the deposit agreement.
	You may surrender your ADSs to the depositary for cancellation and withdraw the ordinary shares. The depositary will charge you fees for any cancellation.
	We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.
Use of Proceeds	To better understand the terms of the ADSs, you should carefully read the “Description of American Depositary Shares” section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.
	We expect that we will receive net proceeds of approximately \$ million from the sale of ADSs in this offering, assuming an initial public offering price of \$ per ADS, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	We intend to use the net proceeds from this offering, together with our existing cash and cash equivalents, to fund the research and development of GC012F and GC027, the research and development of our other clinical stage and earlier-stage product candidates, the expansion of our manufacturing facilities in China and the construction of our research and development center in the United States as well as for working capital and other general corporate purposes. See “Use of Proceeds” for additional information.
Lock-up	We, our officers and directors and all of our existing shareholders have agreed with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus, subject to certain exceptions. See “Shares and ADSs Eligible for Future Sale” and “Underwriting.”
Risk Factors	See “Risk Factors” and other information included in this prospectus for a discussion of the risks relating to investing in our ADSs. You should carefully consider these risks before deciding to invest in our ADSs.
Listing	We have applied to have the ADSs listed on The Nasdaq Global Market. The ADSs and shares will not be listed on any other stock exchange or traded on any automated quotation system.
Proposed Nasdaq Global Market Symbol for the ADSs	GRCL
Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depositary Trust Company on _____, 2021.
Depositary	The Bank of New York Mellon.
The number of ordinary shares that will be issued and outstanding immediately after this offering is based on 272,815,996 ordinary shares outstanding as of the date of this prospectus, which consists of _____ ordinary shares and the conversion of all of our issued and outstanding preference shares into _____ ordinary shares immediately prior to the closing of this offering, and excludes:	
<ul style="list-style-type: none">• _____ ordinary shares issuable upon the exercise of options outstanding as of _____, 2021, with a weighted average exercise price of US\$ _____ per ordinary share; and• _____ ordinary shares available for future issuance under our share incentive plans.	
Except as otherwise indicated, all information in this prospectus reflects and assumes:	
<ul style="list-style-type: none">• no exercise of the outstanding options described above;• no exercise of the underwriters’ over-allotment option to purchase additional ADSs representing ordinary shares; and• the filing and effectiveness of our Amended and Restated Memorandum and Articles of Association, which will occur immediately prior to the completion of this offering.	

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables set forth our summary consolidated financial data for the period indicated. We have derived the summary consolidated statement of comprehensive loss for the years ended December 31, 2018 and 2019, the summary consolidated statement of financial position as of December 31, 2018 and 2019, and the summary consolidated statement of cash flows for the years ended December 31, 2018 and 2019 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statement of comprehensive loss for the nine months ended September 30, 2019 and 2020, the summary consolidated statement of financial position as of September 30, 2020, and the summary consolidated statement of cash flows for the nine months ended September 30, 2019 and 2020 from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of results expected for future periods and our operating results for the nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2020. You should read this section together with our consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus.

The following table presents our summary consolidated statement of comprehensive loss data for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020:

	For the Year Ended December 31,			For the Nine Months Ended		
	2018	2019		2019	2020	
	RMB	RMB	US\$	RMB	RMB	US\$
	(in thousands, except per share data)					
Summary consolidated statement of comprehensive loss:						
Expenses						
Research and development expenses	(52,243)	(119,218)	(17,559)	(81,251)	(108,137)	(15,927)
Administrative expenses	(10,261)	(27,362)	(4,030)	(19,437)	(20,781)	(3,061)
Loss from operations	(62,504)	(146,580)	(21,589)	(100,688)	(128,918)	(18,988)
Interest income	1,435	3,932	579	2,494	2,416	356
Interest expense	—	—	—	—	(1,350)	(199)
Other income	256	1,449	213	170	1,794	265
Foreign exchange gain, net	—	2,556	376	2,127	(2,237)	(329)
Others, net	20	(21)	(3)	38	(12)	(2)
Loss before income tax	(60,793)	(138,664)	(20,424)	(95,859)	(128,307)	(18,897)
Income tax expense	—	—	—	—	—	—
Net loss	(60,793)	(138,664)	(20,424)	(95,859)	(128,307)	(18,897)
Deemed dividend to convertible redeemable preferred shareholders	—	(25,390)	(3,740)	(25,390)	—	—
Accretion of convertible redeemable preferred shares to redemption value	(12,199)	(36,802)	(5,420)	(26,176)	(46,392)	(6,833)
Net loss attributable to Gracell Biotechnologies Inc.’s ordinary shareholders	(72,992)	(200,856)	(29,584)	(147,425)	(174,699)	(25,730)

	For the Year Ended December 31,			For the Nine Months Ended September 30,		
	2018	2019	US\$	2019	2020	US\$
	RMB	RMB	(in thousands, except per share data)	RMB	RMB	US\$
Other comprehensive income						
Foreign currency translation adjustments, net of nil tax	—	(3,159)	(465)	1,042	(1,957)	(288)
Total comprehensive loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders	(72,992)	(204,015)	(30,049)	(146,383)	(176,656)	(26,018)
Weighted average number of ordinary shares used in per share calculation						
Basic	100,089,552	99,053,363	99,053,363	99,056,257	99,044,776	99,044,776
Diluted	100,089,552	99,053,363	99,053,363	99,056,257	99,044,776	99,044,776
Net loss per share attributable to Gracell Biotechnologies Inc.'s ordinary shareholders						
Basic	(0.73)	(2.03)	(0.30)	(1.49)	(1.76)	(0.26)
Diluted	(0.73)	(2.03)	(0.30)	(1.49)	(1.76)	(0.26)

The following table presents our summary consolidated statement of financial position as of December 31, 2018 and 2019 and September 30, 2020:

	As of December 31,			As of September 30,	
	2018	2019	US\$	2020	US\$
	Actual	Actual	(in thousands)	Actual	US\$
Summary consolidated statement of financial position data:					
Cash and cash equivalents	11,890	312,058	45,961	156,781	23,091
Short-term investments	102,000	4,200	619	20,700	3,049
Property, equipment and software	16,285	48,323	7,117	112,114	16,513
Total assets	148,518	412,217	60,713	340,616	50,166
Total liabilities	146,135	156,861	23,103	76,829	11,315
Total mezzanine equity	83,404	547,843	80,688	732,930	107,949
Total shareholders' deficit	(81,021)	(292,487)	(43,078)	(469,143)	(69,098)
Ordinary shares	69	68	10	68	10
Total liabilities, mezzanine equity and shareholders' deficit	148,518	412,217	60,713	340,616	50,166

The following table presents our summary consolidated statement of cash flows for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020:

	For the Year Ended December 31,			For the Nine Months Ended September 30,		
	2018	2019		2019	2020	
	RMB	RMB	US\$ (in thousands)	RMB	RMB	US\$
Summary consolidated statement of cash flows:						
Net cash used in operating activities	(61,856)	(135,393)	(19,941)	(102,610)	(134,195)	(19,765)
Net cash (used in) generated from investing activities	(113,357)	41,368	6,093	42,728	(81,790)	(12,046)
Net cash generated from financing activities	138,695	394,796	58,148	394,796	63,339	9,329
Effect of exchange rate on cash and cash equivalents	—	(603)	(90)	3,170	(2,631)	(388)
Net (decrease) increase cash and cash equivalents	(36,518)	300,168	44,210	338,084	(155,277)	(22,870)
Cash and cash equivalents at the beginning of the period	48,408	11,890	1,751	11,890	312,058	45,961
Cash and cash equivalents at the end of the period	11,890	312,058	45,961	349,974	156,781	23,091

RISK FACTORS

Investing in our ADSs involves a high degree of risk. Before you invest in our ADSs, you should carefully consider the risks described below together with all of the other information contained in this prospectus, including our financial statements and the related notes included elsewhere in this prospectus. If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially. In such event, the trading price of our ADSs could decline, which would cause you to lose all or part of your investment. Please also see “Special Note Regarding Forward-Looking Statements.”

Risks Related to Our Limited Operating History, Financial Position and Need for Additional Capital

We are a clinical-stage biopharmaceutical company with limited operating history, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

We are a clinical-stage biopharmaceutical company with limited operating history. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate effect or an acceptable safety profile, gain regulatory approval and become commercially viable. All of our product candidates are in early development and none have been approved for commercial sale. We have not demonstrated an ability to successfully complete late-stage clinical trials, obtain regulatory approvals, manufacture our product candidates at commercial scale or arrange for a third-party to do so on our behalf, conduct sales and marketing activities necessary for successful commercialization, or obtain reimbursement in the countries of sale. We may encounter unforeseen expenses, difficulties, complications, and delays in achieving our business objectives. Our short history as an operating company makes any assessment of our future success or viability subject to significant uncertainty. If we do not address these risks successfully or are unable to transition at some point from a company with a research and development focus to a company capable of supporting commercial activities, then our business will be materially harmed.

We have incurred significant losses in every year since our inception. We expect to continue to incur losses over the next several years and may never achieve or maintain profitability.

We have no products approved for commercial sale, have not generated any revenue from commercial sales of our product candidates, and have incurred net losses each year since we commenced operations in 2017. For the years ended December 31, 2018 and 2019, our net losses were RMB60.8 million and RMB138.7 million (US\$20.4 million), respectively. For the nine months ended September 30, 2020, our net loss was RMB128.3 million (US\$18.9 million). As of September 30, 2020, we had an accumulated deficit of RMB464.1 million (US\$68.4 million).

We have been devoting the majority of our financial resources and efforts to our research and development activities, including pre-clinical testing of our technologies, research and development of our CAR-T cell therapy product candidates as well as building our research and development capabilities. None of our product candidates have received marketing approval, and we may never be successful in obtaining marketing approval and commercializing product candidates. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. These net losses will adversely impact our shareholders’ deficit and net assets and may fluctuate significantly from quarter to quarter and year to year. We anticipate that our expenses will increase substantially as we:

- continue our ongoing and planned research and development of our pipeline product candidates;
- conduct preclinical studies and clinical trials for any additional product candidates that we may pursue in the future, including ongoing and planned development of additional therapies for the treatment of ovarian cancer, breast cancer, peripheral T-cell lymphoma, or PTCL, a subtype of NHL, and T cell lymphoblastic leukemia, or T-LBL;

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- seek to discover and develop additional product candidates and further expand our clinical product pipeline;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- continue to scale up manufacturing capacity with the aim of securing sufficient quantities to meet our capacity requirements for clinical trials and potential commercialization;
- establish sales, marketing and distribution infrastructure to commercialize any product candidate for which we may obtain regulatory approval;
- develop, maintain, expand and protect our intellectual property portfolio; acquire or in-license other product candidates and technologies;
- hire additional clinical, quality control and manufacturing personnel;
- add clinical, operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts;
- expand our operations in China and establish our operations in the United States and other geographic regions; and
- incur additional legal, accounting and other expenses associated with operating as a public company.

To become and remain profitable, we must succeed in developing and eventually commercializing products that generate significant revenue. This will require us to be successful in a range of challenging activities, including completing preclinical studies and clinical trials of our product candidates, obtaining regulatory approval, manufacturing, marketing and selling any products for which we may obtain regulatory approval, as well as discovering and developing additional product candidates. We may never succeed in these activities and, even if we do, may never generate revenue that is significant enough to achieve profitability.

Because of the numerous risks and uncertainties associated with the development, delivery and commercialization of complex autologous and allogeneic cell therapies, we are unable to accurately predict the timing or amount of expenses or when, or if, we will be able to achieve profitability. If we are required by regulatory authorities to perform studies in addition to those currently expected, or if there are any delays in the initiation and completion of our clinical trials or the development of any of our product candidates, our expenses could increase and profitability could be further delayed.

Even if we achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would depress the value of our ADSs and could impair our ability to raise capital, expand our business, maintain our research and development efforts or continue our operations. A decline in the value of our ADSs could also cause you to lose all or part of your investment.

We will need to obtain funding from time to time to complete the development and any commercialization of our product candidates, which may not be available on acceptable terms, or at all. If we are unable to raise capital when needed, we may be forced to delay, reduce or eliminate our product development programs or other operations.

Since our inception, we have used substantial amounts of cash to fund our operations and expect our expenses to increase substantially during the next few years. The development of biopharmaceutical product candidates is capital intensive. As our product candidates enter and advance through preclinical studies and clinical trials, we will require substantial additional funding to meet our financial needs and to pursue our business objectives.

As of September 30, 2020, we had RMB177.5 million (US\$26.1 million) in cash, cash equivalents and short-term investments. We believe that the net proceeds from this offering, together with our existing cash and

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cash equivalents, will enable us to fund our operating expenses and capital expenditure requirements for . However, we will need to raise additional capital to complete the development and commercialization of our lead product candidates, GC012F, for the treatment of r/r MM, and GC027, for the treatment of r/r T-ALL and our other product candidates and in connection with our continuing operations and other planned activities. Our future capital requirements will depend on many factors, including:

- the progress, results and costs of laboratory testing, manufacturing, and preclinical and clinical development for our current product candidates;
- the scope, progress, results and costs of preclinical development, laboratory testing and clinical trials of other product candidates that we may pursue;
- the development requirements of other product candidates that we may pursue;
- the timing and amounts of any milestone or royalty payments we may be required to make under future license agreements, if we enter into such agreements;
- the costs of expanding our research and development capacities and manufacturing infrastructure into the United States, including hiring additional research and development, clinical, quality control and manufacturing personnel;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval;
- the amount of revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval;
- the costs and timing of preparing, filing and prosecuting patent applications, obtaining, maintaining, protecting and enforcing our intellectual property rights and defending against any intellectual property-related claims;
- the costs of operating as a public company; and
- the extent to which we acquire or in-license other product candidates and technologies.

Identifying potential product candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain regulatory approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. To date, we have no products approved for commercial sale, nor have we generated any revenue from product sales. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. If we raise additional funds through collaboration and licensing arrangements with third parties, we may have to relinquish some rights to our technologies or our product candidates on terms that are not favorable to us. Any additional capital-raising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our current and future product candidates, if approved. If we are unable to raise capital when needed or on acceptable terms, we may be forced to delay, reduce or altogether cease our research and development programs or future commercialization efforts.

Risks Related to the Development of Our Product Candidates

All of our product candidates are in early stages of development. If we are unable to advance our product candidates through clinical development, obtain regulatory approval and ultimately commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.

We are very early in our development efforts. Except for our allogeneic donor-derived CAR-T product candidate, GC007g, for which we have obtained IND approval from the National Medical Products Administration, or the NMPA, and are initiating the Phase 1 study in China, all of our product candidates are in preclinical studies or investigator-initiated Phase 1 trials and have not been advanced into IND studies. There is no assurance that these or any other future clinical trials of our product candidates will be successful or will generate clinical data that are supportive of further development. Except for the IND approval we obtained from the NMPA for GC007g in B-ALL and an IND application we submitted to the NMPA for GC019F in B-ALL, we have not obtained any IND approval from, or submitted any IND application to the U.S. Food and Drug Administration, or the FDA, the NMPA or other regulatory authorities in connection with our product candidates. There is no assurance that the NMPA, the FDA or other regulatory authorities will permit the submitted and future IND applications for our product candidates to go into effect in a timely manner or at all. Even if we successfully obtain IND approvals for our product candidates, there is no assurance that we will receive approvals or clearance for advancing or accelerating our development efforts such as for our recent submission to the Center for Drug Evaluation, or CDE, of an innovative seamless Phase 1b/2 study design for GC007g, and eventually marketing approval from the FDA, the NMPA or other regulatory agencies for any of our product candidates.

Biopharmaceutical development is a long, expensive and uncertain process, and delay or failure can occur at any stage of any of our clinical trials. Failure to obtain regulatory approval for our product candidates will prevent us from commercializing and marketing our product candidates. The success in the development of our product candidates will depend on many factors, including:

- completing preclinical studies and receiving regulatory approvals or clearance for conducting clinical trials for our preclinical-stage programs;
- obtaining positive results in our clinical trials demonstrating efficacy, safety and durability of effect of our product candidates;
- receiving approvals for commercialization of our product candidates from regulatory authorities;
- manufacturing our product candidates at an acceptable quality and cost; and
- maintaining and growing an organization of scientists, medical professionals and business people who can develop and commercialize our products and technology.

Many of these factors are beyond our control, including the time needed to adequately complete clinical testing and the regulatory submission process. It is possible that none of our product candidates will ever obtain regulatory approval, even if we expend substantial time and resources seeking such approval. If we do not achieve one or more of these factors in a timely manner or at all, or any other factors impacting the successful development of biopharmaceutical products, we could experience significant delays or an inability to successfully develop our product candidates, which would materially harm our business.

Our product candidates are based on novel technologies, which make it difficult to predict the timing, results and cost of product candidate development and likelihood of obtaining regulatory approval.

We have concentrated our primary research and development efforts on our CAR-T cell therapies using our proprietary technology platforms, FasTCAR and TruUCAR, our in-house know-how, our expertise in tumor biology and cell programming, and our future success is highly dependent on the validity of our technology platforms and the successful development and manufacture of our CAR-T product candidates. We do not

currently have any approved or commercialized products. As with other targeted therapies, off-tumor or off-target activity could delay development or require us to reengineer or abandon a particular product candidate. Because CAR-T cell therapies represent a relatively new field of cellular immunotherapy and cancer treatment generally, developing and commercializing our product candidates subjects us to a number of risks and challenges, including:

- obtaining regulatory approval for our product candidates, as the FDA, the NMPA and other regulatory authorities have limited experience with CAR-T therapies for cancer;
- in the case of autologous CAR-T cell therapies, developing and deploying consistent and reliable processes for engineering a patient's T cells *ex vivo* and infusing the engineered T cells back into the patient;
- conditioning patients with chemotherapy in conjunction with delivering each of our products, which may increase the risk of adverse effects of our product candidates;
- sourcing clinical and, if approved, commercial supplies of the materials used to manufacture our product candidates;
- developing programming modules with the desired properties, while avoiding adverse reactions;
- creating viral vectors capable of delivering multiple programming modules;
- developing a reliable and consistent *ex vivo* gene modification and manufacturing process;
- establishing manufacturing capacity suitable for the manufacture of our product candidates in line with expanding enrollment in our clinical studies and our projected commercial requirements;
- achieving cost efficiencies in the scale-up of our manufacturing capacity;
- minimizing and avoiding infection and contamination during production of product candidates;
- developing protocols for the safe administration of our product candidates;
- educating medical personnel regarding our CAR-T technologies and the potential side effect profile of each of our product candidates, such as potential adverse effects related to cytokine release syndrome, or CRS, neurotoxicity, including immune effector cell-associated neurotoxicity syndrome, or ICANS, and/or graft versus host disease, or GvHD;
- establishing integrated solutions in collaboration with specialty treatment centers in order to reduce the burdens and complex logistics commonly associated with the administration of T cell therapies;
- establishing sales and marketing capabilities or partnerships to successfully launch and commercialize our product candidates if and when we obtain any required regulatory approvals, and risks associated with gaining market acceptance of a novel therapy if we receive approval; and
- the availability of coverage and adequate reimbursement from third-party payors for our novel and personalized therapies in connection with commercialization of any approved product candidates.

We may not be able to successfully develop our CAR-T product candidates or our technology in a manner that will yield products that are safe, effective, scalable or profitable. Additionally, because our technology involves the genetic modification of patient cells *ex vivo*, we are subject to additional regulatory challenges and risks, including:

- regulatory requirements governing gene and cell therapy products have changed frequently and may continue to change in the future. To date, only three CAR-T cell therapy products that involve the genetic modification of patient cells have been approved in the United States and/or the European Union, and none have been approved in China;
- genetically modified products in the event of improper insertion of a gene sequence into a patient's chromosome could lead to lymphoma, leukemia or other cancers, or other aberrantly functioning cells;

- although our viral vectors are not able to replicate, there is a risk with the use of retroviral or lentiviral vectors that they could lead to new or reactivated pathogenic strains of virus or other infectious diseases; and
- the FDA recommends a 15-year follow-up observation period for all patients who receive treatment using gene therapies and a trial guidance promulgated by NMPA requires a similar follow-up observation period for patients who receive cell therapeutic products, which has to be sufficient and could be as long as life-time, and we may need to adopt an observation period for our product candidates.

Moreover, public perception and awareness of cell therapy safety issues may adversely influence the willingness of subjects to participate in clinical trials of our product candidates, or if approved, of physicians to prescribe our products. Physicians, hospitals and third-party payors often are slow to adopt new products, technologies and treatment practices that require additional upfront costs and training. Treatment centers may not be willing or able to devote the personnel and establish other infrastructure required for the administration of CAR-T cell therapies. Physicians may not be willing to undergo training to adopt this novel and personalized therapy, may decide the therapy is too complex to adopt without appropriate training and may choose not to administer the therapy. Based on these and other factors, hospitals and payors may decide that the benefits of this new therapy do not or will not outweigh its costs.

Our future success is highly dependent on the regulatory approval of GC012F, GC027 and our other pipeline programs. All of our product candidates will require significant development through preclinical studies and/or clinical trials before we can seek regulatory approval for and launch a product commercially.

We do not have any products that have gained regulatory approval for marketing. Our business is substantially dependent on our ability to obtain regulatory approval for, and, if approved, to successfully commercialize our lead product candidates, GC012F, for the treatment of r/r MM, and GC027, for the treatment of r/r T-ALL, and our other pipeline programs. We cannot commercialize product candidates in the United States without first obtaining regulatory approval for the product from the FDA; similarly, we cannot commercialize product candidates in China or other countries without obtaining regulatory approval from comparable regulatory authorities in relevant jurisdictions, such as the NMPA in China, the EMA in the European Union and the PMDA in Japan. Before obtaining regulatory approvals for the commercial sale of any product candidate for a particular indication, we must demonstrate with substantial evidence gathered in preclinical and clinical studies that the product candidate is safe and effective for that indication and that the manufacturing facilities, processes and controls comply with regulatory requirements with respect to such product candidate. Prior to seeking approval for any of our product candidates, we will need to confer with the FDA, the NMPA and other regulatory authorities regarding the design of our clinical trials and the type and amount of clinical data necessary to seek and gain approval for our product candidates. In addition, approval policies, regulations, or the type and amount of preclinical and clinical data necessary to gain approval may change during the course of a product candidate's research and development and may vary among jurisdictions. It is possible that none of our existing product candidates or any future product candidates will ever obtain regulatory approval.

Any of the following instances during preclinical studies and clinical trials could cause our product candidates to fail to receive marketing regulatory approval from the FDA, the NMPA or other regulatory authorities:

- disagreement with the design, protocol or conduct of our clinical trials;
- failure to demonstrate that a product candidate is safe and effective for its proposed indication;
- failure of clinical trials to meet the level of statistical significance required for approval;
- failure to demonstrate that a product candidate's clinical and other benefits outweigh its risks;
- disagreement with our interpretation of data from preclinical studies or clinical trials;

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- insufficiency of data collected from clinical trials of our product candidates to support the submission and filing of a biologics license application, or BLA, or other submission or to obtain regulatory approval;
- failure to obtain approval of the manufacturing processes of our facilities;
- changes in the approval policies or regulations that render our preclinical and clinical data insufficient for approval; or
- lack of adequate funding to complete a clinical trial in a manner that is satisfactory to the applicable regulatory authority.

The FDA, the NMPA or a comparable regulatory authority may require us to provide more information, including additional preclinical or clinical data, to support a regulatory approval. To obtain such data, we may need to perform additional preclinical studies, clinical trials, or both, or modify our manufacturing processes, which may delay or prevent regulatory approval and our commercialization plans, or force us to abandon the development program. If we change our manufacturing processes, we may also be required to conduct additional clinical trials or other studies, which equally could delay or prevent approval of our product candidates.

Depending on the results of the preclinical and clinical trials in our product candidates, we may apply for expedited approval programs for those candidates, such as the breakthrough and conditional approval programs. There is no certainty that the clinical data obtained from trials of our product candidates will be sufficient to qualify for any expedited approval program.

Even if a product candidate were to successfully obtain marketing approval from the FDA, the NMPA or other comparable regulatory authorities in other jurisdictions, any approval might contain significant limitations related to use restrictions for specified indications, specified age groups, warnings, precautions, distribution or contraindications, may be subject to burdensome and costly post-approval trials, risk management requirements or other post-marketing commitments, or may be subject to requirement of a liable that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. If we are unable to obtain regulatory approval for one of our product candidates in one or more jurisdictions, or any approval contains significant limitations, we may not be able to obtain sufficient funding to continue the development of that product or generate revenue attributable to that product candidate. Also, any regulatory approval of our current or future product candidates, even if obtained, may be withdrawn.

We may not be successful in our efforts to extend our pipeline of product candidates, including identifying or discovering additional product candidates in the future.

A key element of our strategy is to use our proprietary technology platforms, FasTCAR and TruUCAR, our in-house know-how and our expertise in tumor biology and cell programming to develop and deliver what we believe are safer and more effective next generation CAR-T cell therapies. Our initial focus is on the development of a pipeline of product candidates for the treatment of hematological cancers, including our lead product candidates, GC012F, for the treatment of r/r MM, and GC027, for the treatment of r/r T-ALL, and the progression of these product candidates through clinical development. We also have a broad portfolio of earlier stage candidates targeting various cancer indications, such as ovarian cancer, breast cancer, PTCL, a subtype of NHL, and T-LBL. However, we may not be able to develop product candidates that are safe and effective, or which compare favorably with other commercially available alternatives. Even if we are successful in continuing to build our pipeline and developing next generation product candidates or expanding into solid tumor indications, such as ovarian and breast cancer, the potential product candidates that we identify may not be suitable for clinical development, including as a result of lack of safety, lack of tolerability, lack of anti-tumor activity, or other characteristics that indicate that they are unlikely to be products that will receive marketing approval, achieve market acceptance or obtain reimbursements from third-party payors. There is no assurance that we will be able to successfully advance any of these additional product candidates through the development

process. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development or commercialization for many reasons, including the following:

- we may not be successful in identifying additional product candidates;
- we may not be able or willing to assemble sufficient resources to acquire or discover additional product candidates;
- our product candidates may not succeed in preclinical or clinical testing;
- a product candidate may on further study be shown to have harmful side effects or other characteristics that indicate it is unlikely to be effective or otherwise does not meet applicable regulatory criteria;
- competitors may develop alternatives that render our product candidates obsolete or less attractive;
- product candidates we develop may nevertheless be covered by third parties' patents or other exclusive rights;
- the market for a product candidate may change during our development program so that the continued development of that product candidate is no longer reasonable;
- a product candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all; and
- a product candidate may not be accepted as safe and effective by patients, the medical community or third-party payors, if applicable.

If any of these events occur, we may be forced to abandon our development efforts for a program or programs, or we may not be able to identify, discover, develop or commercialize additional product candidates, which would have a material adverse effect on our business and could potentially cause us to cease operations.

Even if we receive approval from the FDA, the NMPA or other comparable regulatory agencies to market our product candidates, we cannot assure you that any such product candidates will be successfully commercialized, widely accepted in the marketplace or more effective than other commercially available alternatives. Further, because of our limited financial and managerial resources, we are required to focus our research programs on certain product candidates and on specific diseases. As a result, we may fail to capitalize on viable commercial products or profitable market opportunities, be required to forego or delay pursuit of opportunities with other product candidates or other diseases that may later prove to have greater commercial potential, or relinquish valuable rights to such product candidates through collaboration, licensing or other royalty arrangements in cases in which it would have been advantageous for us to retain sole development and commercialization rights.

If we do not successfully develop and commercialize product candidates or collaborate with others to do so, we will not be able to obtain product revenue in future periods, which could significantly harm our financial position and adversely affect the trading price of our ADSs.

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.

Most of our product candidates are still in the preclinical development and investigator-initiated clinical stage, and the risk of failure of these programs is high. Before we can commence registrational clinical trials for a product candidate, we must complete extensive preclinical testing and studies to obtain regulatory clearance to initiate registrational human clinical trials, including based on IND applications in the United States and clinical trial applications, or CTAs, in China. We cannot be certain of the timely completion or outcome of our

preclinical testing and studies and cannot predict if the FDA, the NMPA 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, or at all, and we cannot be sure that submission of IND applications or similar applications will result in the FDA, the NMPA or other regulatory authorities allowing registrational clinical trials to begin.

Clinical trials are difficult to design and implement, involve uncertain outcomes and may not be successful.

Human clinical trials are difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The design of a clinical trial can determine whether its results will support approval of a product candidate and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. As an organization, we have limited experience designing clinical trials and may be unable to design and execute clinical trials to support regulatory approval. There is a high failure rate for biologic products proceeding through clinical trials, which may be higher for our product candidates because they are based on new technology and engineered on a patient-by-patient basis. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials even after achieving results in preclinical testing and earlier-stage clinical trials that are supportive of further development. Data obtained from preclinical and clinical activities are subject to varying interpretations, which may delay, limit or prevent regulatory approval. In addition, we may experience regulatory delays or rejections as a result of many factors, including changes in regulatory policy during the period of our product candidate development. Any such delays could negatively impact our business, financial condition, results of operations and prospects.

Success in preclinical studies or early phases of clinical trials may not be indicative of results in future clinical trials.

Results from preclinical studies are not necessarily predictive of future clinical trial results, and interim results of a clinical trial or an investigator-initiated Phase 1 trial are not necessarily indicative of final results. While we have received some data to date in the investigator-initiated Phase 1 trials that are supportive of further development for our lead product candidates, such as GC012F, for the treatment of r/r MM, and GC027, for the treatment of r/r T-ALL, these trials are still ongoing except for the completed investigator-initiated Phase 1 trials for GC007g and GC019F, and there is no assurance that we will be able to generate positive data in the subsequent clinical trials. For example, we are still in the process of producing and gather trial data for GC012F and GC027 in order to support our expected IND applications for GC012F to the FDA and the NMPA by the end of 2021, and for GC027 to the same regulatory authorities in 2022. We also have a broad portfolio of earlier stage product candidates, and because they are in earlier stages of development, we do not know whether these candidates will be effective and safe for the intended indications in humans. Our product candidates may fail to show the desired safety and efficacy in clinical development despite results in preclinical studies or having successfully advanced through initial investigator-initiated Phase 1 trials that are supportive of further development. Any failure to establish sufficient efficacy and safety could cause us to abandon clinical development of our product candidates.

We depend on enrollment of patients in our clinical trials for our product candidates. If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

Identifying and qualifying patients to participate in clinical trials of our product candidates is critical to our success. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including the COVID-19 pandemic. The timely completion of clinical trials in accordance with the protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the study until its conclusion. The enrollment of patients depends on many factors, including:

- the patient eligibility criteria defined in the protocol;

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- the number of patients with the disease or condition being studied;
- the understanding of 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 any new drugs that may be approved for the indications we are investigating or drugs that may be used off-label for these indications;
- the size and nature of the patient population who meet inclusion criteria;
- the proximity of patients to study sites;
- the design of the clinical trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- competing clinical trials for similar therapies or other new therapeutics not involving T cell-based immunotherapy;
- our ability to obtain and maintain patient consents; and
- the risk that patients enrolled in clinical trials will drop out of the clinical trials before completion of their treatment.

In particular, some of our clinical trials are designed to enroll patients with characteristics that are found in a very small population. For example, T cell acute lymphoblastic leukemia, or T-ALL, the lead indication for our lead clinical product candidate GC027 has a low incidence overall and therefore clinical study enrollment with take longer. Other companies are conducting clinical trials with their T cell therapies in multiple myeloma, B cell acute lymphoblastic leukemia or T cell acute lymphoblastic leukemia, and seek to enroll patients in their studies that may otherwise be eligible for our clinical trials, which could lead to slow recruitment and delays in our clinical programs. In addition, since the number of qualified clinical investigators is limited, we will conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which could further reduce the number of patients who are available for our clinical trials in these clinical trial sites. Moreover, because our product candidates represent a departure from more commonly used methods for cancer treatment, potential patients and their doctors may be inclined to use conventional therapies, such as chemotherapy and antibody therapy, rather than participating in our clinical trials.

Delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these clinical trials and adversely affect our ability to advance the development of our product candidates. In addition, many of the factors that may 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.

We rely, and expect to continue to rely, on independent investigators and other third parties to conduct the preclinical and clinical trials for our product candidates. We do not have full control over the conduct of such trials and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials or failing to comply with applicable regulatory requirements.

We depend and will continue to depend upon top-tier hospitals in China to conduct our preclinical and clinical trials, including both investigator-initiated trials and clinical trials initiated by us. Agreements with such third parties might terminate for a variety of reasons, including a failure to perform by the third parties. If we need to enter into alternative arrangements, our product development activities would be delayed.

Our reliance on these third parties for research and development activities will reduce our control over these activities but will not relieve us of our responsibilities. For example, we will remain responsible for ensuring that GC007g's registration-enabling clinical study is conducted in accordance with the general investigational plan

and protocols for the trial. Investigator-initiated trials pose similar risks as clinical trials initiated by us. While investigator-initiated trials may provide us with clinical data that can inform our future development strategy, we do not have full control over the protocols, administration, or conduct of the trials and the compliance of the extensive regulatory requirements that the trials are subject to, especially with respect to portion that needs to be performed by third parties. As a result, we are subject to risks associated with the way investigator-initiated trials are conducted. Third parties in such investigator-initiated trials may not perform their responsibilities for our clinical trials on our anticipated schedule or consistent with clinical trial protocols or applicable regulations. Furthermore, any data integrity issues or patient safety issues arising out of any of these trials would be beyond our control, yet could adversely affect our reputation and damage the clinical and commercial prospects for our product candidates. Additional risks include difficulties or delays in communicating with investigators or administrators, procedural delays and other timing issues, and difficulties or differences in interpreting data. As a result, our reduced control over the conduct and timing of, and communications with the FDA, the NMPA and other comparable regulatory authorities regarding investigator-initiated trials expose us to additional risks and uncertainties, many of which are outside our control, and the occurrence of which could adversely affect the prospects for our product candidates.

Moreover, the NMPA, having adopted the International Council for Harmonisation of Technical Requirements for the Registration of Pharmaceuticals for Human Use, or ICH, requires us to comply with standards commonly referred to as good laboratory practices and good clinical practices for conducting, recording and reporting the results of preclinical and clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Similar regulatory requirements apply in the United States, where we plan to conduct clinical trials for our product candidates in the future. We are also required to register certain ongoing clinical trials and post the results of certain completed clinical trials on a government-sponsored database within specified time frames. Failure to do so by us or third parties can result in NMPA's refusal to approve applications based on the clinical data, enforcement actions, adverse publicity and civil and criminal sanctions.

Furthermore, the third parties we work with may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates.

In addition, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and may receive cash or equity compensation in connection with such services. If these relationships and any related compensation result in perceived or actual conflicts of interest, or the NMPA concludes that the financial relationship may have affected the interpretation of the trial, the integrity of the data generated at the applicable clinical trial site may be questioned and the utility of the clinical trial itself may be jeopardized, which could result in the delay or rejection by the NMPA. Any such delay or rejection could prevent us from commercializing our clinical-stage product candidates or any future product candidates.

We have derived and plan to continue to derive results from investigator-initiated trials of our product candidates to expedite our global clinical development activities. Investigator-initiated trials are sponsored and conducted by principal investigators. As a result, our role and access to the clinical results and data are limited and there is no assurance that the clinical data from these trials will be accepted or considered by the FDA, the NMPA, or other comparable regulatory authorities.

Certain of our product candidates are being studied in investigator-initiated trials. In addition, part of our strategy is to continue to explore new opportunities for cell therapy in investigator-initiated trials in China, where such trials are initiated and conducted by principal investigators under the oversight of the China National Health Commission, or NHC, as a medical practice technology, rather than the NMPA as a medical product. As a result, our role and access to clinical results and data are limited. We engineer, produce and provide CAR-T cells to the

principal investigators at the specialized hospitals for administration in patients. The principal investigators agree to provide us results and findings generated from the investigator-initiated trials, and will only provide the underlying data points if separately requested by us and approved by them. To the extent that, after discussions with the FDA and/or the NMPA, we are permitted to rely on all or part of the initial results and the underlying data points from these studies to support our regulatory filings with the FDA and/or the NMPA, we work in close collaboration with the principal investigators to collect the data with their approval. As a general matter, the NMPA will accept, review, and reject or approve a CTA only from the manufacturer of the investigational product as the sponsor of the CTA, rather than from a physician who intends to be the investigator and sponsor of the CTA. The NMPA distinguishes the former as registrational clinical trial, and the latter as non-registrational clinical trial, and normally will not consider the data generated from investigator-initiated non-registrational clinical trials, when it reviews the application for registrational clinical trial from the manufacturer.

In the case of CAR-T cell therapy, however, the NMPA is aware of the large number of investigator-initiated trials in China and the United States, and some reviewers from its CDE have published two articles on its website in February 2018 and October 2018, expressing the view that (1) the mainstream regulatory oversight is to follow the pathway of registrational clinical trial, but that (2) data from investigator-initiated trials may be considered if the non-registrational clinical trials otherwise fully comply with the same requirements applicable to registrational clinical trials, in particularly the requirements related to manufacturing quality control, informed consent, data integrity, data management, and all GCP requirements.

Accordingly, there is risk to part of our strategy to continue to explore new opportunities for cell therapy in investigator-initiated clinical trials in China that the NMPA may refuse to consider the data from the investigator-initiated clinical trials of our product candidates due to concerns that (1) this does not follow the mainstream regulatory pathway of relying on registrational clinical trial, or that (2) the non-registrational clinical trials of our product candidates may not otherwise fully comply with the same requirements applicable to registrational clinical trials, as further explained below. There is no assurance that the clinical data from any of our investigator-initiated clinical trials in China will be accepted by the FDA or other comparable regulatory authorities outside of China, for any of our product candidates, nor can we assure that the clinical data from any of our investigator-initiated clinical trials in China, where the patients are predominately of Chinese descent, will produce similar results in patients of different races, ethnicities or those of non-Chinese descent.

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

Cancer therapies are may be characterized as first line, second line or third line therapy depending options for treatment and prior treatments received, and the NMPA and FDA may approve new therapies initially only for the last line of therapy after SOC treatment. When blood cancers are detected, they are first treated with a curative intent. This approach may consists of chemotherapy, radiation, antibody drugs, tumor-targeted small molecules, or a combination of these. In addition, sometimes a bone marrow transplantation can be used as first treatment approach or first line therapy. If the patient's cancer relapses, then they may be given a second line and thereafter a third or fourth line therapy, which can consist of more chemotherapy, radiation, antibody drugs, tumor-targeted small molecules, or a combination of these, or bone marrow transplant. Generally, the higher the line of therapy, the lower the chance of a cure. With third or higher line, the goal of the therapy in the treatment of lymphoma and myeloma is to control the growth of the tumor and extend the life of the patient.

While we are initially developing GC012F as therapy for patients with r/r MM in later lines of therapy, there is no guarantee that it, or any of our product candidates, even if approved, would be approved for an earlier line of therapy. In addition, we may have to conduct additional large randomized clinical trials prior to gaining approval for the earlier line of therapy.

Our projections of both the number of people who have the cancers we are targeting, as well as the size of the patient population subset of people with these cancers in a position to receive first, second, third and fourth line therapy and who have the potential to benefit from treatment with our product candidates, are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations, or market research and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these cancers. The number of patients may turn out to be fewer than expected. Additionally, the potentially addressable patient population for our product candidates may be limited or may not be amenable to treatment with our product candidates. For example, our ongoing investigator-initiated Phase 1 trial for GC027 is seeking to enroll patients with r/r T-ALL, an indication that has a low incidence overall. Even if we obtain significant market share for our product candidates, because the potential target populations are small, we may never achieve significant revenue without obtaining regulatory approval for additional indications or as part of earlier lines of therapy.

Adverse effects or other safety risks associated with our product candidates could delay or preclude approval, cause us to suspend or discontinue clinical trials, cause us to abandon product candidates, limit the commercial profile of an approved label or result in significant negative consequences following any potential marketing approval.

In clinical trials conducted by other companies involving CAR-T cells, the most prominent acute toxicities included symptoms thought to be associated with CRS, such as fever, low blood pressure and kidney dysfunction. Some patients also experienced toxicity of the central nervous system, or neurotoxicity, such as confusion, tremor, cranial nerve dysfunction, seizures and speech impairment. Adverse events with the worst grades and attributed to CAR-T cells were severe and life threatening in some patients and often occur in the first two weeks after cell infusion. Although most of such adverse effects would be resolved within three weeks, some may progress to a life-threatening condition and lead to patient deaths.

Our clinical trials include cancer patients who are very sick and whose health is deteriorating. So far, adverse events observed in our clinical studies include but are not limited to CRS, ICANS, cytopenias, infection, bleeding and GvHD. While most of these adverse events were managed with treatment and supportive care, one r/r MM patient in the investigator-initiated Phase 1 trial for GC012F presented with fever and died shortly after Day 78 of unknown cause during the COVID-19 pandemic and one B-ALL patient withdrew treatment from the investigator-initiated Phase 1 trial for GC007g due to severe CRS accompanied with infection. It is possible that patients may continue to experience similar adverse events as were observed in clinical trials conducted by other companies and academic institutions involving CAR-T cells, and that patients may die during our clinical trials for various reasons, including as a result of receiving our product candidates, because the patient's disease is too advanced, or because the patient experiences medical problems that may not be related to our product candidate. Even if the deaths are not related to our product candidate, the deaths could affect perceptions regarding the safety of our product candidate.

Patient deaths and severe adverse effects caused by products or product candidates of other companies that are thought to have similarities with our product candidates, could result in the delay, suspension, clinical hold or termination of clinical trials by us, ethics committee, the FDA, the NMPA or other regulatory authorities for a number of reasons. If we elect or are required to delay, suspend or terminate any clinical trial of any product candidates that we develop, the commercial prospects of such product candidates will be harmed and our ability to generate product revenue from any of these product candidates would be delayed or eliminated. Serious adverse events observed in clinical trials could hinder or prevent market acceptance of the product candidate at issue. Any of these occurrences may harm our business, prospects, financial condition and results of operations significantly.

Additionally, if one or more of our product candidates receives marketing approval, and we or others later identify undesirable side effects caused by such products, including during any long-term follow-up observation

period recommended or required for patients who receive treatment using our products, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of such product;
- regulatory authorities may require additional warnings on the label;
- we may be required to create a Risk Management Plan, or RMP, or similar risk management plan, which could include a medication guide outlining the risks of such side effects for distribution to patients, a communication plan for healthcare providers and/or other elements to assure safe use;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of the foregoing could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved, and could significantly harm our business, results of operations and prospects.

Preliminary, interim and topline data from our clinical trials that we 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.

From time to time, we may publicly disclose interim, preliminary or topline data from our preclinical studies, investigator-initiated trials and clinical trials, and the results and related findings and conclusions, which are based on a preliminary analysis of then-available data, are subject to change as patient enrollment and treatment continues and more patient data become available. For example, we have reported interim data from our ongoing investigator-initiated Phase 1 trial of GC012F for the treatment of r/r MM, GC019F for the treatment of r/r B-ALL, GC007F for the treatment of r/r B-NHL and GC027 for the treatment of T-ALL elsewhere in this prospectus. Adverse differences between previous preliminary or interim data and future interim or final data could significantly harm our business prospects. We may also announce topline data following the completion of a preclinical study, investigator-initiated Phase 1 trial or clinical trial, which may be subject to change following a more comprehensive review of the data related to the particular study or trial.

We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. Regulatory agencies, including the FDA and the NMPA, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general.

As a result, the preliminary, interim or topline results that we report or release may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Topline data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, topline data should be viewed with caution until the final data are available.

If the interim, preliminary or topline data that we report differ from final results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, our product candidates may be harmed, which could harm our business, operating results, prospects or financial condition.

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

We may not commercialize, market, promote or sell any product candidate without obtaining marketing approval from the FDA, the NMPA or other comparable regulatory authority, and we may never receive such approvals. It is impossible to predict accurately when or if any of our product candidates will prove effective or safe in humans and will receive regulatory approval. Before obtaining marketing approval from regulatory authorities for the commercial sale of any of our product candidates, we must demonstrate through lengthy, complex and expensive preclinical studies and clinical trials that our product candidates are both safe and effective for use in each proposed indication. Clinical trials are expensive, difficult to design and implement, can take many years to complete and are uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of clinical development.

We may experience numerous unforeseen events prior to, during or as a result of clinical trials that could delay or prevent our ability to receive marketing approval or commercialize any of our product candidates, including:

- the FDA, the NMPA or other comparable regulatory authority may disagree as to the number, design or implementation of our clinical trials, or may not interpret the results from clinical trials as we do;
- regulators or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we may not reach agreement on acceptable terms with prospective clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different clinical trial sites;
- clinical trials of our product candidates may produce negative or inconclusive results;
- we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- 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 slower than we anticipate, participants may drop out of these clinical trials at a higher rate than we anticipate or we may fail to recruit eligible patients to participate in a trial;
- 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;
- regulators may issue a clinical hold, or regulators or institutional review boards may require that we or our investigators suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or a finding that the participants are being exposed to unacceptable health risks;
- the cost of clinical trials of our product candidates may be greater than we anticipate;
- the FDA, the NMPA or other comparable regulatory authorities may fail to approve our manufacturing processes or facilities;
- 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;
- our product candidates may have undesirable side effects or other unexpected characteristics, particularly given their novel, first-in-human application, such as cytokine-induced toxicity and T cell aplasia, causing us or our investigators, regulators or institutional review boards to suspend or terminate the clinical trials; and

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

To the extent that the results of the trials are not satisfactory for the FDA, the NMPA or regulatory authorities in other countries or jurisdictions to approve our new drug application, or NDA, BLA or other comparable applications, 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 trials in support of potential approval of our product candidates.

We may not be able to successfully develop or operate our own manufacturing infrastructure for supply of our requirements of programmed CAR-T cell product candidates for use in clinical trials and for commercial sale.

We currently have manufacturing facilities in Suzhou and Shanghai, which meet the supply for the preclinical and clinical development and early-stage commercialization of our pipeline product candidates. We also have the capacity to support our global preclinical and clinical development and early commercialization with our manufacturing facilities.

We expect that operating our own commercial cell manufacturing facilities will provide us with enhanced control of material supply for both preclinical and clinical studies and the commercial market, enable the more rapid implementation of process changes, and allow for better long-term cost margins. However, we have limited experience as a company in designing and operating a commercial manufacturing facility and may never be successful in developing new manufacturing capability either on our own or together with a third-party. We plan to establish a manufacturing facility in the United State and may establish more manufacturing sites as we expand our commercial footprint to multiple geographies, which may lead to regulatory delays or prove costly. Even if we are successful, our manufacturing operations could be affected by cost-overruns, unexpected delays, equipment failures, labor shortages, natural disasters, power failures and numerous other factors, or we may not be successful in establishing sufficient capacity to produce our product candidates in sufficient quantities to meet the requirements for the potential launch or to meet potential future demand, all of which could prevent us from realizing the intended benefits of our manufacturing strategy and have a material adverse effect on our business.

We may not be successful in achieving cost of goods at commercial scale that provide for an attractive margin.

We believe that our current, robust manufacturing processes are fit for commercial scale and we anticipate they will enable commercial supply at an economical cost. However, we have not yet established manufacturing capacity at sufficient commercial scale and may underestimate the cost and time required to do so, or overestimate cost reductions from economies of scale that can be realized with our manufacturing processes. We may ultimately be unable to manage the cost of goods for our product candidates to levels that will allow for a margin in line with our expectations and return on investment if and when those product candidates are commercialized.

Our product candidates are biologics whose manufacture is complex. If we encounter any difficulties in production, particularly with respect to process development or scaling-out of our manufacturing capabilities, supply of our product candidates for clinical trials or for patients, if approved, could be delayed or stopped.

We have developed our proprietary technology platform, FasTCAR, to manufacture autologous CAR-T cells with desired quality, significantly shortening manufacturing time from an industry norm of two to six weeks and achieving next-day manufacturing (22 to 36 hours). While we believe that the manufacture of autologous CAR-T cells using the FasTCAR platform is scalable for commercial production, each manufacturing process must be validated through the performance of process validation runs to guarantee that the facility, personnel, equipment and process work as designed. The other proprietary technology platform, TruUCAR, is designed to manufacture allogeneic CAR-T cells readily available off-the-shelf. We have not yet manufactured or processed our product candidates on a commercial scale using either FasTCAR platform or TruUCAR platform, and may not be able to do so for any of our product candidates.

We, like other manufacturers of biologic products, may encounter various difficulties in production, particularly in scaling up or out, validating the production process, and assuring high reliability of the manufacturing process. These problems include delays or breakdowns in logistics and shipping, difficulties with production costs and yields, quality control, product testing, operator error, lack of availability of qualified personnel, as well as failure to comply with strictly enforced regulations.

Furthermore, if microbial, viral or other contaminations are discovered in our supply of product candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any of these or other issues relating to the manufacture of our product candidates will not occur in the future. Any delay or interruption in the supply of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to begin new clinical trials at additional expense or terminate clinical trials completely.

The manufacture and delivery of CAR-T cell therapies, in particular, autologous CAR-T cell therapies, to patients involves complex, integrated processes, including harvesting T cells from patients, programming the T cells *ex vivo*, multiplying the CAR-T cells to obtain the desired dose, and ultimately infusing the CAR-T cells back into a patient's body. As a result of the complexities, the cost to manufacture biologics in general, and our CAR-T cell product candidates in particular, is generally higher than traditional small molecule chemical compounds, and the manufacturing process is more variable and is more difficult and costly to reproduce. In addition, our manufacturing process will be susceptible to product loss or failure due to logistical issues associated with the collection of white blood cells from the patient, shipping such patient material to the manufacturing site, storing and processing such patient material, shipping the patient material with the CAR-T cells back to the patient, and infusing the patient with the final product. Other manufacturing issues include the differences in patient starting materials, inconsistency in cell growth, variability in product characteristics, interruptions in the manufacturing process, equipment or reagent failure, improper installation or operation of equipment, and vendor or operator error. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects, and other supply disruptions. If we lose, destroy or otherwise impair the patient materials at any point in the vein-to-vein supply chain, the manufacturing process for that patient may need to be restarted and the resulting delay may adversely affect that patient's outcome due to the risk of disease progression. In addition, because our product candidates are manufactured for each particular patient, we will be required to maintain a chain of identity with respect to materials as they move from the patient to the manufacturing facility, through the manufacturing process, and back to the patient. Maintaining such a chain of identity is difficult and complex, and failure to do so could result in adverse patient outcomes, loss of product, or regulatory action including withdrawal of our products from the market.

Our manufacturing facilities also require commissioning and validation activities to demonstrate that they operate as designed, and are subject to government inspections by the FDA, the NMPA and other comparable regulatory authorities. If we are unable to reliably produce products to specifications acceptable to the regulatory authorities, we may not obtain or maintain the approvals we need to manufacture our products. Further, our facilities may fail to pass government inspections prior to or after the commercial launch of our product candidates, which would cause significant delays and additional costs required to remediate any deficiencies identified by the regulatory authorities. Any of these challenges could delay completion of clinical trials, require bridging clinical trials or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of our product candidate, impair commercialization efforts, increase our cost of goods, and have an adverse effect on our business, financial condition, results of operations and growth prospects.

Changes in methods of product candidate manufacturing may result in additional costs or delays.

As product candidates progress through preclinical to late-stage clinical trials to marketing approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods, are altered along the way in an effort to optimize yield, manufacturing batch size, minimize costs and

achieve consistent quality and results. We may also from time to time change our method of manufacturing, including chemistry, manufacturing and control, or CMC, processes, and such changes carry the risk that they will not achieve these intended objectives. Any of these changes could cause our product candidates to perform differently and affect the results of planned clinical trials or other future clinical trials conducted with the altered materials. This could delay completion of clinical trials, require the conduct of bridging clinical trials or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of our product candidates and jeopardize our ability to commercialize our product candidates and generate revenue. In addition, if our technical transfer in connection with CMC is delayed, our efforts in building our research and development capacity in a new geographic area may also be delayed.

We may contract with third parties for the manufacturing and supply of certain of our product candidates for use in preclinical testing and clinical trials or for commercial use in the future, which supply could become limited or interrupted or may not be of satisfactory quality and quantity.

We currently manufacture all of our product candidates for use in preclinical testing and clinical trials, but may rely on third parties for certain manufacturing needs in the future. For example, we intend to partner with a contract research organization, or CRO, as well as contract development and manufacturing organization, or CDMO, in the United States to conduct clinical trials for GC012F in support of a potential BLA submission in the United States, including manufacturing the products to be used in the clinical trials. Any such future reliance may increase the risk that we will not have sufficient quantities of our product candidates or products, if approved, or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialization efforts. Furthermore, all entities involved in the preparation of therapeutics for clinical trials or commercial sale, including any contract manufacturer for our product candidates, are subject to extensive regulation. Components of a finished therapeutic product approved for commercial sale or used in clinical trials must be manufactured in accordance with cGMP requirements. These regulations govern manufacturing processes and procedures, including record keeping, and the implementation and operation of quality systems to control and assure the quality of investigational products and products approved for sale. Poor control of production processes can lead to the introduction of contaminants, or to inadvertent changes in the properties or stability of our product candidates that may not be detectable in final product testing. Manufacturing in the United States must supply all necessary documentation in support of a BLA on a timely basis and must adhere to the FDA's Good Laboratory Practice regulations and cGMP regulations enforced by the FDA through its facilities inspection program. Manufacturing of our products in the China requires regulatory approvals and is subject to the NMPA's ongoing and periodic inspection to ensure compliance with GMP requirements. Comparable foreign regulatory authorities may require compliance with similar requirements. The facilities and quality systems of us and any of our future third-party contract manufacturers must pass a pre-approval inspection for compliance with the applicable regulations as a condition of marketing approval of our product candidates. We may not be able to control the manufacturing activities of a third-party contract manufacturer for compliance with cGMP regulations.

Our or a third-party's failure to execute on our manufacturing requirements, do so on commercially reasonable terms and comply with cGMP may adversely affect our business in a number of ways, including:

- an inability to initiate or continue clinical trials of our product candidates under development;
- delay in submitting regulatory applications, or receiving marketing approvals, for our product candidates;
- loss of the cooperation of future collaborators;
- subjecting third-party manufacturing facilities or our manufacturing facilities to additional inspections by regulatory authorities;
- requirements to cease development or to recall batches of our product candidates; and
- in the event of approval to market and commercialize our product candidates, an inability to meet commercial demands for our product or any other future product candidates.

Cell-based therapies rely on the availability of reagents, specialized equipment, and other specialty materials, which may not be available to us on acceptable terms or at all. For some of these reagents, equipment, and materials, we rely or may rely on sole source vendors or a limited number of vendors, which could impair our ability to manufacture and supply our products.

Manufacturing our product candidates will require many reagents, which are substances used in our manufacturing processes to bring about chemical or biological reactions, and other specialty materials and equipment, some of which are manufactured or supplied by small companies with limited resources and experience to support commercial biologics production. We currently depend on a limited number of vendors for access to facilities and supply of certain materials and equipment used in the manufacture of our product candidates. Some of our suppliers may not have the capacity to support commercial products manufactured under cGMP by biopharmaceutical firms or may otherwise be ill-equipped to support our needs. We also do not have supply contracts with many of these suppliers, and may not be able to obtain supply contracts with them on acceptable terms or at all. Accordingly, we may not be able to obtain key materials and equipment to support clinical or commercial manufacturing.

For some of these reagents, equipment, and materials, we rely and may in the future rely on sole source vendors or a limited number of vendors. An inability to continue to source product from any of these suppliers, which could be due to regulatory actions or requirements affecting the supplier, adverse financial or other strategic developments experienced by a supplier, labor disputes or shortages, unexpected demands, or quality issues, could adversely affect our ability to satisfy demand for our product candidates, which could adversely and materially affect our product sales and operating results or our ability to conduct clinical trials, either of which could significantly harm our business.

As we continue to develop and scale our manufacturing process, we may need to obtain rights to and supplies of certain materials and equipment to be used as part of that process. We may not be able to obtain rights to such materials on commercially reasonable terms, or at all, and if we are unable to alter our process in a commercially viable manner to avoid the use of such materials or find a suitable substitute, it would have a material adverse effect on our business.

The process for treating cancer patients using T cell therapy is subject to human and systemic risks.

The “vein-to-vein” cycle for treating cancer patients using autologous T cell therapy involves multiple steps and human participants. In our FastCAR process, the patient’s T cells are extracted in the treatment center and shipped to the manufacturing site, followed by a “concurrent activation-transduction” step during which T cells are genetically modified to express CARs. The CAR-T cells are then formulated into finished product and delivered back to the treatment center and administered to the patient. Our TruUCAR process for allogeneic T cell therapy involves similar manufacturing steps, such as T cell extraction and modification, and therefore is subject to similar human and systemic risks facing autologous T cell therapy.

In both China and the United States, samples of the final product are subjected to several release tests which must fulfill specified criteria for the drug product to be released for infusion. These include sterility, identity, purity, potency and other tests. We are subject to stringent regulatory and quality standards in the course of a T cell therapy treatment process. We cannot assure you that our quality control and assurance efforts will be successful or that the risk of human or systemic errors in these processes can be eliminated.

Prior treatments can alter the cancer and negatively impact chances for achieving clinical activity with our CAR-T cells.

Patients with hematological cancers typically receive highly toxic chemotherapy as their initial treatment that can impact the viability of the T cells collected from the patient and may contribute to highly variable responses to CAR-T cell therapies. Patients could also have received prior therapies that target the same target

antigen on the cancer cells as our intended programmed CAR-T cell product candidate and thereby these patients may have cancer cells with low or no expression of the target. As a result, our CAR-T cell product candidates may not recognize the cancer cell and may fail to achieve clinical activity. Take one of our lead product candidates, GC012F, for example, most of the patients enrolled for our GC012F study are r/r MM patients with high-risk features as assessed by Mayo Stratification for Myeloma and Risk-Adapted Therapy, or mSMART, criteria, who have exhausted other therapeutic options, including radiotherapy and chemotherapy. If any of our product candidates do not achieve a sufficient level of clinical activity, we may discontinue the development of that product candidate, which could have an adverse effect on the value of our ADSs.

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

Because we have limited financial and management resources, we focus on research programs and product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate.

Risks Related to our Business Operations

As a company currently with substantial operations outside of the United States, our business is subject to economic, political, regulatory and other risks associated with international operations.

As a company with substantial operations in China, our business is subject to risks associated with conducting business outside the United States. Many of our suppliers and clinical trial relationships are located outside the United States. Accordingly, our future results could be harmed by a variety of factors, including:

- economic weakness, including inflation, or political instability in particular non-U.S. economies and markets;
- differing and changing regulatory requirements for product approvals;
- differing jurisdictions could present different issues for securing, maintaining or obtaining freedom to operate in such jurisdictions;
- potentially reduced protection for intellectual property rights;
- difficulties in compliance with different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- changes in non-U.S. regulations and customs, tariffs and trade barriers;
- foreign exchange risks and currency controls;
- changes in a specific country's or region's political or economic environment;
- trade protection measures, import or export licensing requirements or other restrictive actions by governments;
- differing reimbursement regimes and price controls in certain non-U.S. markets;
- negative consequences from changes in tax laws;

- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad, including, for example, the variable tax treatment in different jurisdictions of options granted under our share incentive plans;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- litigation or administrative actions resulting from claims against us by current or former employees or consultants individually or as part of class actions, including claims of wrongful terminations, discrimination, misclassification or other violations of labor law or other alleged conduct;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, health epidemics, or natural disasters including earthquakes, typhoons, floods and fires.

See “—Risks Related to Doing Business in China” for additional risks related to our operations in China.

We are a fast-growing emerging company and may experience difficulties in managing this growth.

As of September 30, 2020, we had 160 full-time employees. As our development and commercialization plans and strategies to expand and develop, and as we transition into operating as a public company, we expect to need additional managerial, operational, financial and other personnel, including personnel to support our product development and planned future commercialization efforts. Future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal development efforts effectively, including the clinical, NMPA, FDA review processes for our product candidates; and
- improving our operational, financial and management controls, reporting systems and procedures.

There are a small number of individuals with experience in cell therapy and the competition for these individuals is high. Our future financial performance and our ability to commercialize our product candidates will depend, in part, on our ability to effectively manage any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

If we are not able to effectively expand our organization by hiring new employees, we may not be able to successfully implement the tasks necessary to further develop and commercialize our product candidates and, accordingly, may not achieve our research, development and commercialization goals.

In addition to expanding our organization, we are increasing the size of our facilities and building out our development and manufacturing capabilities, which requires significant capital expenditures and technology. If these capital expenditures are higher than expected, it may adversely affect our financial condition and capital resources. In addition, if the increase in the size of our facilities is delayed, it may limit our ability to rapidly expand the size of our organization in order to meet our corporate goals.

Our future success depends on our ability to retain key members of senior management and to attract, retain and motivate qualified personnel.

Our ability to compete in the highly competitive biopharmaceutical industry depends upon our ability to attract and retain highly qualified management, research and development, clinical, financial and business

development personnel. We are highly dependent on our management, scientific and medical personnel, including Dr. William Wei Cao, our Founder and Chief Executive Officer, Dr. Martina Sersch, our Chief Medical Officer and Dr. Yili Kevin Xie, our Chief Financial Officer. Although we have entered into employment arrangements with the members of our senior management, other than Dr. Cao, each of them may currently terminate their employment with us at any time and will continue to be able to do so after the closing of this offering. We do not maintain “key person” insurance for any of our employees.

Recruiting and retaining qualified scientific and clinical personnel and, if we progress the development of any of our product candidates, commercialization, manufacturing and sales and marketing personnel, will be critical to our success. The loss of the services of members of our senior management or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. While we enter into non-competition agreements with our departed employees, there is no guarantee that these agreements will be fully complied by such departed employees. Furthermore, replacing members of our senior management and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize our product candidates. Our success also depends on our ability to continue to attract, retain and motivate highly skilled junior, mid-level and senior managers, as well as junior, mid-level and senior scientific and medical personnel. Competition to hire from this limited candidate pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions.

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

From time to time, we may evaluate various acquisitions and strategic collaborations, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses, as we may deem appropriate to carry out our business plan. 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 programs and initiatives in pursuing such a strategic partnership, merger or acquisition;
- 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 or product candidates and regulatory approvals; and
- our inability to generate revenue from acquired technology sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

Additionally, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large onetime expenses and acquire intangible assets that could result in significant future amortization expenses. 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.

Our internal information technology systems, or those of our third-party vendors, collaborators or other contractors or consultants, may fail or suffer security breaches or other unauthorized or improper access, which could result in a significant disruption of our product development programs, give rise to significant liability, subject us to costly and protracted litigation, cause significant reputational harm and impact our ability to operate our business effectively.

We are increasingly dependent upon information technology systems, infrastructure, and data to operate our business. In the ordinary course of business, we collect, store, and transmit confidential information (including but not limited to intellectual property, proprietary business information, and personal information). It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such information. We also have outsourced elements of our operations to third parties, and as a result we manage a number of third-party vendors and other contractors and consultants who have access to our confidential information.

Our internal information technology systems and those of our current and any future third-party vendors, collaborators and other contractors or consultants may be vulnerable to a variety of disruptive elements, including data breaches, cyber-attacks by malicious third parties (including the deployment of computer viruses, harmful malware, ransomware, denial-of-service attacks, social engineering, and other means to affect service reliability and threaten the confidentiality, integrity, and availability of information), unauthorized access, natural disasters, terrorism, war, telecommunication and electrical failures and persons with access to systems inside our organization. In particular, the risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers and cyber terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. We may not be able to anticipate all types of security threats, and we may not be able to implement preventive measures effective against all such security threats. Because the techniques used by cyber criminals change frequently, may not be recognized until launched, and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates or terrorist organizations, we and our partners may be unable to anticipate these techniques or implement adequate preventative measures. Further, we do not have any control over the operations of the facilities or technology of third parties that collect, process and store personal data on our behalf.

While we have not experienced any significant system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations or a loss of, or damage to, our data or applications, or those of our third-party vendors and other collaborators, contractors and consultants, it could result in a disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other confidential, personal or proprietary information, significant delays or setbacks in our research, or other similar disruptions. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential, personal or proprietary information, we could incur significant liability, our competitive position could be harmed, our reputation could be damaged, and the further development and commercialization of our product candidates could be delayed.

Unauthorized disclosure of sensitive or confidential data, including personal information, whether through a breach of computer systems, systems failure, employee negligence, fraud or misappropriation, or otherwise, or unauthorized access to or through our information systems and networks, whether by our employees or third parties, could result in negative publicity, damage to our reputation and/or compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, and otherwise subject us to liability under laws and regulations that protect the privacy and security of personal information. The costs related to significant security breaches or disruptions could be material. If the information technology systems of our third-party vendors and other collaborators, contractors and consultants become subject to disruptions or security breaches, we may be exposed to material liability and have insufficient recourse against such third parties and we may have to expend significant resources to mitigate the impact of such an

event, and to develop and implement protections to prevent future events of this nature from occurring. Any of the foregoing could adversely affect our business, financial condition, results of operations or prospects.

We are or may become subject to a variety of privacy and data security laws, policies and contractual obligations, and our failure or failure of our third-party vendors, collaborators, contractors or consultants to comply with them could harm our business.

We collect, maintain and process, and our third-party vendors, collaborators, contractors and consultants collect, maintain and process on our behalf, sensitive information, including confidential business and personal information, including health information in connection with our preclinical and clinical studies and information regarding our employees, and are subject to federal, state and foreign laws and regulations governing the privacy and security of such information. Failure by us, our third-party vendors, collaborators, contractors and consultants 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 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.

In China, regulatory authorities have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, the Cyber Security Law of PRC, or the Cyber Security Law, which became effective in June 2017, created China's first national-level data protection for "network operators" which may include all network service providers in China. Numerous regulations, guidelines and other measures are expected to be adopted under the umbrella of the Cyber Security Law. Drafts of some of these measures have now been published, including the draft rules on cross-border transfers published by the Cyberspace Administration of China in 2017, which if enacted, may require security review before transferring human health-related data out of China. Furthermore, the Data Security Law of the PRC (Draft) was published on July 3, 2020 by the National People's Congress for public comment. The draft law consists of seven chapters, namely General Provisions, Data Security and Development, Data Security System, Data Security Protection Obligation, Security and Openness of Government Data, Legal Liability and Supplementary Provisions. However, the relationship between the Data Security Law of the PRC and the implemented National Security Law of the PRC, the Cyber Security Law of the PRC, the Confidentiality Law of the PRC and the ongoing Personal Information Protection Law of the PRC needs to be carefully clarified. In addition, certain industry-specific laws and regulations affect the collection and transfer of personal data in China. The regulations of the People's Republic of China on the Administration of Human Genetic Resources promulgated by the State Council on May 28, 2019 and implemented on July 1, 2019 stipulates that in order to obtain marketing authorization for relevant drugs and medical devices in China, no approval is required in international clinical trial cooperation using China's human genetic resources, or the HGR at clinical institutions without export of HGR materials. However, the two parties among international clinical trial cooperation shall file the type, quantity and usage of the HGR to be used with the administrative department of science and technology under the State Council before clinical trials. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our practices, potentially resulting in confiscation of HGR samples and associated data and administrative fines.

In addition, the interpretation and application of data protection laws in China and elsewhere are often uncertain and in flux. Many statutory requirements include obligations for companies to notify individuals of security breaches involving certain personal information, which could result from breaches experienced by us or our third-party service providers. These laws are not consistent, and compliance in the event of a widespread data breach is difficult and may be costly. We also may be contractually required to notify customers or other counterparties of a security breach. Any contractual protections we may have from our third-party service providers, contractors or consultants may not be sufficient to adequately protect us from such liabilities and losses, and we may not be able to enforce any such contractual protections. Moreover, governments have been frequently amending existing laws and implementing regulations, requiring attention to changing regulatory requirements. We expect that there will continue to be new proposed laws and regulations concerning data

privacy and security, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. New laws, amendments to or re-interpretations of existing laws, regulations, standards and other obligations may require us to incur additional costs and restrict our business operations. Because the interpretation and application of health-related and data protection laws, regulations, standards and other obligations are still uncertain, and often contradictory and in flux, it is possible that the scope and requirements of these laws may be interpreted and applied in a manner that is inconsistent with our practices and our efforts to comply with the evolving data protection rules may be unsuccessful. If so, this could result in government-imposed fines or orders requiring that we change our practices, which could adversely affect our business.

In the United States, where we expect to commence our operations and clinical trials in the future, there are numerous federal and state privacy and data security laws and regulations governing the collection, use, disclosure and protection of personal information, including federal and state health information privacy laws, federal and state security breach notification laws, and federal and state consumer protection laws. Each of these constantly evolving laws can be subject to varying interpretations. For example, regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996, or HIPAA, establish privacy and security standards that limit the use and disclosure of individually identifiable health information, or protected health information, and require the implementation of administrative, physical and technological safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity and availability of electronic protected health information. Determining whether protected health information has been handled in compliance with applicable privacy standards and our contractual obligations can be complex and may be subject to changing interpretation. The U.S. Department of Health and Human Services, or HHS, has the discretion to impose penalties without attempting to first resolve violations. HHS enforcement activity can result in financial liability and reputational harm, and responses to such enforcement activity can consume significant internal resources.

In addition, states in the United States are constantly adopting new laws or amending existing laws, requiring attention to frequently changing regulatory requirements. For example, the California Consumer Privacy Act, or CCPA, which went into effect on January 1, 2020, gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability. Although there are limited exemptions for certain health-related information, including certain clinical trial data, the precise application and scope of these exemptions as well as how they would apply to our business is not yet clear. As currently written, the CCPA may impact our business activities and exemplifies the vulnerability of our business to the evolving regulatory environment related to personal data and protected health information. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business.

In May 2018, a new privacy regime, the General Data Protection Regulation, or the GDPR, took effect in the European Economic Area, or the EEA, into which we may expand our business. The GDPR governs the collection, use, disclosure, transfer or other processing of personal data of European persons. Among other things, the GDPR imposes requirements regarding the security of personal data and notification of data processing obligations to the competent national data processing authorities, changes the lawful bases on which personal data can be processed, expands the definition of personal data and requires changes to informed consent practices, as well as more detailed notices for clinical trial subjects and investigators. In addition, the GDPR imposes substantial fines for breaches and violations (up to the greater of €20 million or 4% of our consolidated annual worldwide gross revenue) and increases the scrutiny of transfers of personal data from clinical trial sites located in the EEA to the United States and other jurisdictions that the European Commission does not recognize as having “adequate” data protection laws. The efficacy and longevity of current transfer mechanisms between the EU and the United States remains uncertain. For example, in 2016, the EU and United States agreed to a transfer framework for data transferred from the EU to the United States, called the Privacy Shield, but the

Privacy Shield was invalidated in July 2020 by the Court of Justice of the European Union. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies and obtain compensation for damages resulting from violations of the GDPR. Further, while the United Kingdom enacted the Data Protection Act 2018 in May 2018 that supplements the GDPR and has publicly announced that it will continue to regulate the protection of personal data in the same way post-Brexit, Brexit has created uncertainty with regard to the future of regulation of data protection in the United Kingdom. Some countries also are considering or have passed legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of delivering our products and services.

Many statutory requirements, in China, the United States, Europe and elsewhere, include obligations for companies to notify individuals of security breaches involving certain personal information, which could result from breaches experienced by us or our third-party service providers. For example, laws in all 50 states of the United States and the District of Columbia require businesses to provide notice to consumers whose personal information has been disclosed as a result of a data breach. These laws are not consistent, and compliance in the event of a widespread data breach is difficult and may be costly. Moreover, states have been frequently amending existing laws, requiring attention to changing regulatory requirements. We also may be contractually required to notify customers or other counterparties of a security breach. Any contractual protections we may have from our third-party service providers, contractors or consultants may not be sufficient to adequately protect us from any such liabilities and losses, and we may be unable to enforce any such contractual protections.

We expect that there will continue to be new proposed laws and regulations concerning data privacy and security, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. New laws, amendments to or re-interpretations of existing laws, regulations, standards and other obligations may require us to incur additional costs and restrict our business operations. Because the interpretation and application of health-related and data protection laws, regulations, standards and other obligations are still uncertain, and often contradictory and in flux, it is possible that the scope and requirements of these laws may be interpreted and applied in a manner that is inconsistent with our practices and our efforts to comply with the evolving data protection rules may be unsuccessful. If so, this could result in government-imposed fines or orders requiring that we change our practices, which could adversely affect our business. In addition, these privacy regulations may differ from country to country and may vary based on where testing is performed. Our operations or business practices may not comply with these regulations in each country.

Compliance with these and any other applicable privacy and data security laws and regulations is a rigorous and time-intensive process, and we may be required to put in place additional mechanisms ensuring compliance with the new data protection rules. If we or our third-party vendors, collaborators, contractors and consultants fail to comply with any such laws or regulations, we may face regulatory investigations, significant fines and penalties, reputational damage or be required to change our business practices, all of which could adversely affect our business, financial condition and results of operations.

Risks Related to Regulatory Approval of Our Product Candidates and Other Legal Compliance Matters

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 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. We have only limited 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 in China, the United States and elsewhere 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. 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. The FDA, the NMPA or other regulatory authorities may determine that our product candidates are not safe and effective, only moderately effective or have undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use. 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. 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.

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.

Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not mean that we will be successful in obtaining regulatory approval of our product candidates in other jurisdictions.

In order to market and sell our products in the United States or other jurisdictions outside of China in the future, we must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from those in China, including additional preclinical studies or clinical trials as clinical studies conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions.

The time required to obtain approval may differ substantially from that required to obtain approval from the NMPA. The regulatory approval process outside China generally includes all of the risks associated with obtaining approval from the NMPA. Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not guarantee that we will be able to obtain or maintain regulatory approval in any other

jurisdiction, but a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in others. For example, even if the NMPA grants marketing approval of a product candidate, comparable regulatory authorities in other jurisdictions must also approve the manufacturing, marketing and promotion of the product candidate in those countries. In many jurisdictions outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that jurisdiction. In some cases, the price that we intend to charge for our products is also subject to approval. If we fail to comply with the regulatory requirements in international markets and/or to receive applicable marketing approvals, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed.

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 Risk Management Plan, or RMP, 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 and other regulatory authorities, including ensuring that quality control and manufacturing procedures conform to cGMP 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 or other regulatory authorities to monitor and ensure compliance with cGMP.

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.

Any product candidate for which we obtain marketing approval will be subject to various post-approval regulatory requirements, and we may be subject to significant penalties, sanctions and other damages if we fail to comply with regulatory requirements.

The FDA and other federal and state agencies, including the U.S. Department of Justice, or DOJ, closely regulate compliance with all requirements governing prescription drug products, including requirements pertaining to marketing and promotion of products in accordance with the provisions of the approved labeling and manufacturing of products in accordance with cGMP requirements. The FDA and DOJ impose stringent restrictions on manufacturers' communications regarding off-label use and if we do not market our products for their approved indications, or if other of our marketing claims are deemed false or misleading, we may be subject to enforcement action. Violations of such requirements may lead to investigations alleging violations of the Food, Drug and Cosmetic Act and other statutes, including the False Claims Act and other federal and state health care fraud and abuse laws as well as state consumer protection laws.

Our failure to comply with all regulatory requirements, and later discovery of previously unknown adverse events or other problems with our products, manufacturers or manufacturing processes, may yield various results, including:

- litigation involving patients taking our products;
- restrictions on such products, manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits or revenue;
- suspension or withdrawal of marketing approvals;
- suspension of any ongoing clinical trials;
- damage to relationships with any potential collaborators;
- unfavorable press coverage and damage to our reputation;
- refusal to permit the import or export of our products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

Noncompliance by us or any future collaborator with regulatory requirements regarding safety monitoring or pharmacovigilance, and with requirements related to the development of products for the pediatric population, can also result in significant financial penalties. Similarly, failure to comply with regulatory requirements regarding the protection of personal information can also lead to significant penalties and sanctions.

Likewise, the NMPA and other relevant PRC regulatory authorities closely regulate the manufacture, labeling, marketing and promotion of product candidates that have received a marketing approval. Approved products must be manufactured in compliance with GMP and other applicable standards and regulatory requirements. The NMPA and other PRC regulatory authorities may conduct periodic inspections of the manufacturers and raw material suppliers that are involved in the manufacturing of the approved products to ensure compliance with standards on quality control, quality assurance, recordkeeping and reporting. Further, we are prohibited from marketing and promoting our approved products outside of their approved indications and uses. Promotions of prescription drugs, in particular, must be consistent with the information in the labelling approved for such drugs. In addition, we may be required in certain circumstances to conduct post-marketing studies, clinical trials or other actions to continuously monitor the safety and efficacy of the product. If we fail to comply with post-approval regulatory requirements, the marketing approvals we obtain for our product candidates could be withdrawn by regulatory authorities and our abilities to market any future products could be limited.

In addition, noncompliance with EU requirements regarding safety monitoring or pharmacovigilance, and with requirements related to the development of products for the pediatric population, also can result in significant financial penalties. Similarly, failure to comply with the European Union's requirements regarding the protection of personal information can also lead to significant penalties and sanctions.

If any of these events occurs, our ability to sell such product may be impaired, and we may incur substantial additional expense to comply with regulatory requirements, which could adversely affect our business, financial condition and results of operations.

Our employees, independent contractors, principal investigators, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk of employee and third-party fraud or other misconduct or failure to comply with applicable regulatory requirements. Misconduct by employees and independent contractors, such as principal investigators, consultants, commercial partners, and vendors, could include failures to comply with regulations of the FDA, the NMPA and other comparable regulatory authorities, to provide accurate information to such regulators, to comply with manufacturing standards we have established, to comply with healthcare fraud and abuse laws, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and other 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 business activities, including, but not limited to, research, manufacturing, distribution, pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee and independent contractor misconduct could also involve the improper use of individually identifiable information, including, without limitation, information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation.

It is not always possible to identify and deter employee and independent contractor misconduct, and any precautions we take to detect and prevent improper activities 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 be in compliance with such laws. If any such actions are instituted against us, those actions could have a significant impact on our business, including the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgement of profits, imprisonment, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, or other government supported healthcare in other jurisdictions, 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 noncompliance with the law and curtailment or restructuring of our operations, any of which could adversely affect our ability to operate.

Our product candidates are subject to government price controls in certain jurisdictions that may affect our revenue.

There has been heightened governmental scrutiny in China and other jurisdictions of pharmaceutical pricing practices in light of the rising cost of prescription drugs. In the United States, such scrutiny has resulted in several recent Congressional inquiries and proposed and enacted federal legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for products. At the federal level, Congressional leadership and the Trump administration have each indicated that they will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures have increasingly enacted legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In China, the government has recently announced their intention to revise and introduce more measures on the centralized procurement of drugs, price management and setting up standards on charges for medical consultants and prescriptions, all for the purpose of reducing people's medical expenses. In the European Union, the pricing of prescription pharmaceuticals is subject to governmental

control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain coverage and reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be harmed.

Recently enacted and future legislation in the United States and other countries may affect the prices we may obtain for our product candidates and increase the difficulty and cost for us to commercialize our product candidates.

In the United States and many other countries, rising healthcare costs have been a concern for governments, patients and the health insurance sector, which resulted in a number of changes to laws and regulations, and may result in further legislative and regulatory action regarding the healthcare and health insurance systems that could affect our ability to profitably sell any product candidates for which we obtain marketing approval. For a detailed discussion of healthcare reform initiatives of importance to the pharmaceutical industry, see the section titled “Regulation—United States Regulation—Healthcare Reform.”

For example, the ACA was enacted in the United States in March 2010 with the stated goals of containing healthcare costs, improving quality and expanding access to healthcare, and includes measures to change healthcare delivery, increase the number of individuals with insurance, ensure access to certain basic healthcare services, and contain the rising cost of care. Since January 2017, President Trump has signed two executive orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been signed into law. H.R. 1: An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, or the Tax Cuts and Jobs Act of 2017, includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate.” Additionally, the 2020 federal spending package permanently eliminates, effective January 1, 2020, the ACA-mandated “Cadillac” tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminates the health insurer tax.

On December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the “individual mandate” was repealed by Congress as part of the Tax Cuts and Jobs Act. Further, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. It is unclear how this decision, future decisions, subsequent appeals, and other efforts to repeal and replace the ACA will impact the ACA.

Further, the Bipartisan Budget Act of 2018, among other things, amended the ACA, effective January 1, 2019, to increase from 50% to 70% the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and to close the coverage gap in most Medicare drug plans, commonly referred to as the “donut hole.” Congress may consider other legislation to repeal or replace elements of the ACA. These executive orders and legislative actions are expected to result in increased health insurance premiums and reduce the number of people with health insurance in the United States, and have other effects that adversely affect U.S. health insurance markets and the ability of patients to have access to therapies that our product candidates can provide.

In addition, other federal health reform measures have been proposed and adopted in the United States. For example, as a result of the Budget Control Act of 2011, providers are subject to Medicare payment reductions of 2% per fiscal year through 2029 unless additional Congressional action is taken. Further, the American Taxpayer Relief Act of 2012 reduced Medicare payments to several providers and increased the statute of limitations

period for the government to recover overpayments from providers from three to five years. The Medicare Access and CHIP Reauthorization Act of 2015 ended the use of the statutory formula, also referred to as the Sustainable Growth Rate, for clinician payment and established a quality payment incentive program, also referred to as the Quality Payment Program. This program provides clinicians with two ways to participate, including through the Advanced Alternative Payment Models, or APMs, and the Merit-based Incentive Payment System, or MIPS. In November 2019, CMS issued a final rule finalizing the changes to the Quality Payment Program. At this time, it is unclear how the introduction of the quality payment program will impact overall physician reimbursement under the Medicare program. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors.

Further, there has been heightened governmental scrutiny in the United States of pharmaceutical pricing practices in light of the rising cost of prescription drugs and biologics. Such scrutiny has resulted in several recent Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for products. At the federal level, the Trump administration's budget proposal for fiscal year 2021 includes a US\$135 billion allowance to support legislative proposals seeking to reduce drug prices, increase competition, lower out-of-pocket drug costs for patients, and increase patient access to lower-cost generic and biosimilar drugs. Additionally, the Trump administration released a "Blueprint" to lower drug prices and reduce out-of-pocket costs of drugs that contains additional proposals to increase manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products and reduce the out-of-pocket costs of drug products paid by consumers. The HHS has solicited feedback on some of these measures and, at the same time, has implemented others under its existing authority. For example, in May 2019, the Centers for Medicare & Medicaid Services, or CMS, issued a final rule to allow Medicare Advantage Plans the option of using step therapy for Part B drugs beginning January 1, 2020. This final rule codified CMS's policy change that was effective January 1, 2019. Although a number of these and other measures may require additional authorization to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

The combination of healthcare cost containment measures, increased health insurance costs, reduction of the number of people with health insurance coverage, as well as future legislation and regulations focused on reducing healthcare costs by reducing the cost of or reimbursement and access to pharmaceutical products, may limit or delay our ability to generate revenue, attain profitability, or commercialize our products.

Our product candidates may face competition sooner than anticipated from biosimilar products.

Even if we are successful in achieving regulatory approval to commercialize a product candidate faster than our competitors, our product candidates may face competition from biosimilar products. In the United States, our product candidates are regulated by the FDA as biologic products and we intend to seek approval for these product candidates pursuant to the BLA pathway. The Biologics Price Competition and Innovation Act of 2009, or BPCIA, created an abbreviated pathway for the approval of biosimilar and interchangeable biologic products. The abbreviated regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as "interchangeable" based on its similarity to an existing brand product. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the original branded product was approved under a BLA. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when such processes intended to implement BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our product candidates.

There is a risk that any exclusivity we may be afforded if any of our product candidates are approved as a biologic product under a BLA could be shortened due to congressional action or otherwise, or that the FDA will not consider our product candidates to be reference products for competing products, potentially creating the opportunity for generic or biosimilar competition sooner than anticipated. Moreover, the extent to which a biosimilar product, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biologic products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing. In addition, a competitor could decide to forego the biosimilar approval path and submit a full BLA after completing its own preclinical studies and clinical trials. In such cases, any exclusivity to which we may be eligible under the BPCIA would not prevent the competitor from marketing its product as soon as it is approved.

In Europe, the European Commission has granted marketing authorizations for several biosimilar products pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years. In Europe, a competitor may reference data supporting approval of an innovative biological product, but will not be able to market it until 10 years after the time of approval of the innovative product. This 10-year marketing exclusivity period may be extended to 11 years if, during the first eight of those 10 years, the marketing authorization holder obtains an approval for one or more new therapeutic indications that bring significant clinical benefits compared with existing therapies. In addition, companies may be developing biosimilar products in other countries that could compete with our products, if approved.

If competitors are able to obtain marketing approval for biosimilars referencing our product candidates, if approved, such products may become subject to competition from such biosimilars, with the attendant competitive pressure and potential adverse consequences. Such competitive products may be able to immediately compete with us in each indication for which our product candidates may have received approval.

We are subject to certain foreign export and import controls, sanctions, embargoes, anti-corruption laws, and anti-money laundering laws and regulations. Any violation of such laws and regulations may subject us to criminal liability and other serious consequences.

We are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls, the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, and other state and national anti-bribery and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors, and other collaborators from authorizing, promising, offering, or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector. We may engage third parties to sell our products outside the United States, to conduct clinical trials, and/or to obtain necessary permits, licenses, patent registrations, and other regulatory approvals. We have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities, and other organizations. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors, and other collaborators, even if we do not explicitly authorize or have actual knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could harm our business.

We 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. Our operations involve the use of hazardous materials, including chemicals and biological materials.

Our operations also produce hazardous waste products. 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. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations. In addition, in connection with the construction of certain research and development facilities in China, we have not completed all required fire prevention and safety and construction related procedures and filings in a timely manner, which could subject us to fines and other administrative penalties.

Although we maintain insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological or hazardous materials. Furthermore, we are subject to numerous international, national, municipal and local environmental, health and safety laws and regulations relating to, among other matters, safe working conditions, product stewardship and environmental protection. However, environmental and social laws and regulations have tended to become increasingly stringent and, to the extent regulatory changes occur in the future, they could result in, among other things, increased costs to our company.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Our failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Our business operations and relationships with healthcare professionals, principal investigators, consultants, customers and third-party payors in the United States and elsewhere are subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, physician payment transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to substantial penalties.

Healthcare providers, physicians and third-party payors in the United States and elsewhere will play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our current and future arrangements with healthcare professionals, principal investigators, consultants, customers and third-party payors may expose us to broadly applicable healthcare laws, including, without limitation, the U.S. federal Anti-Kickback Statute and the U.S. federal False Claims Act, that may constrain the business or financial arrangements and relationships through which we sell, market and distribute any product candidates for which we obtain marketing approval. In addition, we may be subject to physician payment transparency laws and privacy and security regulation by the U.S. federal government and by the states and foreign jurisdictions in which we conduct our business. The applicable federal, state and foreign healthcare laws that may affect our ability to operate include the following:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service, for which payment may be made, in whole or in part, under federal and state healthcare programs such as Medicare and Medicaid. The term “remuneration” has been broadly interpreted to include anything of value. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other hand. Although there are a number of statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution or other regulatory sanctions, the exceptions and safe harbors are drawn narrowly, and practices that involve remuneration that are alleged to be intended to induce prescribing, purchases or

recommendations may be subject to scrutiny if they do not qualify for an exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the federal Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all its facts and circumstances. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the federal Anti-Kickback Statute has been violated;

- U.S. federal civil and criminal false claims laws, including the federal False Claims Act, which can be enforced through civil whistleblower or qui tam actions, and civil monetary penalty laws, which, among other things, impose criminal and civil penalties, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government. Pharmaceutical and other healthcare companies have been prosecuted under these laws for, among other things, allegedly inflating drug prices they report to pricing services, which in turn were used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. In addition, certain marketing practices, including off-label promotion, may also violate false claims laws. Further, pharmaceutical manufacturers can be held liable under the False Claims Act even when they do not submit claims directly to government payors if they are deemed to "cause" the submission of false or fraudulent claims. Criminal prosecution is also possible for making or presenting a false, fictitious or fraudulent claim to the federal government;
- HIPAA, which contains new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of whether the payor is public or private, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose obligations on "covered entities," including certain healthcare providers, health plans, and healthcare clearinghouses, as well as their respective "business associates" that create, receive, maintain or transmit individually identifiable health information for or on behalf of a covered entity, with respect to safeguarding the privacy, security and transmission of individually identifiable health information. Additionally, HITECH also contains four new tiers of civil monetary penalties; amends HIPAA to make civil and criminal penalties directly applicable to business associates and gave state attorneys general new authority to file civil actions for damages or injunctions in U.S. federal courts to enforce the federal HIPAA laws and to seek attorneys' fees and costs associated with pursuing federal civil actions;
- the U.S. federal Food, Drug and Cosmetic Act, which prohibits, among other things, the adulteration or misbranding of drugs, biologics and medical devices;
- the U.S. federal Physician Payments Sunshine Act, created under Section 6002 of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA, and its implementing regulations, created annual reporting requirements for certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions), to report information related for certain payments and "transfers of value" provided to

physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and analogous state laws and regulations and foreign laws, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state and foreign laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or to adopt compliance programs as prescribed by state laws and regulations, or that otherwise restrict payments that may be made to healthcare providers; state and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers, marketing expenditures or drug pricing; state and local laws that require the registration of pharmaceutical sales representatives; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Further, the ACA, among other things, amended the intent requirement of the federal Anti-Kickback Statute and certain criminal statutes governing healthcare fraud. A person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it. In addition, the ACA provided that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act.

Because of the breadth of these laws and the narrowness of their exceptions and safe harbors, it is possible that our business activities can be subject to challenge under one or more of such laws. The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry.

Efforts to ensure that our internal operations and future business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, monetary fines, imprisonment, disgorgement of profits, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, 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 noncompliance with the law and curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and pursue our strategy. If any of the physicians or other healthcare providers or entities with whom we expect to do business, including future collaborators, are found not to be in compliance with applicable laws, they may be subject to significant criminal, civil or administrative sanctions, including exclusions from participation in government healthcare programs, which could also affect our business.

Risks Related to the Commercialization of Our Product Candidates

If we are unable to establish sales, marketing and distribution capabilities for our product candidates, or enter into sales, marketing and distribution agreements with third parties, we may not be successful in commercializing our product candidates, if and when they are approved.

We may not be successful in locating suitable medical centers or partners or enter into an agreement on commercially reasonable terms or at all. We would have limited control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our product candidates effectively.

For the future potentially partnered product candidates, we would not market our products alone once they have obtained marketing authorization. The risks inherent in entry into these contracts are as follows:

- the negotiation and execution of these agreements is a long process that may not result in an agreement being signed or that can delay the development or commercialization of the product candidate concerned;
- these agreements are subject to cancellation or nonrenewal by our collaborators, or may not be fully complied with by our collaborators;
- in the case of a license granted by us, we lose control of the development of the product candidate licensed;
- in such cases we would have only limited control over the means and resources allocated by our partner for the commercialization of our product; and
- collaborators may not properly obtain, maintain, enforce, or defend our intellectual property or proprietary rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our proprietary information or expose us to potential litigation.

Should any of these risks materialize, or should we fail to find suitable collaborators, this could have a material adverse effect on our business, prospects, financial condition and results of operations.

We operate in a rapidly changing industry and face significant competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

The development and commercialization of new biopharmaceutical products is highly competitive and subject to rapid and significant technological advancements. We face competition from major multi-national pharmaceutical companies, biotechnology companies and specialty pharmaceutical companies with respect to our current and future product candidates that we may develop and commercialize in the future. There are a number of large pharmaceutical and biotechnology companies that currently market and sell products or are pursuing the development of product candidates for the treatment of cancer. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Potential competitors also include academic institutions, government agencies and other public and private research organizations. Due to their promising clinical therapeutic effect in clinical exploratory trials, engineered T cell therapies, redirected T cell therapies in general and antibody-drug conjugates are being pursued by multiple biotechnology and pharmaceutical companies. Our competitors may succeed in developing, acquiring or licensing technologies and products that are more effective, more effectively marketed and sold or less costly than any product candidates that we may develop, which could render our product candidates noncompetitive and obsolete.

Our potential CAR-T cell therapy competitors include, among others, companies developing autologous and allogeneic CAR-T treatments, discovering dual or novel antigens, developing transposon or gene editing technologies to improve manufacturing. In addition, we may compete with cell therapies companies that are focused on development in Asia. See “Business—Competition” for more details.

Many of our competitors, either alone or with their strategic collaborators, have substantially greater financial, technical and human resources than we do. Accordingly, our competitors may be more successful than we are in obtaining approval for treatments and achieving widespread market acceptance, which may render our treatments obsolete or noncompetitive. Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated among a smaller number of our competitors. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical study sites and patient registration for clinical studies, as well as in acquiring technologies complementary to, or necessary for, our programs.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive or better reimbursed than any products that we may commercialize. Our competitors also may obtain NMPA, FDA or other regulatory approval for their products more rapidly than we do, which could result in our competitors establishing a strong market position for either the product or a specific indication before we are able to enter the market.

Due to the novelty of our technologies, our new and emerging CAR-T cell therapies may have difficulty or encounter significant delays in achieving the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

Even if we obtain approvals from the FDA, the NMPA or other comparable regulatory agencies and are able to initiate commercialization of our clinical-stage product candidates or any other product candidates we develop, the product candidate may not achieve market acceptance among physicians, patients, hospitals, including pharmacy directors, and third-party payors and, ultimately, may not be commercially successful. 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, cancer treatment centers, and patients considering our product candidates as a safe and effective treatment;
- hospitals and cancer treatment centers establishing the infrastructure required for the administration of redirected CAR-T cell therapies;
- the potential and perceived advantages of our product candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of the FDA, the NMPA or other comparable regulatory authorities;
- limitations or warnings contained in the labeling approved by the FDA, the NMPA or other comparable regulatory authorities;
- the timing of market introduction of our product candidates as well as competitive products;
- the cost of treatment in relation to alternative treatments;
- the amount of upfront costs or training required for physicians to administer our product candidates;
- the availability of coverage, adequate reimbursement, and pricing by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of comprehensive coverage and reimbursement by third-party payors and government authorities;
- relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies; and
- the effectiveness of our sales and marketing efforts and distribution support.

Our efforts to educate physicians, patients, third-party payors and others in the medical community on the benefits of our products, if approved, may require significant resources and may never be successful. Such efforts may require more resources than are typically required due to the complexity and uniqueness of our product candidates. Because we expect sales of our product candidates, if approved, to generate substantially all of our product revenue for the foreseeable future, the failure of our product candidates to find market acceptance would harm our business and could require us to seek additional financing.

In addition, although we are not utilizing embryonic stem cells or replication competent vectors, adverse publicity due to the ethical and social controversies surrounding the therapeutic use of such technologies, and reported side effects from any clinical trials using these technologies or the failure of such trials to demonstrate that these therapies are safe and effective, may limit market acceptance of our product candidates. If our product candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals, cancer treatment centers or others in the medical community, we will not be able to generate significant revenue.

Even if our products 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 products, are more cost effective or render our products obsolete.

Coverage and adequate reimbursement may not be available for our current or any future product candidates, which could make it difficult for us to sell profitably, if approved.

Market acceptance and sales of any product candidates that we commercialize, if approved, will depend in part on the extent to which reimbursement for these products and related treatments will be available from third-party payors, including government health administration authorities, managed care organizations and private health insurers. Third-party payors decide which therapies they will pay for and establish reimbursement levels.

In China, the Ministry of Human Resources and Social Security of China or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from the China's National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, or the National Reimbursement Drug List, or the NRDL, or provincial or local medical insurance catalogues for the National Medical Insurance Program, or the PRDL, regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. There can be no assurance that any of our future approved drug candidates will be included in the NRDL or the PRDL. Products included in the NRDL or the PRDL are typically generic and essential drugs. Innovative drugs similar to our drug candidates have historically been more limited on their inclusion in the NRDL or the PRDL due to the affordability of the government's Basic Medical Insurance. If we were to successfully launch commercial sales of our products in China but fail in our efforts to have our products included in the NRDL or PRDL, our revenue from commercial sales in China will be highly dependent on patient self-payment, which can make our products less competitive. Additionally, even if the Ministry of Human Resources and Social Security of the PRC or any of its local counterparts accepts our application for the inclusion of products in the NRDL or PRDL, our potential revenue from the sales of these products in China could still decrease as a result of the significantly lowered prices we may be required to charge for our products to be included in the NRDL or PRDL.

Third-party payors in the United States often rely upon Medicare coverage policy and payment limitations in setting their own coverage and reimbursement policies. However, decisions regarding the extent of coverage and amount of reimbursement to be provided for any product candidates that we develop will be made on a payor-by-payor basis. One payor's determination to provide coverage for a drug does not assure that other payors will also provide coverage and adequate reimbursement for the drug. Additionally, a third-party payor's decision to provide coverage for a therapy does not imply that an adequate reimbursement rate will be approved. Third-party payors are increasingly challenging the price, examining the medical necessity and reviewing the cost-effectiveness of medical products, therapies and services, in addition to questioning their safety and efficacy. These pressures are further compounded by significant controversies and intense political debate and publicity about prices for pharmaceuticals that some consider excessive, including government regulatory efforts, funding restrictions, legislative proposals, policy interpretations, investigations and legal proceedings regarding pharmaceutical pricing practices. Global pressures on pricing may negatively impact, in parallel, both our product pricing and our market access. We may incur significant costs to conduct expensive pharmaco-economic studies in order to demonstrate the medical necessity and cost-effectiveness of our product candidates, in addition to the costs required to obtain FDA approvals. Our product candidates may not be considered medically necessary or cost-effective.

Each payor determines whether or not it will provide coverage for a therapy, what amount it will pay the manufacturer for the therapy, and on what tier of its list of covered drugs, or formulary, it will be placed. The position on a payor's formulary, generally determines the co-payment that a patient will need to make to obtain the therapy and can strongly influence the adoption of such therapy by patients and physicians. Patients who are prescribed treatments for their conditions and providers prescribing such services generally rely on third-party payors to reimburse all or part of the associated healthcare costs. Patients are unlikely to use our products, and providers are unlikely to prescribe our products, unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products and their administration. Therefore, coverage and adequate reimbursement is critical to new medical product acceptance.

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. We cannot be sure that coverage and reimbursement will be available for any drug that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Even if favorable coverage and reimbursement status is attained for one or more product candidates for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future. Inadequate coverage and reimbursement may impact the demand for, or the price of, any drug for which we obtain marketing approval. If coverage and adequate reimbursement are not available, or are available only to limited levels, we may not be able to successfully commercialize our current and any future product candidates that we develop.

We cannot be sure that coverage and reimbursement in China, the United States or elsewhere will be available for any product that we may develop, and any reimbursement that may become available may be decreased or eliminated in the future.

Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of any products that we may develop.

We face an inherent risk of product liability exposure related to the testing of our product candidates in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- reduced resources of our management to pursue our business strategy;
- decreased demand for any product candidates or products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- significant costs to defend the resulting litigation;
- substantial monetary awards paid to clinical trial participants or patients;
- loss of revenue; and
- the inability to commercialize any products that we may develop.

While we maintain clinical trial insurance, which covers certain bodily injury or damage in connection with our clinical trials and investigator-initiated trials for our product candidates, our insurance coverage may not be adequate to cover all liabilities that we may incur. We may need to increase our insurance coverage as we expand our clinical and investigator-initiated trials or if we commence commercialization of our product candidates. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

We may enter into partnership agreements with third parties for the development and commercialization of our product candidates, which may adversely affect our ability to generate revenue.

We may seek to enter into collaborations or partnerships with third parties for the development and potential commercialization of our product candidates. We face competition in seeking partners and may not be able to locate a suitable partner or to enter into an agreement on commercially reasonable terms or at all. Even if we succeed in securing partners for the development and commercialization of our product candidates, we will have limited control over the time and resources that our partners may dedicate to the development and commercialization of our product candidates. These partnerships pose a number of risks, including the following:

- partners may not have sufficient resources or decide not to devote the necessary resources due to internal constraints such as budget limitations, lack of human resources or a change in strategic focus;
- partners may believe our intellectual property is not valid or is unenforceable or the product candidate infringes on the intellectual property rights of others;
- partners may dispute their responsibility to conduct development and commercialization activities pursuant to the applicable collaboration, including the payment of related costs or the division of any revenue;
- partners may decide to pursue a competitive product developed outside of the collaboration arrangement;
- partners may not be able to obtain, or believe they cannot obtain, the necessary regulatory approvals; or
- partners may delay the development or commercialization of our product candidates in favor of developing or commercializing another party's product candidate.

Thus, partnership agreements may not lead to development, regulatory approval or successful commercialization of product candidates in the most efficient manner or at all and we may not be able to advance our product candidates or generate meaningful revenue.

Risks Related to Our Intellectual Property

If we are unable to obtain, maintain, defend and enforce patent and other intellectual property rights for our technologies and product candidates, or if the scope of the patent and other intellectual property rights obtained is not sufficiently broad, our competitors and other third parties could develop and commercialize technology and biologics similar or identical to ours, and our ability to successfully commercialize our technology and product candidates may be impaired.

Our success depends, in large part, on our ability to obtain, maintain, defend and enforce patent protection in the United States, China and other countries with respect to our product candidates and technology. We seek to protect our proprietary position by filing patent applications related to our technology and product candidates in the major pharmaceutical markets, including China and the United States. As of the date of this prospectus, our patent portfolio for our lead product candidates and technology platforms is currently comprised of three Patent Cooperation Treaty applications (which have entered into the national stage in the U.S.), one patent application in China, and three patent applications in Taiwan. We own five Patent Cooperation Treaty applications (which have entered into the national stage in the U.S.), five issued invention patents in China and ten issued utility model patents in China, 23 patent applications in China, two patent applications in Europe, and one patent application in Taiwan related to our other products and/or technologies. We currently do not own or license any issued patents that cover any of our platforms or product candidates. If we are unable to obtain or maintain patent protection with respect to our proprietary product candidates and technology or do not otherwise adequately obtain, maintain and protect our intellectual property, competitors may be able to use our technologies and erode or negate any competitive advantage that we may have, which could harm our business and ability to achieve profitability. Our ability to stop unauthorized third parties from making, using, selling, offering to sell, importing or otherwise commercializing our product candidates we may develop is dependent upon the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities.

To protect our proprietary positions, we file patent applications in the United States, China and other countries related to our novel technologies and product candidates that are important to our business. The patent application and prosecution process is expensive, complex and time-consuming. We may not be able to file, prosecute, maintain, defend, enforce or license all necessary or desirable patent applications in all potential jurisdictions at a reasonable cost or in a timely manner. We may also fail to identify patentable aspects of our research and development before it is too late to obtain patent protection. It is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, such as with respect to proper priority claims, inventorship, claim scope or patent term adjustments. The patent applications that we own may fail to result in issued patents with claims that cover our current and future product candidates in China or elsewhere. Our patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless, and until, a patent issues from such applications, and then only to the extent the issued claims cover the technology. If there are material defects in the form or preparation of our patents or patent applications, such patents or applications may be invalid and unenforceable. In addition, under the PRC patent law, if an applicant applies for a patent in a jurisdiction outside of China for an invention or utility model invented within China, such applicants must concurrently report to the National Intellectual Property Administration, or the NIPA, for confidentiality examination of such invention or utility model. If an applicant fails to make such reporting but files a patent application in China for the same invention or utility model at a later time, a patent will not be granted to such applicant. If the patent applications we hold with respect to our development programs and product candidates fail to issue, if their breadth or strength of protection is threatened, or if they fail to provide meaningful exclusivity for our current and future product candidates, it could threaten our ability to commercialize our product candidates. Any such outcome could have a negative effect on our business. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Any of these outcomes could impair our ability to prevent competition from third parties.

In some circumstances, we do not have the right to control the preparation, filing and prosecution of patent applications, or to maintain and defend the patents, related to technology that we license from third parties. If any current or future licensors or licensees are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent, such patent could be compromised and we might not be able to prevent third parties from making, using and selling competing products. We cannot be certain that patent prosecution and maintenance activities by our licensors have been or will be conducted in compliance with applicable laws and regulations, which may affect the validity and enforceability of such patents or any patents that may issue from such patent applications. If our licensors fail to do so, this could cause us to lose rights in any applicable intellectual property that we in-license, and as a result, our ability to develop and commercialize products or product candidates may be adversely affected and we may be unable to prevent competitors from making, using and selling competing products.

Prosecution of our patent portfolio is at a very early stage. Much of our patent portfolio consists of pending applications (including priority applications) in China, United States, Europe, and under the Patent Cooperation Treaty, or PCT, that have not been examined. Neither priority applications nor PCT applications can themselves give rise to issued patents. Rather, protection for the inventions disclosed in these applications must be further pursued by applicable deadlines via non-provisional or national stage applications that are subject to examination. As applicable deadlines for the priority and PCT applications become due, we will need to decide whether and in which countries or jurisdictions to pursue patent protection for the various inventions claimed in these applications, and we will only have the opportunity to pursue and obtain patents in those jurisdictions where we pursue protection. Moreover, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. Any patents that we own or in-license may be challenged, narrowed, circumvented, or invalidated by third parties. Consequently, we do not know whether any of our platform advances and product candidates we may develop will be protectable or remain protected by valid and enforceable patents. Our

competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain. Changes in either the patent laws or interpretation of the patent laws in China, the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. In addition, the protections offered by laws of different countries vary. No consistent policy regarding the breadth of claims allowed in biotechnology and pharmaceutical patents has emerged to date in China, the United States or in other jurisdictions. In addition, the determination of patent rights with respect to pharmaceutical compounds and technologies commonly involves complex legal and factual questions, which has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Furthermore, recent changes in patent laws in the United States, may affect the scope, strength, validity and enforceability of our patent rights or the nature of proceedings that may be brought by or against us related to our patent rights. Additionally, the U.S. Supreme Court has ruled on several patent cases in recent years either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. For example, in the case, *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, the U.S. Supreme Court held that certain claims to DNA molecules are not patentable. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the U.S. federal courts, and the U.S. Patent and Trademark Office, or USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain patents or to enforce any patents that we might obtain in the future. Furthermore, the complexity and uncertainty of European patent laws have also increased in recent years.

We may not be aware of all third-party intellectual property rights potentially relating to our current and future product candidates. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. Similarly, should we own or in-license any patents or patent applications in the future, we may not be certain that we or the applicable licensor were the first to file for patent protection for the inventions claimed in such patents or patent applications. As a result, the issuance, scope, validity and commercial value of our patent rights cannot be predicted with any certainty.

We may be subject to a third-party pre-issuance submission of prior art to the USPTO or become involved in opposition, derivation, reexamination, post-grant, *inter partes* review or interference proceedings, in the United States or elsewhere, challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, hold unenforceable or invalidate, our patent rights, allow third parties to commercialize our technology or product candidates and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights, which could significantly harm our business and results of operations. Moreover, we may have to participate in interference proceedings declared by the USPTO to determine priority of invention or in post-grant challenge proceedings, such as oppositions in the courts or patent offices in the United States or elsewhere, that challenge priority of invention or other features of patentability. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and product candidates. Such proceedings also may result in substantial cost and require significant time from our scientists and management, even if the eventual outcome is favorable to us.

Our pending and future patent applications may not result in patents being issued that protect our technology or product candidates, in whole or in part, or which effectively prevent others from commercializing competitive

technologies and products. Moreover, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection against competing products or processes sufficient to achieve our business objectives, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors or other third parties may be able to circumvent our patents, should they issue, by developing similar or alternative technologies or products in a non-infringing manner. Our competitors or other third parties may seek approval to market their own products similar to or otherwise competitive with our products. In these circumstances, we may need to defend and/or assert our patents, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or other agency with jurisdiction may find our patents invalid and/or unenforceable. Consequently, we do not know whether any of our technologies and product candidates will be protectable or remain protected by valid and enforceable patents.

In addition, given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our intellectual property may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Any of the foregoing could have a material adverse effect on our business.

The intellectual property landscape around technology involving cellular therapies, including CAR-T cell therapies, is highly dynamic, and third parties may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could significantly harm our business.

Our commercial success depends, in part, on our ability and/or the ability of our collaborators to develop, manufacture, market and sell our product candidates and use our proprietary and modular CAR-T cell technology without infringing, misappropriating or otherwise violating the intellectual property and other proprietary rights of third parties. There has been extensive patenting activity in the field of CAR-T cellular therapies, and pharmaceutical companies, biotechnology companies, and academic institutions are competing with us or are expected to compete with us in the in this field and filing patent applications potentially relevant to our business. We are aware of several third-party patents, and patent applications, that if issued, may be construed to cover our proprietary and modular CAR-T cell technology and product candidates, including GC012F and GC027. We are in the process of negotiating licenses with certain third-party holders of such patent rights and we may find it necessary or prudent to obtain additional such licenses. However, we may be unable to secure such licenses on commercially reasonable terms, or at all, or otherwise acquire or in-license any compositions, methods of use, processes, or other intellectual property rights from third parties that we identify as necessary for product candidates we may develop and base editing technology. Even if we obtain a license, it may only be non-exclusive, which may limit our ability to stop others from using or commercializing technology and products similar or identical to ours. If we are unable to obtain a license, such third parties may seek to enforce their patent rights against us claiming that our product candidates infringe such patent rights and may obtain injunctive or other equitable relief against us, which could effectively block our ability to further develop and commercialize one or more of our product candidates in the countries where such patent protection exists. Defense of these claims, including demonstrating non-infringement, invalidity or unenforceability of the respective patent rights in question, regardless of their merit, is time-consuming, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. We cannot guarantee that a court of competent jurisdiction will hold in our favor in any such proceeding. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, pay royalties, redesign our infringing product candidates or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our ADSs.

The field of CAR-T cell therapies is still in its infancy, and only a few product candidates have reached the market. Due to the intense research and development that is taking place by several companies, including us and our competitors, in this field, the intellectual property landscape is evolving and in flux, and it may remain uncertain for the coming years. There may be significant intellectual property related litigation and proceedings relating to our owned and in-licensed, and other third party, intellectual property and proprietary rights in the future. Numerous third-party issued patents exist in this area of biotechnology, including relating to the modification of T cells and the production of CAR-T cells, and including patents held or controlled by our competitors, such as Nanjing Legend Biotech, bluebird Bio, Inc., Allogene, Inc. Juno Therapeutics, Inc. (acquired by Celgene Corporation), Kite Pharma, Inc. (a Gilead Sciences, Inc. company), Poseida Therapeutics, Celyad, Novartis AG and other companies or academic institutions. Because of the large number of patents issued and patent applications filed in our field, these and other third parties could allege they have patent rights encompassing our product candidates, technologies or methods.

There is a substantial amount of intellectual property litigation in the biotechnology and pharmaceutical industries, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our technology or product candidates, including interference proceedings, post-grant review, *inter partes* review and derivation proceedings before the USPTO and similar proceedings in foreign jurisdictions. Intellectual property disputes arise in a number of areas including with respect to patents, use of other proprietary rights and the contractual terms of license arrangements. Third parties may assert claims against us based on existing or future intellectual property rights and claims may also come from competitors against whom our own patent portfolio may have no deterrent effect. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. Other parties may allege that our product candidates or the use of our technologies infringes patent claims or other intellectual property rights held by them or that we are employing their proprietary technology without authorization. As we continue to develop and, if approved, commercialize our current and future product candidates, competitors may claim that our technology infringes, misappropriates or otherwise violates their intellectual property rights as part of business strategies designed to impede our successful commercialization. There are and may in the future be additional third-party patents or patent applications with claims to, for example, materials, compositions, formulations, methods of manufacture or methods for treatment related to the use or manufacture of any one or more of our product candidates. Moreover, we may fail to identify relevant third-party patents or patent applications, or we may incorrectly conclude that the claims of an issued patent are invalid, unenforceable or are not infringed by our activities.

Because patent applications can take many years to issue, third parties may have currently pending patent applications which may later result in issued patents that any of our product candidates may infringe, or which such third parties claim to be infringed by our technologies. As the CAR-T therapy field expands and more patents are issued, the risk increases that our proprietary and modular CAR-T cell technology and product candidates may give rise to claims of infringement of the patent rights of others. Moreover, it is not always clear to industry participants, including us, which patents cover various types of therapies, products or their methods of use or manufacture. Because of the large number of patents issued and patent applications filed in our field, third parties may allege they have patent rights encompassing our product candidates, technologies or methods. Third parties may assert that we are employing their proprietary technology without authorization and may file patent infringement claims or lawsuit against us, and if we are found to infringe such third-party patents, we may be required to pay damages, cease commercialization of the infringing technology, or obtain a license from such third parties, which may not be available on commercially reasonable terms or at all.

Even if we would have valid defenses against any assertion of such patents against us, such defenses may be unsuccessful. There is no assurance that a court would find in our favor on questions of infringement, validity, enforceability, or priority. A court of competent jurisdiction could hold that these third-party patents are valid, enforceable, and infringed, which could materially and adversely affect our ability to commercialize any product candidates we may develop and any other product candidates or technologies covered by the asserted third party patents. If any of our products is found to infringe any of these patents, we could be required to obtain a license

from the respective patent owners, or, if applicable, their licensees, to continue developing, manufacturing, marketing, selling and commercializing such products. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving the licensor and other third parties the right to use the same technologies licensed to us, and it could require us to make substantial licensing, royalty and other payments. We also could be forced, including by court order, to permanently cease development, manufacturing, marketing and commercializing the applicable products. In addition, we could be found liable for significant monetary damages, including treble damages and attorneys' fees, if we are found to have willingly infringed any such patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative effect on our business. Even if successful, the defense of any claim of infringement or misappropriation is time-consuming, expensive and diverts the attention of our management from our ongoing business operations. Some third-parties may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our ADSs. Any of the foregoing could have a material adverse effect on our business.

Changes in United States and Chinese patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biotech and pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involve 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 could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of our issued patents.

Intellectual property laws in China are constantly evolving, with efforts being made to improve intellectual property protection in China, which currently may not be sufficient to protect our intellectual property in China. For example, a draft amendment to the PRC Patent Law ("Draft Amendment to the PRC Patent Law") was released in July 2020 and proposes to introduce patent extensions to eligible innovative drug patents. If adopted, the patents owned by third parties may be extended, which may in turn affect our ability to commercialize our product candidates (if approved) without facing infringement risks. The adoption of this Draft Amendment to the PRC Patent Law may enable the patent owner to submit applications for a patent term extension. The length of any such extension is uncertain. If we are required to delay commercialization for an extended period of time, technological advances may develop and new products may be launched, which may render our product non-competitive. We also cannot guarantee that other changes to Chinese intellectual property laws would not have a negative impact on our intellectual property protection.

In the United States, changes in either the patent laws or interpretation of the patent laws could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents and may affect the scope, strength and enforceability of our patent rights or the nature of proceedings that may be brought by or against us related to our patent rights. Assuming that other requirements for patentability are met, prior to March 2013, in the United States, the first to invent the claimed invention was entitled to the patent, while outside the United States, the first to file a patent application was entitled to the patent. After March 2013, under the Leahy-Smith America Invents Act, or the America Invents Act, enacted in September 2011, the United States transitioned to a first inventor to file system in which, assuming that other requirements for patentability are met, the first inventor 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. This will require us to be cognizant going forward of the time from invention to filing of a patent application. Since patent applications in the United States and most other countries are confidential for a period of time after filing or until issuance, we cannot be certain that we were the first to either file any patent application related to our technology

or product candidates or invent any of the inventions claimed in our patents or patent applications. The America Invents Act also includes a number of significant changes that affect the way patent applications will be prosecuted and also may affect patent litigation. These include allowing 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. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. However, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

The life of patent protection is limited, and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly with us after our patent expires, which could materially and adversely affect our ability to commercialize our products and technologies.

The life of a patent and the protection it affords is limited. For example, in the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. In China, the expiration of an invention patent is 20 years from its filing date and the expiration of a utility model patent or industrial design is ten years from its filing date. The Draft Amendment to the PRC Patent Law proposed to introduce patent extensions to patents of new drugs that launched in the PRC, the adoption of which may enable the patent owner to submit applications for a patent term extension. The length of any such extension is uncertain. Even if we successfully obtain patent protection for an approved drug candidate, it may face competition from generic or biosimilar medications. Manufacturers of generic or biosimilar drugs may challenge the scope, validity or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would materially adversely affect any potential sales of that product.

Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such drug candidates might expire before or shortly after such drug candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Even if we believe that we are eligible for certain patent term extensions, there can be no assurance that the applicable authorities, including the FDA and the USPTO in the United States, and any equivalent regulatory authority in other countries, will agree with our assessment of whether such extensions are available, and such authorities may refuse to grant extensions to our patents, or may grant more limited extensions than we request. For example, depending upon the timing, duration and specifics of any FDA marketing approval of any product candidates we may develop, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Action of 1984, or Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent extension term of up to five years as compensation for patent term lost during the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension or

term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business could be harmed.

The pending patent applications, if issued, for our product candidates are expected to expire on various dates as described in “Business—Intellectual Property.” Upon the expiration of our patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors, which would materially adversely affect our business, financial condition, results of operations and prospects.

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

We generally enter into confidentiality and intellectual property assignment arrangements with our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors. However, these agreements may be breached and may not effectively assign intellectual property rights to us. For example, disputes may arise from conflicting obligations of consultants or others who are involved in developing our technology and product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship or ownership. 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 use, 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.

We may become involved in lawsuits to protect or enforce our patents and other intellectual property, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe, misappropriate or otherwise violate our patents, trademarks, copyrights, trade secrets or other intellectual property. In addition, our patents also are, and may in the future become, involved in inventorship or priority disputes. To counter or defend against infringement, misappropriation, violation or unauthorized use, we may be required to file claims, which can be expensive and time-consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringed, misappropriated or otherwise violated their patents, trademarks, copyrights, trade secrets or other intellectual property. In addition, in a patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent’s claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patents do not cover the invention. An adverse outcome in a litigation or proceeding involving our patents could limit our ability to assert our patents against those parties or other competitors, could put one or more of our owned patents at risk of being invalidated or interpreted narrowly and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

In any infringement or other intellectual property-related litigation, any award of monetary damages we receive may not be commercially valuable. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our ADSs. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement,

misappropriation or violation claims, which typically last for years before they are concluded. 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. Uncertainties resulting from the initiation and continuation of patent or other intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel for significant periods of time during such litigation could outweigh any benefit we receive as a result of the proceedings. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing, misappropriating, violating or successfully challenging our intellectual property rights. Uncertainties resulting from the initiation and continuation of patent or other intellectual property litigation or other proceedings could have a negative impact on our ability to compete in the marketplace.

If we initiate legal proceedings against a third-party to enforce a patent covering a product candidate we may develop or our technologies, the defendant could counterclaim that such patent is invalid or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including 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 information from the USPTO, or made a misleading statement, during prosecution. Third parties may raise challenges to the validity of certain of our patent claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include re-examination, post-grant review, *inter partes* review, interference proceedings, derivation proceedings, and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings). Such proceedings could result in the revocation of, cancellation of, or amendment to our patents in such a way that they no longer cover our technologies or product candidates that we may develop. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we or our licensing partners and the patent examiner were unaware during prosecution. If a third party were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our technologies or product candidates that we may develop. Such a loss of patent protection would have a material adverse impact on our business.

Conversely, we may choose to challenge the patentability of claims in a third-party's U.S. patent by requesting that the USPTO review the patent claims in re-examination, post-grant review, *inter partes* review, interference proceedings, derivation proceedings, and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings). We may also in the future choose to challenge, third party patents in patent opposition proceedings in the EPO or another foreign patent office. Even if successful, the costs of these opposition proceedings could be substantial, and may consume our time or other resources. If we fail to obtain a favorable result at the USPTO, EPO or other patent office then we may be exposed to litigation by a third party alleging that the patent may be infringed by our product candidates, proprietary and modular CAR-T cell technology or other or proprietary technologies.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our personnel from their normal responsibilities. 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, there could be public announcements of the results of hearings, motions, or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our ADSs. Such litigation or proceedings could substantially increase our operating losses 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. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to seeking patent and trademark protection for our technology and product candidates, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. Trade secrets and know-how can be difficult to protect. We seek to protect our trade secrets and other proprietary technology, in part, by entering into non-disclosure and confidentiality arrangement with parties who have access to them, such as our employees, CROs and other third parties. We also enter into confidentiality and invention or intellectual property assignment arrangement with our employees, CROs and other third parties. We cannot guarantee that we have entered into such arrangement with each party that may have or have had access to our trade secrets or proprietary technology and processes. Despite these efforts, any of these parties may breach the arrangements and disclose our proprietary information, including our trade secrets. Monitoring unauthorized uses and disclosures of our intellectual property is difficult, and we do not know whether the steps we have taken to protect our intellectual property will be effective. In addition, we may not be able to obtain adequate remedies for any such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts in the United States or in other jurisdictions are less willing or unwilling to protect trade secrets.

In addition to contractual measures, we try to protect the confidential nature of our proprietary information through other appropriate precautions, such as physical and technological security measures. However, trade secrets and know-how can be difficult to protect. These measures may not, for example, in the case of misappropriation of a trade secret by an employee or third party with authorized access, provide adequate protection for our proprietary information. Our security measures may not prevent an employee or consultant from misappropriating our trade secrets and providing them to a competitor, and any recourse we might take against this type of misconduct may not provide an adequate remedy to protect our interests fully.

Moreover, our competitors or other third parties may independently develop knowledge, methods and know-how equivalent to our trade secrets. Competitors or other third parties could purchase our products and replicate some or all of the competitive advantages we derive from our development efforts for technologies on which we do not have patent protection. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third parties, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor or other third parties, our competitive position would be harmed.

In addition, some courts inside and outside the United States are sometimes less willing or unwilling to protect trade secrets. If we choose to go to court to stop a third party from using any of our trade secrets, we may incur substantial costs. Even if we are successful, these types of lawsuits may consume our time and other resources. Any of the foregoing could have a material adverse effect on our business

We are currently party to several in-license agreements under which we have the rights to use, develop, manufacture and/or commercialize certain of our technology platforms and resulting product candidates. If we breach our obligations under these agreements, we may be required to pay damages, lose our rights to these technologies or both, which would adversely affect our business and prospectus.

We rely, in part, on license and other strategic agreements, which subject us to various obligations, including diligence obligations with respect to development and commercialization activities, payment

obligations for achievement of certain milestones and royalties on product sales, negative covenants and other material obligations. For example, we received a license from ProMab Biotechnologies, Inc. to develop and commercialize certain CAR-T technology related to our GC007g product candidate in the field of human therapeutics in Greater China. If we fail to comply with the obligations under our license agreements, including as a result of COVID-19 impacting our operations, or use the intellectual property licensed to us in an unauthorized manner, we may be required to pay damages and our licensors may have the right to terminate the license. If our license agreements are terminated, we may not be able to develop, manufacture, market or sell the products covered by our agreements and those being tested or approved in combination with such products. Such an occurrence could materially adversely affect the value of the product candidates being developed under any such agreement.

Disputes may arise regarding intellectual property subject to, and any of our rights and obligations under, any license or other strategic agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe, misappropriate or violate the intellectual property of the licensor that is not subject to the license agreement;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the sublicensing of patent and other rights to third parties under any such agreement or collaborative relationships;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

In addition, the agreements under which we license intellectual property or technology to or from third parties 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 technology or increase what we believe to be our financial or other obligations under the relevant agreement, 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 licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates.

Our business also would suffer if any current or future licensors fail to abide by the terms of the license, if the licensors fail to enforce licensed patents against infringing third parties, if the licensed patents or other rights are found to be invalid or unenforceable, or if we are unable to enter into necessary licenses on acceptable terms. Moreover, our licensors may own or control intellectual property that has not been licensed to us and, as a result, we may be subject to claims, regardless of their merit, that we are infringing, misappropriating or otherwise violating the licensor's rights.

If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to seek alternative options, such as developing new product candidates with design-around technologies, which may require more time and investment, or abandon development of the relevant research programs or product candidates and our business, financial condition, results of operations and prospects could suffer.

We may need to license intellectual property from third parties, and such licenses may not be available or may not be available on commercially reasonable terms or at all.

A third-party may hold intellectual property rights, including patent rights, that are important or necessary to the development or manufacture of our product candidates. It may be necessary for us to use the patented or proprietary technology of third parties to commercialize our product candidates, in which case we would be required to obtain a license from these third parties. Such a license may not be available on commercially reasonable terms, or at all, and we could be forced to accept unfavorable contractual terms. In that event, we may be required to expend significant time and resources to redesign our technology, product candidates, or the methods for manufacturing them or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, our business could be harmed.

The licensing or acquisition of third-party intellectual property rights is a competitive area, and several more established companies may pursue strategies to 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, capital 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 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 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 program or product candidate, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may wish to form collaborations in the future with respect to our product candidates, but may not be able to do so or to realize the potential benefits.

The development and potential commercialization of our product candidates will require substantial additional capital to fund expenses. We may, in the future, decide to collaborate with other biopharmaceutical companies for the development and potential commercialization of those product candidates, including in territories outside the United States or for certain indications. We will face significant competition in seeking appropriate collaborators. We may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at a stage of development too early for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy. If and when we collaborate with a third-party for development and commercialization of a product candidate, we can expect to relinquish some or all of the control over the future success of that product candidate to the third-party. Our ability to reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of our technologies, product candidates and market opportunities. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate. We may also be restricted under any license agreements from entering into agreements on certain terms or at all with potential collaborators.

Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators and changes to the strategies of the combined company. As a result, we may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of such product candidate, reduce or delay one or more of our other development programs, delay the potential commercialization or reduce the scope of any planned sales or marketing activities for such product candidate, or increase our expenditures and undertake development, manufacturing or commercialization activities at our own expense. If we elect to increase our expenditures to fund development, manufacturing or commercialization activities on our own, we may need to obtain additional

capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

Additionally, we may collaborate with academic institutions to accelerate our preclinical research or development under written agreements with these institutions. In certain cases, these institutions provide us with an option to negotiate a license to any of the institution's rights in technology resulting from the collaboration. Even if we hold such an option, we may be unable to negotiate a license from the institution within the specified timeframe or under terms that are acceptable to us. If we are unable to do so, the institution may offer the intellectual property rights to others, potentially blocking our ability to pursue our program.

Our product candidates may also require specific components to work effectively and efficiently, and rights to those components may be held by others. We may be unable to in-license any compositions, methods of use, processes or other third-party intellectual property rights from third parties that we identify. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms or at all, which would harm our business. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In that event, we may be required to expend significant time and resources to develop or license replacement technology.

Any trademarks we may obtain may be infringed or successfully challenged, resulting in harm to our business.

We expect to rely on trademarks as one means to distinguish any of our product candidates that are approved for marketing from the products of our competitors. We have not yet selected trademarks for our product candidates and have not yet begun the process of applying to register trademarks for our product candidates. Once we select trademarks and apply to register them, our trademark applications may not be approved. Third parties may oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition and could require us to devote resources to advertising and marketing new brands. Our competitors may infringe our trademarks and we may not have adequate resources to enforce our trademarks.

In addition, any proprietary name we propose to use with our clinical-stage product candidates or any other product candidate in the United States must be approved by the FDA, regardless of whether we have registered it, or applied to register it, as a trademark. The FDA typically conducts a review of proposed product names, including an evaluation of the potential for confusion with other product names. If the FDA objects to any of our proposed proprietary product names, we may be required to expend significant additional resources in an effort to identify a suitable proprietary product name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA. The NMPA may also object to our proposed proprietary product name that infringes the existing rights of third parties.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our business, financial condition, results of operations and growth prospects.

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

Filing, prosecuting and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States could

be less extensive than those in the United States. In some cases, we may not be able to obtain patent protection for certain technology outside the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States, even in jurisdictions where we do pursue patent protection. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, even in jurisdictions where we do pursue patent protection or from selling or importing products made using our inventions in and into the United States or other jurisdictions.

Competitors may use our technologies in jurisdictions where we have not pursued and obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our product candidates and preclinical programs and 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 certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents, if pursued and obtained, or marketing of competing products in violation of our intellectual property and other proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs 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. Moreover, the initiation of proceedings by third parties to challenge the scope or validity of our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to enforce our intellectual property and proprietary rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations, and prospects may be adversely affected.

Obtaining and maintaining our 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.

Periodic maintenance, renewal fees, annuity fees and various other government fees on patents and applications are due to be paid to the USPTO and patent agencies outside the United States in several stages over the lifetime of the patent and applications. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we fail to maintain the patents and patent

applications covering our products or product candidates, our competitors might be able to enter the market, which would harm our business.

Intellectual property rights do not necessarily address all potential threats.

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. For example:

- any product candidates we may develop will eventually become commercially available in generic or biosimilar product forms;
- others may be able to make products that are similar to any product candidates we may develop or utilize similar technology but that are not covered by the claims of the patents that we may own or license now or in the future;
- we, or any future license partners or collaborators, might not have been the first to make the inventions covered by the issued patent or pending patent application that we own or license now or in the future;
- we, or any future license partners or collaborators, might not have been the first to file patent applications covering certain of our or their inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible that our pending patent applications or those that we may own in the future will not lead to issued patents;
- it is possible that there are prior public disclosures that could invalidate our issued patents, or parts of our issued patents;
- it is possible that there are unpublished applications or patent applications maintained in secrecy that may later issue with claims covering our product candidates or technology similar to ours;
- issued patents that we hold rights to may be held invalid or unenforceable, including as a result of legal challenges by our competitors;
- the claims of our patent applications, if and when issued, may not cover our product candidates;
- 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 products for sale in our major commercial markets;
- the laws of foreign countries may not protect our proprietary rights or the proprietary rights of license partners or current or future collaborators to the same extent as the laws of the United States;
- the inventors of our patent applications may become involved with competitors, develop products or processes that design around our patents, or become hostile to us or the patents or patent applications on which they are named as inventors;
- we engage in scientific collaborations and will continue to do so in the future, and our collaborators may develop adjacent or competing products that are outside the scope of our patents;
- any product candidates we develop may be covered by third parties' patents or other exclusive rights;
- the patents of others may harm our business;
- we may not develop additional proprietary technologies that are patentable; and
- we may choose not to file a patent in order to maintain certain trade secrets or know-how, and a third-party may subsequently file a patent covering such intellectual property.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Risks Related to Our Corporate Structure

The uncertainties in the PRC legal system may subject our contractual arrangements to different interpretations or enforcement challenges, or subject us to severe penalties or force us to relinquish our interests in our operations.

We are a Cayman Islands exempted company and we obtain control over our VIE, Gracell Biotechnologies (Shanghai) Co., Ltd., or Shanghai Gracell Biotech, through our wholly owned PRC subsidiary, Gracell Bioscience (Shanghai) Co., Ltd., or Gracell Bioscience or our WFOE, by entering into a series of contractual arrangements by and among our WFOE, our VIE, and its shareholders, which enable us to (i) exercise effective control over our VIE, (ii) receive economic benefits from our VIE that potentially could be significant to our VIE, and (iii) have an exclusive option to purchase all or part of the equity interests and assets in our VIE, when and to the extent permitted by PRC laws. As a result of these contractual arrangements, we have control over and are the primary beneficiary of our VIE and hence consolidate its financial results under U.S. GAAP. See “Corporate History and Structure” for further details.

Our PRC legal counsel, AllBright Law Offices, based on its understanding of the relevant laws and regulations, is of the opinion that (i) the ownership structure of our WFOE, our VIE and its subsidiary are in compliance with applicable PRC laws or regulations and (ii) such contractual arrangements constitute valid, legal and binding obligations enforceable against each party of such agreements in accordance with the terms of each agreement, and will not result in any violation of PRC laws or regulations currently in effect. However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel.

If we or our VIE are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- discontinuing or placing restrictions or onerous conditions on our operation through any transactions between our WFOE and our VIE;
- imposing fines, confiscating the income from our WFOE or our VIE, or imposing other requirements with which we or our VIE may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our VIE and deregistering the equity pledges of our VIE, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our VIE;
- restricting or prohibiting our use of the proceeds of this offering to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business;
- confiscating any of our income deemed to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions against us that could be harmful to our business.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business. In addition, it is unclear what impact the PRC government actions would have on us and on

our ability to consolidate the financial results of our VIE in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of our VIE or our right to receive substantially all the economic benefits and residual returns from our VIE and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to exert effective control over or consolidate the financial results of our VIE in our consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have a material adverse effect on our financial condition and results of operations.

We rely on contractual arrangements with our VIE to use, or otherwise benefit from, the foreign restricted licenses and permits, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with Shanghai Gracell Biotech, our VIE, and its shareholders, and its subsidiary to operate our business in China. These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIE. For example, our VIE and its shareholders could breach their contractual arrangements with us by, among other things, failing to conduct their operations in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of our VIE, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by our VIE and its shareholders of their respective obligations under the contracts to exercise control over our VIE. The shareholders of our VIE may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portion of our business through the contractual arrangements with our VIE. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through arbitration, litigation or other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. Therefore, our contractual arrangements with our VIE may not be as effective in controlling our business operations as direct ownership.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current structure, our business, financial condition and results of operations.

On March 15, 2019, the Standing Committee of the National People's Congress of the PRC passed the Foreign Investment Law of the People's Republic of China ("Foreign Investment Law"), which took effect on January 1, 2020 and replaced three existing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations. Among other things, the Foreign Investment Law defines the "foreign investment" as the investment activities in China conducted by foreign individuals, enterprises and other organizations (collectively, the "Foreign Investors") in a direct or indirectly manner, including any of the following circumstances: (1) the foreign investor establishes a foreign-invested enterprise within the territory of China, independently or jointly with any other investor; (2) the foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China; (3) the foreign investor makes investment to initiate a new project within the territory of China, independently or jointly with any other investor; and (4) the foreign investor makes investment in any other way stipulated by laws, administrative regulations or provisions of the State Council. The Foreign Investment Law leaves uncertainty with respect to whether Foreign Investors control PRC onshore variable interest entities via contractual arrangements will be recognized as "foreign investment". PRC governmental authorities will administrate foreign investment by applying the principal of pre-entry national treatment together with a "negative list" (the "Negative List", which shall be promulgated by or promulgated with approval by the State Counsel), to be specific, Foreign Investors are prohibited from making any investments in the fields which are

catalogued into prohibited industries for foreign investment based on the Negative List, while Foreign Investors are allowed to make investments in the restricted industries provided that all the requirements and conditions as set forth in the Negative List have been satisfied; when Foreign Investors make investments in the fields other than those included in the Negative List, the national treatment principle shall apply. Besides, certain approval and/or filing requirements shall be fulfilled in accordance with applicable foreign investment laws and regulations.

The operations that we conduct through our VIE and its subsidiary may be subject to the latest version of the “negative list”, namely, the Special Management Measures (Negative List) for the Access of Foreign Investment (2020), which became effective on July 23, 2020 (the “2020 Negative List”), or any successor regulations. If our control over our VIE through contractual arrangements are deemed as foreign investment in the future, and any business of our VIE is restricted or prohibited from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over our VIE may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operation and consequently affecting our ability to prepare for and seek approval and commercialization of our product candidates both in China and elsewhere.

The shareholders of our VIE may have actual or potential conflicts of interest with us and fail to perform their obligations under our contractual arrangements, which, in turn, may adversely affect our business and financial condition.

The shareholders of our VIE may have potential conflicts of interest with us. For example, Dr. William Wei Cao is one of the shareholders of our VIE. Dr. Cao is also our founder, chairman and chief executive officer. Any shareholder of our VIE may breach, or cause our VIE to breach, or refuse to renew, the existing contractual arrangements we have with any of them and our VIE, which would have a material and adverse effect on our ability to effectively control our VIE and receive substantially all the economic benefits from them. For example, the shareholders may be able to cause our agreements with our VIE to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. There can be no assurance that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in our VIE to a PRC entity or individual designated by us, to the extent permitted by PRC laws. For the shareholders who are also our directors and executive officers, we rely on them to abide by the laws of the Cayman Islands and China, which provide that directors owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gain. There is currently no specific and clear guidance under PRC laws that addresses any conflict between PRC laws and laws of Cayman Islands in respect of any conflict relating to corporate governance. The shareholders of our VIE have executed powers of attorney to appoint our WFOE to vote on their behalf and exercise voting rights as shareholders of our VIE. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of our VIE, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

Under our current contractual arrangements, (i) the spouse of the individual shareholders of our VIE has executed a spousal consent letter, under which such spouse agrees that she will not raise any claims against the equity interest, and will take every action to ensure the performance of the contractual arrangements, and (ii) the VIE and its shareholders shall not assign any of their respective rights or obligations to any third party without the prior written consent of our WFOE. However, we cannot assure you that these undertakings and

arrangements will be complied with or effectively enforced. The shareholders of our VIE may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in our VIE and the validity or enforceability of our contractual arrangements with its shareholders. For example, in the event that any of the shareholders of our VIE divorces his or her spouse, the spouse may claim that the equity interest of our VIE held by such shareholder is part of their community property and should be divided between such shareholder and his or her spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder's spouse or another third-party who is not subject to obligations under our contractual arrangements, which could result in a loss of the effective control over our VIE by us. Similarly, if any of the equity interests of our VIE is inherited by a third-party with whom the current contractual arrangements are not binding, we could lose our control over our VIE or have to maintain such control by incurring unpredicted costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

Contractual arrangements in relation to our VIE may be subject to scrutiny by the PRC tax authorities and they may determine that we or our VIE owes additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Enterprise Income Tax Law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We may face material and adverse tax consequences if the PRC tax authorities determine the contractual arrangements among our WFOE, our VIE and VIE's shareholders were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust the income of our VIE in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our VIE for PRC tax purposes, which could increase our tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on our VIE for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our VIE's tax liabilities increase or if it is required to pay late payment fees and other penalties.

We may lose the ability to use and enjoy assets held by our VIE and its subsidiary that are important to our business if our VIE and its subsidiary declare bankruptcy or become subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with our VIE, our VIE and its subsidiary hold certain assets that are material to the operation of certain portion of our business, including permits, domain names and certain of our IP rights. If our VIE and its subsidiary declare bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, our VIE may not, in any manner, sell, transfer, mortgage or dispose of its assets or legal or beneficial interests in the business without our prior consent. If our consolidated affiliated entity undergoes a voluntary or involuntary liquidation proceeding, the independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

If the chops of our PRC subsidiary, our VIE and its subsidiary, are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a

company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our WFOE and VIE are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorized persons, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

Our contractual arrangements are governed by PRC law. Accordingly, these contracts would be interpreted in accordance with PRC law, and any disputes would be resolved in accordance with PRC legal procedures, which may not protect you as much as those of other jurisdictions, such as the United States.

All the agreements under our contractual arrangements with our VIE and its equity owners are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a VIE should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our VIE, and our ability to conduct our business may be negatively affected.

Risks Related to Doing Business in China

The pharmaceutical industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drugs.

Currently, a material portion of our research and development operations and manufacturing facilities are in China, which we believe confers clinical, commercial and regulatory advantages. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new drugs. See “Regulation—PRC Regulation” for a discussion of the regulatory requirements that are applicable to our current and planned business activities in China. For example, under PRC law, before we or our subsidiaries commence a clinical trial with a PRC partner, an approval or filing, as the case may be, needs to be obtained in advance for any projects involving international collaboration in respect of human genetic resources in order to collect any biological samples that contain the genetic material of Chinese human subjects. Any failure to obtain such approval or filing could cause relevant collaboration projects to be suspended by governing authorities, may result in fines and also may constitute a breach under our agreements with certain CROs. Investigator-initiated trials cannot be implemented in a medical and healthcare institution without first being approved by such medical and healthcare institution. Such medical and healthcare institution shall file such approval to the medical and healthcare authority which issues its operating license for record. Furthermore, under relevant PRC laws, a license for use of laboratory animals is required for performing experimentation on animals. Any failure of fully comply with such requirement may result in the invalidation of our experimental data. In recent years, the regulatory framework in

China regarding the pharmaceutical 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 drug candidates in China and reduce the current benefits we believe are available to us from developing and manufacturing drugs in China. PRC authorities have become increasingly vigilant in enforcing laws in the pharmaceutical industry and any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China. We believe our strategy and approach are aligned with the PRC government's regulatory policies, but we cannot ensure that our strategy and approach will continue to be aligned.

The Chinese economy differs from the economies of most developed countries in many respects, including a higher level of government involvement, the ongoing development of a market-oriented economy, a higher level of control over foreign exchange, and a less efficient allocation of resources.

While the PRC economy has experienced significant growth since the late 1970s, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. These measures are intended to benefit the overall PRC economy, but may also have a negative effect on us. For example, our business, financial condition and results of operations could be adversely affected by PRC government control over capital investments or changes in regulations that are applicable to us.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s that emphasize the utilization of market forces for economic reform, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

The PRC legal system contains uncertainties, which could limit the legal protections available to you and to us.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. Our PRC subsidiary is subject to laws and regulations applicable to foreign-invested enterprises in China. In particular, they are subject to PRC laws, rules and regulations governing foreign companies' ownership and operation of pharmaceutical businesses. Such laws and regulations are subject to change, and their interpretation and enforcement involve uncertainties, which could limit the legal protections available to us and our investors. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement of such laws, or the preemption of local regulations by PRC laws, rules and regulations.

Moreover, China has a civil law system based on written statutes, which, unlike common law systems, is a system in which decided judicial cases have little precedential value. Furthermore, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of litigation. In addition, enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement within China. All such uncertainties could materially and adversely affect our business, financial condition and results of operations.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the prospectus based on foreign laws. It may also be difficult for overseas regulators or you to conduct investigations or collect evidence within China.

We are an exempted company incorporated under the laws of the Cayman Islands. We conduct a material portion of our operations in China and a material portion of our assets are located in China. In addition, many of our senior executive officers and directors reside within China for a significant portion of the time and some of them are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or those persons inside China. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would (i) recognize or enforce judgments of U.S. courts against us or our directors or officers that are predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in the Cayman Islands against us or our directors or officers that are predicated upon the federal securities laws of the United States or the securities laws of any state in the United States.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws, regulations and interpretations based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or the public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

It may also be difficult for you or overseas regulators to conduct investigations or collect evidence within China. For example, in China, there are significant legal and other obstacles to obtaining information, documents and materials needed for regulatory investigations or litigation outside China or otherwise with respect to foreign entities. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such regulatory cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no entity or individual may provide the documents and materials relating to securities business activities to overseas parties. While detailed interpretation of or implementing rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

We may be restricted from transferring our scientific data abroad.

On March 17, 2018, the General Office of the PRC State Council promulgated the Measures for the Management of Scientific Data, or the Scientific Data Measures, which provide a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, researchers conducting research funded, at least in part, by the PRC government may be required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Currently, as the term “state secret” is not clearly defined, there is no assurance that we can always obtain relevant approvals for

sending scientific data (such as the results of our pre-clinical studies or clinical trials conducted within China) abroad, or to our foreign partners in China.

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

Changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.

The U.S. government has recently made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies, including imposing several rounds of tariffs affecting certain products manufactured in China. In March 2018, U.S. President Donald J. Trump announced the imposition of tariffs on steel and aluminum entering the United States and in June 2018 announced further tariffs targeting goods imported from China. Recently both China and the United States have each imposed tariffs indicating the potential for further trade barriers. It is unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry. While we have not started commercialization of drug candidates, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our drug products, the competitive position of our 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 prevent us from selling our drug products in certain countries. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on our business, financial condition and results of operations.

Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our operations.

In the past, local governments in China granted certain financial incentives from time to time to our VIE and its subsidiary as part of their efforts to encourage the development of local businesses. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Governments authorities may decide to reduce or eliminate incentives or may amend or terminate the relevant financial incentive policies at any time. In addition, some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable agreements and completion of the specific obligations therein. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations. In addition, according to relevant PRC tax laws and regulations, enterprises in the PRC are entitled to tax preferences when certain requirements and qualifications are satisfied.

We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries incorporated in China. We may rely on dividends paid by these PRC subsidiaries for our cash needs, including

the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. In accordance with the Article 166, 168 of the Company Law of the PRC (Amended in 2018), each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory common reserve fund of a company shall be used to cover the losses of the company, expand the business and production of the company or be converted into additional capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. As of September 30, 2020, our PRC subsidiaries have not generated any after-tax profit and therefore have not set aside any capital reserve fund.

Dividends we receive from our subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders.

The PRC Enterprise Income Tax Law classifies enterprises as resident enterprises and non-resident enterprises. The PRC Enterprise Income Tax Law provides that an income tax rate of 20% may be applicable to dividends payable to non-resident investors, which (i) do not have an establishment or place of business in the PRC, or (ii) have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The State Council of the PRC reduced such rate to 10% through the implementation regulations of the PRC Enterprise Income Tax Law. Further, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and Mainland China, or the Double Tax Avoidance Arrangement, and the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued in February 2009 by the State Administration of Taxation of the PRC, or the SAT, if a Hong Kong resident enterprise owns more than 25% of the equity interest in a company in China at all times during the 12-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5% provided that certain other conditions and requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws are satisfied at the discretion of relevant PRC tax authority.

If our British Virgin Island subsidiary and our Hong Kong subsidiary are considered as non-resident enterprises and our Hong Kong subsidiary is considered as a Hong Kong resident enterprise under the Double Tax Avoidance Arrangement and is determined by the competent PRC tax authority to have satisfied relevant conditions and requirements, then the dividends paid to our Hong Kong subsidiary by its PRC subsidiary may be subject to the reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. In addition, based on the Announcement of the State Administration of Taxation on Issues Relating to Beneficial Owner in Tax Treaties, effective from April 1, 2018, under certain conditions a company cannot be defined as a beneficial owner under the treaty and thus are not entitled to the abovementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. If we are required under the PRC Enterprise Income Tax Law to pay income tax for any dividends we receive from our subsidiaries in China, or if our Hong Kong subsidiary is determined by PRC government authority as receiving benefits from reduced income tax rate due to a structure or arrangement that is primarily tax-driven, it would materially and adversely

affect the amount of dividends, if any, we may pay to our shareholders and may also have an adverse impact on the value of our ADSs or ordinary shares.

If we are classified as a “resident enterprise” of China under the PRC Enterprise Income Tax Law, we and our non-PRC shareholders could be subject to unfavorable tax consequences, and our business, financial condition and results of operations could be materially and adversely affected.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside the PRC with “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 and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, SAT issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of board members with voting rights or senior executives habitually reside in the PRC.

We believe that we are not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of the ADSs. In addition, non-resident enterprise shareholders, including our ADS holders, may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders, including our ADS holders, and any gain realized on the transfer of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20%, which in the case of dividends may be withheld at source. Any PRC tax liability may be reduced by an applicable tax treaty. However, it is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our ADSs or ordinary shares.

SAT Public Notice 7 further clarifies that, if a non-resident enterprise derives income by acquiring and selling shares in an offshore listed enterprise in the public market, such income will not be subject to PRC tax. However, there is uncertainty as to the application of SAT Bulletin 37 and SAT Public Notice 7, we and our non-PRC resident shareholders may be required to file a return and being taxed under SAT Bulletin 37 and SAT Public Notice 7.

In addition to the uncertainty as to the application of the “resident enterprise” classification, we cannot assure you that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements or higher tax rates. Any of such changes could materially and adversely affect our financial condition and results of operations.

Governmental control of currency conversion may affect the value of your investment.

Currently, the RMB cannot be freely converted into any foreign currency. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency dominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, for most capital account items, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the ADSs.

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

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund, or IMF, completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, the RMB is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the euro, the Japanese yen and the British pound. Since the fourth quarter of 2016, the RMB has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. With the development of the foreign exchange market and progress toward interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

Significant revaluation of the RMB may have a negative effect on your investment. For example, to the extent that we need to convert U.S. dollars we receive from this offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. As of the date of this prospectus, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency or to convert foreign currency into RMB.

PRC regulations relating to offshore investment activities by PRC residents and enterprises may increase our administrative burden and restrict our overseas and cross-border investment activity. If our PRC resident and enterprise shareholders fail to make any required applications and filings under such regulations, we may be unable to distribute profits to such shareholders and may become subject to liability under PRC law.

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, which replaces the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round-tripping Investment via Overseas Special Purpose, or SAFE Circular 75. SAFE Circular 37 requires PRC residents, including PRC individuals and PRC corporate entities, to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we may make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, are required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its registration with the local branch of SAFE with respect to that SPV, to reflect any change of basic information or material events. If any PRC resident shareholder of such SPV fails to make the required registration or to update the registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China. In February 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound direct investments, including those required under SAFE Circular 37, shall be filed with qualified banks instead of SAFE. Qualified banks should examine the applications and accept registrations under the supervision of SAFE. Due to the inherent uncertainty in PRC government authorities' implementation of the regulations, SAFE Circular 37 registration may not always be practically available under all circumstances prescribed in these regulations.

We may not be aware of the identities of all of our beneficial owners who are PRC residents. To our knowledge, some of our beneficial owners have not complied with SAFE registration requirements under SAFE Circular 37 and subsequent implementation rules on time or at all. However, we do not have control over our beneficial owners and cannot compel them to comply with SAFE Circular 37 and subsequent implementation rules. Therefore, we cannot assure you that any required registration under SAFE Circular 37 and any amendment has been or will be completed in a timely manner, or at all. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiary to fines and legal sanctions, or could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiary and limit our PRC subsidiary's ability to distribute dividends to us. These risks may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, as these foreign exchange and outbound investment related regulations and their interpretation and implementation have been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border investments and transactions, will be interpreted, amended and implemented

by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. We cannot assure you that we have complied or will be able to comply with all applicable foreign exchange and outbound investment related regulations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiary.

As an offshore holding company of our PRC operating subsidiary, we may make loans or additional capital contributions to our PRC subsidiary, subject to satisfaction of applicable governmental registration and approval requirements.

Any loans we extend to our PRC subsidiary, which is treated as a foreign-invested enterprise under PRC law, cannot exceed the statutory limit and must be registered with the local counterpart of the SAFE.

We may also decide to finance our PRC subsidiary by means of capital contributions. According to the relevant PRC regulations on foreign-invested enterprises in China, these capital contributions are subject to registration with State Administration for Market Regulation or its local counterparts. In addition, the PRC government also restricts the convertibility of foreign currencies into RMB and use of the proceeds. On March 30, 2015, SAFE promulgated the Notice on Reforming the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises, or SAFE Circular 19, which took effect and replaced certain previous SAFE regulations from June 1, 2015. SAFE further promulgated the Circular on Reforming and Regulating Policies on the Management of Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, effective on June 9, 2016, which, among other things, amends certain provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the RMB capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the applicable circulars and rules may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. These circulars may limit our ability and speed to transfer the net proceeds from this offering to our PRC subsidiary. On October 23, 2019, SAFE promulgated the Circular to Further Facilitating Cross-border Trade and Investment, or SAFE Circular 28, which took effect on the same day. SAFE Circular 28 cancels restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. If a non-investing foreign-funded enterprise makes domestic equity investment with capital funds obtained from foreign exchange settlement, the investee shall undergo registration formalities for accepting domestic reinvestment and open the “capital account—account for settled foreign exchange to be paid” to receive the corresponding funds according to relevant provisions. However, it still remains unclear how SAFE and competent banks will carry this out in practice. Despite the restrictions and procedural requirements under these SAFE circulars, our PRC subsidiary may use RMB funds converted from foreign currency registered capital to carry out any activities within their normal course of business and business scope, including to fund operational needs, and to make equity investments in domestic companies.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we have completed or will be able to complete the necessary government registrations, meet the relevant government requirements or obtain the necessary government approvals on a timely basis, or at all, with respect to existing or future loans to our PRC subsidiary or future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain

such approvals, our ability to use the proceeds we expect to receive from this offering to fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Under the applicable regulations and SAFE rules, PRC citizens who participate in an employee stock ownership plan or a stock option plan in an overseas publicly listed company are required to register with SAFE and complete certain other procedures. In February 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plans of Overseas Publicly Listed Companies issued by SAFE in March 2007. Pursuant to the Stock Option Rules, if a PRC resident participates in any stock incentive plan of an overseas publicly listed company, a qualified PRC domestic agent must, among other things, file on behalf of such participant an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the exercise or sale of stock options or stock such participant holds. Such participating PRC residents' foreign exchange income received from the sale of stock and dividends distributed by the overseas publicly listed company must be fully remitted into a PRC collective foreign currency account opened and managed by the PRC agent before distribution to such participants. We and our PRC resident employees who have been granted stock options or other share-based incentives of ours will be subject to the Stock Option Rules when our company becomes an overseas listed company upon the completion of this offering. If we or our PRC resident participants fail to comply with these regulations, we and/or our PRC resident participants may be subject to fines and legal sanctions. In addition, the State Administration of Taxation has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options and/or are granted restricted shares in the future will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options and/or restricted shares with tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

We may be required to obtain prior approval from the China Securities Regulatory Commission for the listing and trading of the ADSs on Nasdaq.

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or the CSRC, promulgated the Provisions on the Merger or Acquisition of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. This regulation, among other things, requires offshore SPVs formed for the purpose of an overseas listing and controlled by PRC companies or individuals, to obtain the CSRC approval prior to listing their securities on an overseas stock exchange. The application of this regulation remains unclear. Our PRC legal counsel has advised us that, based on their understanding of the current PRC laws, the CSRC approval is not required under the M&A Rules in the context of this offering because (i) the ownership structure of our PRC subsidiary was established by direct investment instead of through acquisition of equity interests or assets of any PRC domestic company by foreign entities using equity as consideration as defined under the M&A Rules; and (ii) no explicit provision in the M&A Rules classifies the contractual arrangement as a type of acquisition transaction falling under the M&A Rules.

However, we have been advised by our PRC legal counsel that there are uncertainties regarding the interpretation and application of the PRC laws and regulations, and there can be no assurance that the PRC

government will ultimately take a view that is not contrary to the above opinion of our PRC legal counsel. If it is determined that the CSRC approval is required for this offering, we may face sanctions by the CSRC or other PRC regulatory agencies for failure to seek the CSRC approval for this offering. These sanctions may include fines and penalties on our operations in the PRC although, to our knowledge, no definitive rules or interpretations have been issued to determine or quantify such fines or penalties, delays or restrictions on the repatriation of the proceeds from this offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our PRC subsidiary, or other actions that may have a material adverse effect on our business and the trading price of the ADSs. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable to us, to halt this offering before the settlement and delivery of the ADSs that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the ADSs we are offering, you would be doing so at the risk that the settlement and delivery may not occur.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules and relevant regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. The M&A Rules require that the Ministry of Commerce, or the MOFCOM, be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have an impact on the national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. The approval from MOFCOM shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies.

The Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress, or NPC, which became effective in August 2008, requires that when a concentration of undertakings occurs and reaches statutory thresholds, the undertakings concerned shall file a prior notification with the anti-monopoly enforcement agency of the State Council. Without the clearance from such agency, no concentration of undertakings shall be implemented and effected. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the anti-monopoly enforcement agency of the State Council, when the threshold under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules, issued by the State Council in August 2008 and amended in September 2018 is triggered. If such prior notification is not obtained, the anti-monopoly enforcement agency may order the concentration to cease its operations, dispose of shares or assets, transfer the business of the concentration within a time limit, take any other necessary measures to restore the situation as it was before the concentration, and may impose administrative fines.

In addition, the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, issued by the MOFCOM in August 2011, specify that mergers and acquisitions by foreign investors involved in "an industry related to national security" are subject to strict review by the MOFCOM, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions.

We cannot preclude the possibility that the MOFCOM or other government agencies may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which

case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

We and our shareholders face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises, assets attributed to a PRC establishment of a non-PRC company or immovable properties located in China owned by non-PRC companies.

In February 2015, SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Public Notice 7. SAT Public Notice 7 extends its tax jurisdiction to transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides clear criteria for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. In October 2017, SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. The Bulletin 37 further clarifies the practice and procedure of the withholding of nonresident enterprise income tax. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an indirect transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer other than transfer of shares of ADSs acquired and sold on public markets may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions that involve PRC taxable assets, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our company may be subject to filing obligations or taxed if our company is the transferor in such transactions, and may be subject to withholding obligations if our company is the transferee in such transactions, under SAT Public Notice 7 or Bulletin 37, or both.

The audit report included in this prospectus is prepared by an auditor who is not inspected by the Public Company Accounting Oversight Board and, as such, our investors are deprived of the benefits of such inspection. In addition, various legislative and regulatory developments related to U.S.-listed China based companies due to lack of PCAOB inspection may have a material adverse impact on our listing and trading in the U.S. and the trading prices of our ADSs, and we could be delisted if we are unable to meet the PCAOB inspection requirements in time.

Our independent registered public accounting firm that issued the audit report included in our prospectus filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the U.S. Public Company Accounting Oversight Board, or PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and applicable professional standards. Because our auditor is located in, and organized under the laws of, the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

On May 24, 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or CSRC and the PRC Ministry of

Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. On April 21, 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risk that disclosures will be insufficient in many emerging markets, including China, compared to those made by U.S. domestic companies. In discussing the specific issues related to the greater risk, the statement again highlighted the PCAOB's inability to inspect audit documentation and practices of accounting firms in China, with respect to their audit work of U.S. reporting companies. These statements reflect a heightened interest in an issue that has vexed U.S. regulators in recent years. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

Inspections of other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

On June 4, 2020, the U.S. President issued a memorandum ordering the President's Working Group on Financial Markets, or the PWG, to submit a report to the President within 60 days of the memorandum that includes recommendations for actions that can be taken by the executive branch and by the SEC or PCAOB to further protect investors in Chinese companies listed in the United States in response to the PCAOB's lack of access to the work of such companies' auditors. In August 2020, the PWG, released the Report on Protecting United States Investors from Significant Risks from Chinese Companies, which outlined the PWG's five recommendations to the SEC. In particular, the PWG recommends that the SEC work to enhance U.S. exchanges' listing standards to address the concern over the PCAOB's lack of access to audit work papers. This would require, as a condition to initial and continued exchange listing, PCAOB access to work papers of the principal audit firm for the audit of the listed company. The PWG proposed a concept under which companies that are unable to satisfy this standard as a result of governmental restrictions on access to audit work papers and practices in non-cooperating jurisdictions, or NCJs, may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines it has sufficient access to audit work papers and practices to conduct an appropriate inspection of the co-audit firm. However, there is currently no legal framework where such a co-audit could be conducted in China. To reduce market disruption, the new listing standards could provide for a transition period until January 1, 2022 for currently listed companies. The report also recommends to require enhanced and prominent issuer disclosures of the risks of investing in NCJs such as China. After this transition period, if currently listed companies were unable to meet the enhanced listing standards, then they would become subject to securities exchange rules and processes that could lead to possible de-listing if not cured. The measures in the PWG report are presumably subject to the standard SEC rulemaking process before becoming effective. On August 10, 2020, the SEC announced that SEC Chairman Jay Clayton had directed the SEC staff to prepare proposals in response to the PWG report, and that the SEC was soliciting public comments and information with respect to these proposals.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, on May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act, or the Kennedy Bill. On July 21, 2020, the U.S. House of Representatives approved its version of the National Defense Authorization Act for Fiscal Year 2021, which

contains provisions comparable to the Kennedy Bill. On December 2, 2020, the U.S. House of Representatives joined the U.S. Senate to pass the Kennedy Bill. The Kennedy Bill now moves to President for signing before it is enacted. If either of these bills is enacted into law, it would require the SEC to propose rules within 90 days to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges or traded “over the counter” if the auditor of the registrant’s financial statements is not subject to PCAOB inspection for three consecutive years after the law becomes effective. We could be delisted if we are unable to cure the situation to meet the PCAOB inspection requirement in time.

It is unclear if these legislative proposals would be enacted. However, enactment of one or more of these bills or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of the ADSs could be adversely affected. In addition, enactment of these legislative proposals may result in prohibitions on the trading of the ADSs on The Nasdaq Global Market or other U.S. exchange if our auditor fails to be inspected by the PCAOB for three consecutive years.

Various proceedings and legislative and regulatory developments due to political tensions between the U.S. and China may have an adverse impact on our listing and trading in the U.S., including adverse impact on the trading prices of our ADSs.

Political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 outbreak, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the central government of the PRC and the executive orders issued by U.S. President Donald J. Trump in August 2020 that prohibit certain transactions with certain Chinese companies and their applications. Rising political tensions could reduce levels of trade, investment, technological exchange and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, prospects, financial condition and results of operations.

Proceedings instituted by the SEC against the “big four” PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, adverse impact on the trading prices of our ADSs, or possible delisting.

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the “big four” PRC-based accounting firms (including our auditors). The Rule 102(e) proceedings initiated by the SEC relate to these firms’ inability to produce documents, including audit work papers, in response to the request of the SEC pursuant to Section 106 of the Sarbanes-Oxley Act of 2002, as the auditors located in China are not in a position lawfully to produce documents directly to the SEC because of restrictions under PRC laws and specific directives issued by the China Securities Regulatory Commission, or the CSRC. The issues raised by the proceedings are not specific to our auditors or to us, but affect equally all audit firms based in China and all China-based businesses with securities listed in the United States.

In January 2014, the administrative judge reached an initial decision that each of these firms should be barred from practicing before the SEC for six months. Thereafter, the accounting firms filed a petition for review of the initial decision, prompting the SEC commissioners to review the initial decision, determine whether there had been any violation and, if so, determine the appropriate remedy to be placed on these audit firms.

In February 2015, “big four” PRC-based accounting firms (including our auditors) each agreed to censure and pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S. listed companies. The settlement requires the firms to follow detailed procedures and to seek to provide the SEC with access to the Chinese firms’ audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019

While we cannot predict if the SEC will further challenge the four China-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our ADSs or the termination of the registration of our ADSs under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in China, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, and could result in delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our shares may be adversely affected. If our independent registered public accounting firm was denied, temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined to not be in compliance with the requirements of the Exchange Act.

Our business may be significantly affected by the newly enacted Foreign Investment Law and the “negative list.”

The Foreign Investment Law grants foreign invested entities the same treatment as PRC domestic entities, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list” published by the State Council. We are a Cayman Islands exempted company and our PRC subsidiary, Gracell Bioscience (Shanghai) Co., Ltd., or Gracell Bioscience, is currently considered to be a foreign invested entity in China.

The 2020 Negative List provides that foreign investment is prohibited in the development and application of human stem cell or gene diagnostic and therapeutic technologies. As of the date of this prospectus, there has been no official interpretation of the scope of “human stem cell or gene diagnostic and therapeutic technologies” and the application of this regulation remains unclear. If our CAR-T cell therapies or other technologies that are being researched and developed are deemed by relevant PRC regulatory agencies as falling into the category of “human stem cell or gene diagnostic and therapeutic technologies,” Gracell Bioscience would be prohibited from engaging in the research or development of such technologies in the future. For risks relating to the “negative list” in connection with our VIE structure, see “—Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current structure, our business, financial condition and results of operations.”

Our leased property interest may be defective and our right to lease the properties may be challenged, which could cause significant disruption to our business.

In China, we lease certain premises used in our operations from third parties. We lease our research and development site in Shanghai from a third-party landlord who was granted the land use right on this site from the local government authority for free. According to the relevant regulations in the PRC, approval of the relevant government department is required for leasing allocated land. The third-party landlord for this particular leased site has not made the required filing. If a granted land use right for free is assigned, leased or mortgaged without approval, such landlord maybe subject to the confiscation of the illegal revenue and fine in the light of the seriousness of the case. As a result, our lease may be negatively affected. Certain lessors have not provided us with valid ownership certificates, or authorization of sublease for our leased properties. Under the relevant PRC laws and regulations, if the lessors are unable to obtain certificates of title because such properties were built

illegally or failed to pass the inspection or other reasons, or relevant lease has not been approved by competent government authority in accordance with applicable law, such lease contracts may be recognized as void and, as a result, we may be required to vacate the relevant properties. In addition, if our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us, or we may be required to vacate the relevant properties if the terms of the new leases are not reached.

Under PRC laws, all lease agreements are required to be registered with the local housing authorities. We have not registered certain of our lease agreements with the relevant government authorities. Failure to complete these required registrations may expose our landlords, lessors and us to potential monetary fines.

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

China's overall economy and the average wage level in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees, protecting occupational health and safety, and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. We cannot assure you that we have complied or will be able to comply with all labor-related laws and regulations including those relating to obligations to make social insurance payments and contribute to the housing provident funds. We have not fully paid the housing provident funds for all of our employees as required by applicable PRC regulations. We may be required to make up the contributions for our employees, resulting in financial conditions and results of operations to be adversely affected. Furthermore, certain overseas employee of our PRC subsidiary has not obtained required work permit or residence permit, which may subject our PRC subsidiary to fines and penalty.

We have granted, and may continue to grant, options and other types of awards under our share incentive plans, which may result in significant share-based compensation expenses and you will incur immediate and substantial dilution.

We have adopted an employee stock option plan, which was amended and restated in October 2020, for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. In addition, our shareholders and board of directors have approved a share incentive plan in December 2020 which will become effective immediately prior to the completion of this offering. As of the date of this prospectus, options to purchase a total of 7,383,599 ordinary shares have been granted and outstanding under our employee stock option plan. See "Management—Share Incentive Plans." As of the date of this prospectus, we have not incurred any share-based compensation expenses relating to awards granted under our employee stock option plan. Pursuant to our employee stock option plan, the performance condition for options granted thereunder will be satisfied upon completion of this offering; and as a result, we will, upon the date of the completion of this offering, record a significant amount of cumulative share-based compensation expenses for those options for which the vesting conditions have been satisfied as of such date. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation awards 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. We may re-evaluate the vesting schedules, lock-up period, exercise price or other key terms applicable to the grants under our currently effective employee stock option plans from time to time. If we choose to do so, we may experience substantial change in our share-based compensation charges in the reporting periods following this offering.

Risks Related to this Offering, Our Securities and Our Status as a Public Company

An active trading market for our ADSs may not develop and you may not be able to resell your ADSs at or above the initial offering price, or at all.

This offering constitutes the initial public offering of our ADSs, and no public market has previously existed for our ADSs. Any delay in the commencement of trading of our ADSs on Nasdaq would impair the liquidity of the market for the ADSs and make it more difficult for holders to sell the ADSs. There can be no assurance that an active trading market for the ADSs will develop or be sustained after this offering is completed. The lack of an active trading market may also reduce the fair market value of the ADSs. The initial offering price was determined by negotiations among the lead underwriters and us. Among the factors considered in determining the initial public offering price were our future prospects and the prospects of our industry in general, our revenue, net income and certain other financial and operating information in recent periods, and the market prices of securities and certain financial and operating information of companies engaged in activities similar to ours. However, there can be no assurance that, following the completion of this offering, the ADSs will trade at a price equal to or greater than the initial public offering price.

If you purchase ADSs in this offering, you will suffer immediate dilution of your investment.

The initial public offering price of our ADSs is substantially higher than the pro forma as adjusted net tangible book value per ADS. Therefore, if you purchase ADSs in this offering, you will pay a price per ADS that substantially exceeds our pro forma as adjusted net tangible book value per ADS after this offering. Based on the initial public offering price of US\$ per ADS, you will experience immediate dilution of US\$ per ADS, representing the difference between our pro forma as adjusted net tangible book value per ADS after this offering and the initial public offering price per ADS. After this offering, we will also have outstanding options under our share incentive plans to purchase ordinary shares with exercise prices lower than the initial public offering price. To the extent these outstanding options are exercised, there will be further dilution to investors in this offering. For further information regarding the dilution resulting from this offering, see the section titled “Dilution” in this prospectus.

A significant portion of our total outstanding shares are restricted from immediate resale, but may be sold into the market in the near future. This could cause the market price of our ADSs to drop significantly, even if our business is doing well.

Sales of a substantial number of our ordinary shares or ADSs in the public market could occur at any time. If our shareholders sell, or the market perceives that our shareholders intend to sell, substantial amounts of our ordinary shares or ADSs in the public market following this offering, the market price of our ADSs could decline significantly.

Upon completion of this offering, we will have ordinary shares outstanding, including ordinary shares represented by ADSs, based on the number of shares outstanding as of September 30, 2020. Of these shares, the ADSs sold in this offering will be freely tradable immediately. Up to ordinary shares underlying ADSs will be available for sale in the public market beginning 180 days after the date of this prospectus following the expiration of lock-up agreements entered into by our shareholders in connection with the offering. The representatives of the underwriters may agree to release these shareholders from their lock-up agreements at any time and without notice, which would allow for earlier sales of shares in the public market. Sales of a substantial number of such shares upon expiration of the lock-up agreements, the perception that such sales may occur, or early release of restrictions in the lock-up agreements, could cause the market price of our ADSs to fall or make it more difficult for you to sell your ADSs at a time and price that you deem appropriate.

In addition, promptly following the completion of this offering, we intend to file one or more registration statements registering the issuance of approximately ordinary shares (which may be in the form of ADSs) subject to options or other equity awards issued or reserved for future issuance under our equity incentive

plans. Shares registered under these registration statements will be available for sale in the public market subject to vesting arrangements and exercise of options, the lock-up agreements described above and, in the case of our affiliates, the restrictions of Rule 144 under the Securities Act.

Additionally, after this offering, the holders of an aggregate of approximately _____ of our ordinary shares, or their transferees, will have rights, subject to some conditions, to require us to file one or more registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other shareholders. If we were to register the resale of these shares, they could be freely sold in the public market. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our ADSs could decline.

If we fail to implement and maintain effective internal controls to remediate our material weakness over financial reporting, our ability to produce accurate financial statements on a timely basis could be impaired.

Upon becoming a public company, we will be subject to reporting obligations under U.S. securities laws, including the Sarbanes-Oxley Act. Section 404(a) of the Sarbanes-Oxley Act, or Section 404(a), will require that, beginning with our second annual report following our initial public offering, management assess and report annually on the effectiveness of our internal controls over financial reporting and identify any material weaknesses in our internal controls over financial reporting. Although Section 404(b) of the Sarbanes-Oxley Act, or Section 404(b), requires our independent registered public accounting firm to issue an annual report that addresses the effectiveness of our internal controls over financial reporting, we have opted to rely on the exemptions provided in the JOBS Act, and consequently will not be required to comply with SEC rules that implement Section 404(b) until such time as we are no longer an emerging growth company.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control and procedures and we were never required to evaluate our internal control within a specified period, and, as a result, we have experienced and may experience difficulty in meeting these reporting requirements in a timely manner.

During the audit of our financial statements for the years ended December 31, 2018 and 2019, one material weakness was identified in our internal control over financial reporting. Under standards established by the PCAOB, a “material weakness” is a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that has been identified relate to our lack of sufficient and competent financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting and compliance requirements.

We are in the process of implementing a number of measures to address the material weakness that has been identified including: (i) hiring additional accounting and financial reporting personnel with U.S. GAAP and SEC reporting experience and qualifications, (ii) expanding the capabilities of existing accounting and financial reporting personnel through continuous training and education in the accounting and reporting requirements under U.S. GAAP, and SEC rules and regulations, and (iii) enhancing internal audit function as well as engaging an external consulting firm to assist us in assessing compliance with the SEC requirements and improve overall internal control.

We may incur significant costs in the implementation of such measures. We cannot assure you that all these measures will be sufficient to remediate our material weakness in time, or at all. Additionally, we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. As a company with less than US\$1.07 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions

include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company's internal control over financial reporting.

The presence of material weaknesses could result in financial statement errors which, in turn, could lead to errors in our financial reports or delays in our financial reporting, which could require us to restate our operating results or result in our auditors issuing a qualified audit report. In order to establish and maintain effective disclosure controls and procedures and internal controls over financial reporting, we will need to expend significant resources and provide significant management oversight. Developing, implementing and testing changes to our internal controls may require specific compliance training of our directors and employees, entail substantial costs in order to modify our existing accounting systems, take a significant period of time to complete and divert management's attention from other business concerns. These changes may not, however, be effective in establishing and maintaining adequate internal controls.

If either we are unable to conclude that we have effective internal controls over financial reporting or, at the appropriate time, our independent auditors are unwilling or unable to provide us with an unqualified report on the effectiveness of our internal controls over financial reporting as required by Section 404(b), investors may lose confidence in our operating results, the price of our ADSs could decline and we may be subject to litigation or regulatory enforcement actions. In addition, if we are unable to meet the requirements of Section 404, we may not be able to remain listed on the Nasdaq.

We will have broad discretion in the use of proceeds from this offering and may invest or spend the proceeds in ways with which you do not agree and in ways that may not increase the value of your investment.

Our management will have broad discretion in the application of our cash and cash equivalents, including the net proceeds from this offering, and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our ADSs. The failure by our management to apply these funds effectively could result in financial losses that could have a negative impact on our business, cause the price of our ADSs to decline and delay the development of our product candidates and preclinical program. Pending their use, we may invest our cash and cash equivalents, including the net proceeds from this offering, in a manner that does not produce income or that loses value. See the section titled "Use of Proceeds" for additional information.

Holders of our ADSs have fewer rights than our shareholders and must act through the depositary to exercise their rights.

Holders of our ADSs do not have the same rights as our shareholders and may only exercise their voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Holders of the ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the ordinary shares represented by the ADSs. When a general meeting is convened, if you hold ADSs, you may not receive sufficient notice of a shareholders' meeting to permit you to cancel your ADSs and withdraw the ordinary shares underlying your ADSs to allow you to vote with respect to any specific matter. We will make all commercially reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. Furthermore, the depositary will not be liable for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you request. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could augur less favorable results to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our shares provides that holders and beneficial owners of ADSs, including those who purchase our ADSs in a secondary transaction, irrevocably waive the right

to a trial by jury in any legal proceeding arising out of or relating to the deposit agreement, our shares or the ADSs or the transactions contemplated thereby, including claims under federal securities laws, against us or the depository to the fullest extent permitted by applicable law. If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court. However, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, by a court of the State of New York or a federal court in New York, which have non-exclusive jurisdiction over matters arising under the deposit agreement, applying such law. In determining whether to enforce a jury trial waiver provision, New York courts and federal courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement, our shares and the ADSs and the transactions contemplated thereby. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim (as opposed to a contract dispute), none of which we believe are applicable in the case of the deposit agreement, our shares or the ADSs or the transactions contemplated thereby. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depository of compliance with any provision of the federal securities laws. If you or any other holder or beneficial owner of ADSs brings a claim against us or the depository in connection with matters arising under the deposit agreement, our shares or the ADSs or the transactions contemplated thereby, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and/or the depository, lead to increased costs to bring a claim, limited access to information and other imbalances of resources between such holder and us, or limit such holder's ability to bring a claim in a judicial forum that such holder finds favorable. If a lawsuit is brought against us and/or the depository under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may augur different results than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action, depending on, among other things, the nature of the claims, the judge or justice hearing such claims, and the venue of the hearing.

You may not receive distributions on our ordinary shares represented by the ADSs or any value for them if it is illegal or impractical to make them available to holders of ADSs.

Although we do not have any present plans to declare or pay any dividends on our ordinary shares after this offering, in the event we declare and pay any dividends, the depository for the ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our ordinary shares your ADSs represent. However, in accordance with the limitations set forth in the deposit agreement, it may be unlawful or impractical to make a distribution available to holders of ADSs. We have no obligation to register under U.S. securities laws any offering of ADSs, ordinary shares or other securities received through such distributions. We also have no obligation to take any other action to permit distribution on the ADSs, ordinary shares, rights or anything else to holders of the ADSs. This means that you may not receive the distributions we make on our ordinary shares or any value from them if it is unlawful or impractical to make them available to you. These restrictions may have an adverse effect on the value of your ADSs.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depository bank will not make rights available to you unless

either both the rights and any related securities are registered under the Securities Act, or the distribution of them to ADS holders is exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. If the depositary does not distribute the rights, it may, under the deposit agreement, either sell them, if possible, or allow them to lapse. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

Because we do not anticipate paying any cash dividends on our ADSs in the foreseeable future, capital appreciation, if any, will be your sole source of gains and you may never receive a return on your investment.

We have never declared or paid a dividend on our ordinary shares in the past, and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. Therefore, you should not rely on an investment in our ADSs to provide dividend income. Our board of directors has complete discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or out of the credit standing in our company's share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our shareholders may, subject to our memorandum and articles of association, by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. As a result, capital appreciation, if any, on our ADSs will be your sole source of gains for the foreseeable future. Investors seeking cash dividends should not purchase our ADSs in this offering.

If we are or become classified as a passive foreign investment company, our U.S. shareholders may suffer adverse tax consequences as a result.

Generally, for any taxable year, if at least 75% of our gross income is passive income, or at least 50% of the value of our assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, we would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. For purposes of these tests, passive income includes dividends, interest, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income (including amounts derived by reason of the temporary investment of funds raised in offerings of our shares) and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. If we are characterized as a PFIC, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than capital gain, the non-availability of the preferential rate applicable to dividends received by U.S. non-corporate holders, and having interest charges apply to distributions by us and gains from the sales of our shares.

Based on our operating history and the projected composition of our income and valuation of our assets, including goodwill, we do not expect to be a PFIC for the taxable year ending December 31, 2020. The determination of whether we are a PFIC is a fact-intensive determination made on an annual basis and the applicable law is subject to varying interpretation. In particular, the characterization of our assets as active or passive may depend in part on our current and intended future business plans, which are subject to change. Our status as a PFIC will depend on the nature and composition of our income and the nature, composition and value of our assets (which may be determined based on the fair market value of each asset, with the value of goodwill and going concern value determined in large part by reference to the market value of our ADSs, which may be volatile). Therefore, declines in our market capitalization could adversely affect our PFIC status for any taxable

year. Our status may also depend, in part, on how quickly we utilize our current cash balances and the cash proceeds from this offering in our business. Furthermore, prior to the commercialization of any of our product candidates, for any taxable year interest or other passive income may constitute 75% or more of our total gross income. Moreover, it is not entirely clear how the contractual arrangements between us, our VIE and its nominal shareholders will be treated for purposes of the PFIC rules, and we may be or become a PFIC if our VIE is not treated as owned by us for these purposes. Even if we determine that we are not a PFIC for a taxable year, there can be no assurance that the Internal Revenue Service, or IRS, will agree with our conclusion and that the IRS would not successfully challenge our position. Accordingly, our U.S. counsel expresses no opinion with respect to our PFIC status for our taxable year ending December 31, 2019, and also expresses no opinion with regard to our expectations regarding our PFIC status for the current taxable year or any future taxable year.

The tax consequences that would apply if we are classified as a PFIC will be different from those described above if a U.S. shareholder were able to make a valid qualified electing fund, or QEF, election. At this time, we do not expect to provide U.S. holders with the information necessary for a U.S. shareholder to make a QEF election. Prospective investors should assume that a QEF election will not be available.

Tax authorities may disagree with our positions and conclusions regarding certain tax positions, resulting in unanticipated costs, taxes or non-realization of expected benefits.

A tax authority may disagree with tax positions that we have taken, which could result in increased tax liabilities. For example, the IRS or another tax authority could challenge our allocation of income by tax jurisdiction and the amounts paid between our affiliated companies pursuant to our intercompany arrangements and transfer pricing policies, including amounts paid with respect to our intellectual property development. Similarly, a tax authority could assert that we are subject to tax in a jurisdiction where we believe we have not established a taxable connection, often referred to as a “permanent establishment” under international tax treaties, and such an assertion, if successful, could increase our expected tax liability in one or more jurisdictions. A tax authority may take the position that material income tax liabilities, interest and penalties are payable by us, in which case, we expect that we might contest such assessment. Contesting such an assessment may be lengthy and costly, and if we were unsuccessful in disputing the assessment, the implications could increase our anticipated effective tax rate, where applicable.

If the ownership of our shares continues to be highly concentrated, it may prevent you and other minority shareholders from influencing significant corporate decisions and may result in conflicts of interest.

Immediately following the completion of this offering, Dr. William Wei Cao, through Gracell Venture Holdings Limited, will beneficially own approximately % of our ordinary shares. As a result, Dr. Cao will exercise significant influence over all matters requiring a shareholder vote, including the election of directors; mergers, consolidations and acquisitions; the sale of all or substantially all of our assets and other decisions affecting our capital structure; the amendment of our amended and restated memorandum of association; and our winding up and dissolution. This concentration of ownership may delay, deter or prevent acts that would be favored by our other shareholders. The interests of Dr. Cao may not always coincide with our interests or the interests of our other shareholders. This concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of us. Also, Dr. Cao may seek to cause us to take courses of action that, in his judgment, could enhance his investment in us, but which might involve risks to our other shareholders or adversely affect us or our other shareholders, including investors in this offering. As a result, the market price of our shares could decline or shareholders might not receive a premium over the then-current market price of our shares upon a change in control. In addition, this concentration of share ownership may adversely affect the trading price of our shares because investors may perceive disadvantages in owning shares in a company with significant shareholders.

We are an “emerging growth company” and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our ADSs may be less attractive to investors.

We are an “emerging growth company” as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As an emerging growth company, we are required to report only two years of financial results and selected financial data compared to three and five years, respectively, for comparable data reported by other public companies. We may take advantage of these exemptions until we are no longer an emerging growth company. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the aggregate market value of our ordinary shares, including ordinary shares represented by ADSs, held by non-affiliates exceeds US\$700 million as of the end of our second fiscal quarter before that time, in which case we would no longer be an emerging growth company as of the following December 31st (the last day of our fiscal year). Emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. Additionally, as an emerging growth company, we have elected to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As such, our financial statements may not be comparable to companies that comply with public company effective dates. We cannot predict if investors will find our ADSs less attractive because we may rely on these exemptions. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and the price of our ADSs may be more volatile.

We qualify as a foreign private issuer and, as a result, we will not be subject to U.S. proxy rules and will be subject to Exchange Act reporting obligations that permit less detailed and frequent reporting than that of a U.S. domestic public company.

Upon the closing of this offering, we will report under the Exchange Act as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K upon the occurrence of specified significant events. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year.

Foreign private issuers also are exempt from Regulation FD, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

If we lose our status as a foreign private issuer, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and Nasdaq rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and

would make some activities highly time-consuming and costly. We also expect that if we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors.

As an exempted company incorporated in Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with Nasdaq corporate governance listing standards.

We are entitled to rely on a provision in Nasdaq's corporate governance rules that allows us to follow Cayman Island's corporate law with regard to certain corporate governance matters. This allows us to follow certain corporate governance practices that differ in significant respects from the corporate governance requirements applicable to U.S. companies listed on the Nasdaq. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board to consist of independent directors or the implementation of a nominating and corporate governance committee. Since a majority of our board of directors will not consist of independent directors as long as we rely on the foreign private issuer exemption, fewer board members will be exercising independent judgment and the level of board oversight on the management of our company may decrease as a result.

Our amended and restated articles of association to be in effect prior to the completion of this offering designate specific courts in Cayman Islands and the United States as the exclusive forum for certain litigation that may be initiated by the holders of our ordinary shares, ADSs or other securities, which could limit their ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our amended and restated articles of association to be in effect prior to the completion of this offering, unless we consent in writing to the selection of an alternative forum, the courts of the Cayman Islands shall have exclusive jurisdiction to hear, settle and/or determine any dispute, controversy or claim (including any non-contractual dispute, controversy or claim) whether arising out of or in connection with these articles or otherwise, including any questions regarding their existence, validity, formation or termination, or the Cayman Forum Provision. The Cayman Forum Provision will not apply to any causes of action arising under the Securities Act or Exchange Act. Our amended and restated articles of association further provide that unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by relevant law, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, regardless of whether such legal suit, action, or proceeding also involves parties other than us, or the Federal Forum Provision. In addition, our amended and restated articles of association provide that any person or entity purchasing or otherwise acquiring any shares or other securities in us, or purchasing or otherwise acquiring ADSs issued pursuant to the deposit agreements is deemed to have notice of and consented to the Cayman Forum Provision and the Federal Forum Provision.

We recognize that the Cayman Forum Provision and the Federal Forum Provision in our amended and restated articles of association may impose additional litigation costs on holders of our ordinary shares, ADSs or other securities in pursuing their claims, particularly if the holders do not reside in or near the Cayman Islands or the United States. Additionally, the forum selection clauses in our amended and restated articles of association may limit the holders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers or employees, which may discourage the filing of lawsuits against us and our directors, officers and employees, even though an action, if successful, might benefit holders of our securities. In addition, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court were "facially valid" under Delaware law and the California Supreme Court made a similar ruling under the California law, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be

unenforceable, we may incur additional costs associated with resolving such matters. The Federal Forum Provision may also impose additional litigation costs on holders of our securities who assert that the provision is not enforceable or invalid.

Since shareholder rights under Cayman Islands law differ from those under U.S. law, you may have difficulty protecting your shareholder rights.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law (as amended) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our 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 the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records, other than the memorandum and articles of association and any special resolutions passed by such companies, and the registers of mortgages and charges of such companies. The Registrar of Companies of the Cayman Islands shall make available the list of the names of the current directors of the Company (and where applicable the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. Our directors have discretion under our post-offering memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. Currently, we do not plan to rely on home country practice with respect to any corporate governance matter. However, if we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of our board of directors or our controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Law (as amended) of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Description of Share Capital—Differences in Corporate Law.”

Provisions in our amended and restated memorandum and articles of association to be effective in connection with the closing of this offering may prevent or frustrate attempts by our shareholders to change our management and hinder efforts to acquire a controlling interest in us, and the market price of our ADSs may be lower as a result.

There are provisions in our amended and restated memorandum and articles of association to be effective in connection with the closing of this offering that may make it difficult for a third-party to acquire, or attempt to

acquire, control of our company, even if a change of control was considered favorable by you and other shareholders. For example, our board of directors will have the authority to issue up to 1,000,000 shares of an additional class or classes of shares, which could include preference shares. The board of directors can fix the price, rights, preferences, privileges, and restrictions of the other classes of shares without any further vote or action by our shareholders. The issuance of such shares may delay or prevent a change of control transaction. As a result, the market price of our ADSs and the voting and other rights of our shareholders may be adversely affected. An issuance of other classes of shares may result in the loss of voting control to other shareholders.

Our charter documents will also contain other provisions that could have an anti-takeover effect, including:

- only one of our three classes of directors will be elected each year;
- shareholders will be entitled to remove directors only for cause;
- shareholders will not be permitted to take actions by written consent;
- shareholders must give advance notice to nominate directors or submit proposals for consideration at annual general meetings.

These provisions could discourage potential acquisition proposals and could delay or prevent a change of control transaction. They could also have the effect of discouraging others from making tender offers, including transactions that may be in your best interests. These provisions may also prevent changes in our management or limit the price that investors are willing to pay for our ADSs.

You may be subject to limitations on transfers of your ADSs.

Your ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when deemed necessary or advisable by it in good faith in connection with the performance of its duties or at our reasonable written request, subject in all cases to compliance with applicable U.S. securities laws. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

General Risk Factors

The COVID-19 coronavirus could adversely impact our business, including our clinical trials.

In December 2019, a novel strain of coronavirus, COVID-19, was first reported to have surfaced in Wuhan, China. Since then, the COVID-19 coronavirus has spread globally. The outbreak and government measures taken in response have also had a significant impact, both direct and indirect, on businesses, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked. As a result, we may experience disruptions that could severely impact our business and clinical trials, including:

- limitation in patient enrollment, disruptions to patient follow-up during the lockdown periods, and curtailed screening visits;
- delays or difficulties in enrolling patients in our clinical trials;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- delays in clinical sites receiving the supplies and materials needed to conduct our clinical trials;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;

- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by governments, employers and others;
- limitations in employee resources that would otherwise be focused on the conduct of our clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people;
- delays in receiving approval from local regulatory authorities to initiate our planned clinical trials;
- interruption in global shipping that may affect the transport of clinical trial materials;
- changes in local regulations as part of a response to the COVID-19 coronavirus outbreak which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or to discontinue the clinical trials altogether;
- delays in necessary interactions with local regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees; and
- refusal of the relevant regulatory authorities to accept data from clinical trials in these affected geographic regions.

The extent to which the COVID-19 coronavirus may impact our business and clinical trials is highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak and social distancing regulations, travel restrictions, business closures or business disruptions and the effectiveness of actions taken to contain and treat the disease.

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Our operations, and those of our vendors and suppliers, could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. We currently rely on third-party suppliers to produce and process our product candidates on a patient-by-patient basis. Our ability to obtain clinical supplies of our product candidates could be disrupted if the operations of these suppliers are affected by a man-made or natural disaster or other business interruption.

We may be subject to claims by third parties asserting that we or our employees, consultants or advisors have misappropriated, wrongfully used or disclosed their trade secrets or other intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees, consultants and advisors are currently or 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, consultants and advisors do not use the proprietary information or know-how of third parties in their work for us, we may be subject to claims that we or these individuals have inadvertently or otherwise used intellectual property, including trade secrets or other proprietary information, of any such individual's former employer. We may also in the future be subject to claims that we have caused such individual to breach the terms of his or her non-competition or non-solicitation agreement. Litigation may be necessary to defend against these potential claims.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception, development or reduction to practice of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact,

conceives, develops or reduces to practice intellectual property that we regard as our own or such employees and contractors may breach the agreement and claim the developed intellectual property as their own. Our assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property. Such claims could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A court could prohibit us from using technologies or features that are essential to our product candidates if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the former employers. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and could be a distraction to management. In addition, any litigation or threat thereof may adversely affect our ability to hire employees or contract with independent service providers. Moreover, a loss of key personnel or their work product could hamper or prevent our ability to commercialize our products.

The trading price of our ADSs may be volatile, and you could lose all or part of your investment.

The trading price of our ADSs following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control, including limited trading volume. The stock market in general and the market for biopharmaceutical companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their ADSs at or above the price paid for the ADSs. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this prospectus, these factors include:

- the commencement, enrollment or results of our planned and future clinical trials;
- positive or negative results from, or delays in, testing and clinical trials by us, collaborators or competitors;
- the loss of any of our key scientific or management personnel;
- regulatory or legal developments in the United States, China and other countries;
- the success of competitive products or technologies;
- adverse actions taken by regulatory agencies with respect to our clinical trials or manufacturers;
- changes or developments in laws or regulations applicable to our product candidates and preclinical program;
- changes in the structure of healthcare payment systems;
- changes to our relationships with collaborators, manufacturers or suppliers;
- concerns regarding the safety of our product candidates or CAR-T cells in general;
- announcements concerning our competitors or the pharmaceutical industry in general;
- actual or anticipated fluctuations in our operating results;
- changes in financial estimates or recommendations by securities analysts;
- potential acquisitions, financing, collaborations or other corporate transactions;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates;
- the trading volume of our ADSs on Nasdaq;

- sales of our ADSs or ordinary shares by us, members of our senior management and directors or our shareholders or the anticipation that such sales may occur in the future;
- general economic, political, and market conditions and overall fluctuations in the financial markets in the United States or China;
- stock market price and volume fluctuations of comparable companies and, in particular, those that operate in the biopharmaceutical industry;
- investors' general perception of us and our business; and
- other events and factors, many of which are beyond our control.

These and other market and industry factors may cause the market price and demand for our ADSs to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from selling their ADSs at or above the price paid for the ADSs and may otherwise negatively affect the liquidity of our ADSs. In addition, the stock market in general, and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies.

Some companies that have experienced volatility in the trading price of their shares have been the subject of securities class action litigation. Any lawsuit to which we are a party, with or without merit, may result in an unfavorable judgment. We also may decide to settle lawsuits on unfavorable terms.

Any such negative outcome could result in payments of substantial damages or fines, damage to our reputation or adverse changes to our business practices. Defending against litigation is costly and time-consuming, and could divert our management's attention and our resources. Furthermore, during the course of litigation, there could be negative public announcements of the results of hearings, motions or other interim proceedings or developments, which could have a negative effect on the market price of our ADSs.

Raising additional capital may cause dilution to our holders, including purchasers of our ADSs in this offering, restrict our operations or require us to relinquish rights to our technologies or product candidates.

We expect that significant additional capital may be needed in the future to continue our planned operations, including conducting clinical trials, commercialization efforts, expanded research and development activities and costs associated with operating a public company. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through any or a combination of securities offerings, debt financings, license and collaboration agreements and research grants. If we raise capital through securities offerings, such sales may also result in material dilution to our existing shareholders, and new investors could gain rights, preferences and privileges senior to the holders of our ADSs or ordinary shares, including ADSs sold in this offering.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing and preferred equity financing, if available, could result in fixed payment obligations, and we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios or restrict our ability to pay dividends or make acquisitions.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may be required to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. In addition, we could also be required to seek funds through arrangements with collaborators or others at an earlier stage than otherwise would be desirable. If we raise funds through research grants, we may be subject to

certain requirements, which may limit our ability to use the funds or require us to share information from our research and development. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to a third-party to develop and market product candidates that we would otherwise prefer to develop and market ourselves. Raising additional capital through any of these or other means could adversely affect our business and the holdings or rights of our shareholders, and may cause the market price of our ADSs to decline.

We will incur significantly increased costs as a result of operating as a company whose ADSs are publicly traded in the United States, and our management will be required to devote substantial time to new compliance initiatives.

As a public company in the United States, we will incur significant legal, accounting and other expenses that we did not incur previously. These expenses will likely be even more significant after we no longer qualify as an emerging growth company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq and other applicable securities rules and regulations impose various requirements on public companies in the United States, including the establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our senior management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, which in turn could make it more difficult for us to attract and retain qualified senior management personnel or members for our board of directors.

However, these rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Pursuant to Section 404, we will be required to furnish a report by our senior management on our internal controls over financial reporting. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal controls over financial reporting issued by our independent registered public accounting firm. To prepare for eventual compliance with Section 404, we will be engaged in a process to document and evaluate our internal controls over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal controls over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal controls over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed time frame or at all, that our internal controls over financial reporting is effective as required by Section 404.

If equity research analysts do not publish research or reports, or publish unfavorable research or reports, about us, our business or our market, the price and trading volume of our ADSs could decline.

The trading market for our ADSs will be influenced by the research and reports that equity research analysts publish about us and our business. We do not currently have and may never obtain research coverage by equity research analysts. Equity research analysts may elect not to provide research coverage of our ADSs after the completion of this offering, and such lack of research coverage may adversely affect the market price of our ADSs. In the event we do have equity research analyst coverage, we will not have any control over the analysts or the content and opinions included in their reports. The price of our ADSs could decline if one or more equity research analysts downgrade our ADSs or issue other unfavorable commentary or research about us. If one or

more equity research analysts cease coverage of us or fail to publish reports on us regularly, demand for our ADSs could decrease, which in turn could cause the trading price or trading volume of our ADSs to decline.

We may be subject to securities litigation, which is expensive and could divert management's attention.

The market price of our ADSs may be volatile and, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that reflect our current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled “Prospectus summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business.” Known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases, such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- the ability of our investigator-initiated trials and clinical trials to demonstrate acceptable safety and efficacy of our product candidates, and other positive results;
- the timing, progress and results of preclinical studies, investigator-initiated trials and clinical trials for product candidates we may develop, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available, and our research and development programs;
- the timing, scope and likelihood of regulatory filings and approvals, including final regulatory approval of our product candidates;
- our ability to develop and advance our current product candidates and programs into, and successfully complete, clinical trials;
- our manufacturing, commercialization, and marketing capabilities and strategy;
- our plans relating to commercializing our product candidates, if approved, including the geographic areas of focus and sales strategy;
- the need to hire additional personnel and our ability to attract and retain such personnel;
- the size of the market opportunity for our product candidates, including our estimates of the number of patients who suffer from the diseases we are targeting;
- our expectations regarding the approval and use of our product candidates as first, second or subsequent lines of therapy or in combination with other drugs;
- our ability to implement measures to address the material weakness that has been identified;
- our competitive position and the success of competing therapies that are or may become available;
- our estimates of the number of patients that we will enroll in our clinical trials;
- the beneficial characteristics, safety, efficacy and therapeutic effects of our product candidates;
- our ability to obtain and maintain regulatory approval of our product candidates;
- our plans relating to the further development of our product candidates, including additional indications we may pursue;
- our intellectual property position, including our ability to obtain, maintain, expand, protect and enforce our intellectual property rights covering product candidates we may develop, including the extensions of existing patent terms where available, the validity of intellectual property rights held by third parties, and our ability not to infringe, misappropriate or otherwise violate any third-party intellectual property rights;

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- our continued reliance on third parties to conduct additional clinical trials of our product candidates, and for the manufacture of our product candidates for preclinical studies and clinical trials;
- our ability to obtain, and negotiate favorable terms of, any collaboration, licensing or other arrangements that may be necessary or desirable to develop, manufacture or commercialize our product candidates;
- the pricing and reimbursement of our product candidates we may develop, if approved;
- the rate and degree of market acceptance and clinical utility of our product candidates we may develop;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our financial performance;
- the period over which we estimate our existing cash and cash equivalents will be sufficient to fund our future operating expenses and capital expenditure requirements;
- the impact of laws and regulations;
- our expectations regarding the period during which we will qualify as an emerging growth company under the JOBS Act; and
- our anticipated use of our existing resources and the proceeds from this offering.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and other sections in this prospectus. You should read thoroughly this prospectus and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus and the documents that we refer to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

MARKET, INDUSTRY AND OTHER DATA

This prospectus contains estimates, projections and other information concerning our industry, our business and the markets for our product candidates, including data regarding the estimated size of such markets and the incidence of certain medical conditions. We obtained the industry, market and similar data set forth in this prospectus from our internal estimates and research and from academic and industry research, publications, surveys and studies conducted by third parties, including governmental agencies. In some cases, we do not expressly refer to the sources from which this data is derived. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. While we believe that the data we use from third parties are reliable, we have not separately verified this data. Further, while we believe that our internal research is reliable, such research has not been verified by any third party. You are cautioned not to give undue weight to any such information, projections and estimates.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US\$ million, or approximately US\$ million if the underwriters exercise their over-allotment option in full, after deducting the estimated underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial public offering price of US\$ per ADS, which is the midpoint of the price range shown on the front page of this prospectus.

A US\$1.00 increase or decrease in the assumed initial public offering price of US\$ per ADS would increase or decrease, as applicable, the net proceeds to us from this offering by US\$ million, assuming the number of ADSs offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of million in the number of ADSs we are offering would increase or decrease, as applicable, the net proceeds to us from this offering by US\$ million, assuming the assumed initial public offering price of US\$ per ADS, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital to support our operations, establish a public market for our ADSs and facilitate our future access to the public capital markets.

We intend to use the net proceeds from this offering, together with our existing cash and cash equivalents, as follows:

- approximately US\$ million to fund the research and development of our lead FasTCAR-enabled product candidate, GC012F, for the treatment of r/r MM;
- approximately US\$ million to fund the research and development of our lead TruUCAR-enabled product candidate, GC027, for the treatment of r/r T-ALL;
- approximately US\$ million to fund the research and development of our other clinical-stage and earlier-stage product candidates;
- approximately US\$ million to fund the expansion of our manufacturing facilities in China and the construction of our research and development center in the United States; and
- the remaining amounts for working capital and other general corporate purposes.

Based on our current operating plan, we believe that the net proceeds from this offering, together with our existing cash and cash equivalents, will enable us to fund our planned operating expenses and capital expenditures through , including through completion of Phase 1 clinical trials for GC012F for the treatment of r/r MM, and GC027 for the treatment of r/r T-ALL, in the United States and China. However, the net proceeds from this offering, together with our existing cash and cash equivalents, may be insufficient to fund any of our product candidates through regulatory approval, and we anticipate needing to raise additional capital to complete the development of and commercialize our product candidates. It is difficult to predict the cost and timing required to complete development and obtain regulatory approval of, and commercialize, our product candidates due to, among other factors, the relatively short history of our experience with initiating, conducting and completing clinical trials, obtaining regulatory approval and commercializing our product candidates, the rate of subject enrollment in our clinical trials, filing requirements with various regulatory agencies, clinical trial results and the actual costs of manufacturing and supplying our product candidates.

Our expected use of the net proceeds from this offering represents our intentions based upon our current plans and business conditions. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering or the amounts that we

will actually spend on the uses set forth above. We believe that opportunities may exist from time to time to expand our current business through licenses with or acquisitions of, or investments in, complementary businesses, products or technologies. While we have no current agreements, commitments or understandings for any specific in-licensing, acquisition or investments at this time, we may use a portion of the net proceeds for these purposes.

Our management will have broad discretion over the use of the net proceeds from this offering. The amounts and timing of our expenditures will depend upon numerous factors, including the results of our research and development efforts, the timing, cost and success of preclinical studies and any ongoing clinical trials or clinical trials we may commence in the future, the timing of regulatory submissions, our ability to obtain additional financing, the amount of cash obtained through our existing collaborations and future collaborations, if any, and any unforeseen cash needs.

Pending any use described above, we intend to invest the net proceeds of this offering in short- and intermediate-term interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

Our board of directors has discretion on whether to distribute dividends, subject to the amended and restated memorandum and articles of association of our company and certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or the credit standing in our company's share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business immediately following the date on which the distribution or dividend is paid. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this offering. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Regulation—PRC Regulation—Other PRC National- and Provincial-Level Laws and Regulations—Regulations Relating to Dividend Distributions."

If we pay any dividends on our ordinary shares, we will pay those dividends, which are payable in respect of the ordinary shares underlying the ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary then will pay such amounts to our ADS holders in proportion to the ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares." Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2020:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares on a one-for-one basis upon the completion of this offering; and
- on a pro forma as adjusted basis to reflect (i) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares on a one-for-one basis upon the completion of this offering, (ii) the impact of share-based compensation expense for share options to be recorded upon the completion of this offering, and (iii) the sale of ordinary shares in the form of ADSs by us in this offering at an assumed initial public offering price of US\$ per ADS, which is the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, assuming the underwriters do not exercise the over-allotment option.

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The pro forma as adjusted information set forth below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this information in conjunction with our financial statements and the related notes appearing elsewhere in this prospectus, as well as the sections of this prospectus titled “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	As of September 30, 2020			
	Actual		Pro Forma(1)	
	RMB	US\$	RMB	US\$
	(in thousands)			
Mezzanine equity:				
Series A convertible redeemable preferred shares (US\$0.0001 par value; 31,343,284 and 31,343,284 shares authorized, issued and outstanding as of December 31, 2019 and September 30, 2020, respectively; and none outstanding on a pro forma basis as of September 30, 2020)	103,373	15,225	—	—
Series B-1 convertible redeemable preferred shares (US\$0.0001 par value; Nil and 21,735,721 shares authorized, issued and outstanding as of December 31, 2019 and September 30, 2020, respectively; and none outstanding on a pro forma basis as of September 30, 2020)	139,941	20,611	—	—
Series B-2 convertible redeemable preferred shares (US\$ 0.0001 par value; 59,327,653 and 59,327,653 shares authorized, issued and outstanding as of December 31, 2019 and September 30, 2020, respectively; and none outstanding on a pro forma basis as of September 30, 2020)	489,616	72,113	—	—
Total mezzanine equity	732,930	107,949	—	—
Shareholders’ deficit:				
Ordinary shares (par value of US\$0.0001 per share; 500,000,000 and 500,000,000 shares authorized; 99,044,776 and 99,044,776 shares issued and outstanding as of December 31, 2019 and September 30, 2020, respectively; 211,451,432 shares issued and outstanding on a pro-forma basis as of September 30, 2020 (unaudited))	68	10	144	21
Additional paid-in capital	—	—	732,854	107,938
Accumulated other comprehensive loss	(5,116)	(754)	(5,116)	(754)
Accumulated deficit	(464,095)	(68,354)	(464,095)	(68,354)
Total shareholders’ deficit	(469,143)	(69,098)	263,787	38,851
Total mezzanine equity and shareholders’ equity (deficit)	263,787	38,851	263,787	38,851
Total capitalization	263,787	38,851	263,787	38,851

- (1) The pro forma as adjusted information discussed above is illustrative only. Our additional paid-in capital and total shareholders’ (deficit)/ equity following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing. Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deduction of underwriting discounts and commissions and the estimated offering expenses payable by us, a US\$1.00 change in the assumed initial public offering price of US\$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease each of additional paid-in capital and total shareholders’ (deficit)/ equity by US\$ million.

DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares and holders of our preferred shares which will automatically convert into our ordinary shares upon the completion of this offering.

Our historical net tangible book value as of September 30, 2020, was approximately US\$ per ordinary share, equivalent to US\$ per ADS. Each ADS represents ordinary shares. Historical net tangible book value per ordinary share represents the amount of total tangible assets, minus the amount of total liabilities and mezzanine equity, divided by the total number of ordinary shares outstanding. Pro forma net tangible book value per ordinary share is calculated after giving effect to: (i) the automatic conversion of all of our outstanding preferred shares on a one-for-one basis into ordinary shares immediately prior to the completion of this offering and (ii) the impact of share-based compensation expense for share options to be recorded upon the completion of this offering. Dilution is determined by subtracting pro forma net tangible book value per ordinary share from the assumed public offering price per ordinary share. If the underwriters exercise their over-allotment option in full, the pro forma as adjusted net tangible book value immediately upon the completion of this offering would be US\$ per ordinary share and US\$ per ADS, and the dilution in pro forma as adjusted net tangible book value to new investors in this offering would be US\$ per ordinary share and US\$ per ADS.

Without taking into account any other changes in such net tangible book value after September 30, 2020, other than to give effect to our issuance and sale of ADSs in this offering at an assumed initial public offering price of US\$ per ADS, the midpoint of the estimated public offering price range, and after deduction of underwriting discounts and commissions and estimated offering expenses payable by us (assuming the over-allotment option is not exercised), our pro forma as adjusted net tangible book value as of September 30, 2020 would have been US\$ per outstanding ordinary share, including ordinary shares underlying our outstanding ADSs, or US\$ per ADS. This represents an immediate increase in net tangible book value of US\$ per ordinary share, or US\$ per ADS, to existing shareholders and an immediate dilution in net tangible book value of US\$ per ordinary share, or US\$ per ADS, to purchasers of ADSs in this offering. The following table illustrates such dilution:

Initial public offering price per ADS	US\$
Net tangible book value per ADS as of September 30, 2020	US\$
Pro forma net tangible book value per ADS as of September 30, 2020	US\$
Pro forma increase in net tangible book value per ADS as adjusted to investors participating in this offering, as of September 30, 2020	US\$
Pro forma as adjusted net tangible book value per ADS following this offering	US\$
Amount of dilution in net tangible book value per ADS to investors participating in this offering	US\$

A US\$1.00 change in the assumed public offering price of US\$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease our pro forma as adjusted net tangible book value after giving effect to the offering by US\$ million, the pro forma as adjusted net tangible book value per ordinary share and per ADS after giving effect to this offering by US\$ per ordinary share and US\$ per ADS and the dilution in pro forma as adjusted net tangible book value per ordinary share and per ADS to new investors in this offering by US\$ per ordinary share and US\$ per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses. The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

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The following table summarizes, on a pro forma as adjusted basis as of September 30, 2020, the differences between our shareholders as of September 30, 2020 and the new investors with respect to the number of ordinary shares purchased from us, the total consideration paid and the average price per ordinary share paid at an assumed initial public offering price of US\$ per ADS before deducting estimated underwriting discounts and commissions and estimated offering expenses.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders						
New investors						
Total				100%		

A US\$1.00 change in the assumed public offering price of US\$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease total consideration paid by new investors, total consideration paid by all shareholders, average price per ordinary share and average price per ADS paid by all shareholders by US\$, US\$, US\$ and US\$, respectively, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The discussion and tables above also assume no exercise of any outstanding stock options outstanding as of the date of this prospectus. As of the date of this prospectus, there were ordinary shares issuable upon exercise of outstanding stock options at a weighted average exercise price of US\$ per ordinary share, and there were ordinary shares available for future issuance upon exercise of future grants under our share incentive plans. To the extent that any of these options are exercised, there will be further dilution to new investors.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. We are incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as:

- political and economic stability;
- an effective judicial system;
- tax neutrality;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include but are not limited to:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors as compared to those of the United States; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated.

We have appointed Cogency Global Inc., located at 10E 40th Street, 10th Floor, New York, New York 10016, as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Certain of our directors are nationals or residents of jurisdictions other than the United States and most of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these individuals, or to bring an action against us or these individuals in the United States, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

Harney Westwood & Riegels, our counsel as to Cayman Islands law, has advised us that there is uncertainty as to whether the courts of the Cayman Islands would (i) recognize or enforce judgments of U.S. courts obtained against us or our directors or officers that are predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state in the United States, or (ii) entertain original actions brought in the Cayman Islands against us or our directors or officers that are predicated upon the federal securities laws of the United States or the securities laws of any state in the United States.

Harney Westwood & Riegels has informed us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), the courts of the Cayman Islands would recognize as a valid judgement, a final and conclusive judgement in personam obtained in federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature, a fine or a penalty or similar fiscal or revenue obligations) or, in certain circumstances, an in personam judgment for non-monetary relief, and would give a judgment based thereon provided that: (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of the natural justice of Cayman Islands; (c) such

judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

AllBright Law Offices, our counsel as to PRC law, has advised us that there is uncertainty as to whether the courts of the PRC would (i) recognize or enforce judgments of U.S. courts obtained against us or our directors or officers that are predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state in the United States, and (ii) entertain original actions brought in the PRC against us or our directors or officers that are predicated upon the federal securities laws of the United States or the securities laws of any state in the United States.

AllBright Law Offices has advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedure Law. AllBright Law Offices has advised us further that under PRC law, a foreign judgment that does not otherwise violate basic legal principles, state sovereignty, safety or social public interest may be recognized and enforced by a PRC court, based either on bilateral treaties or international conventions contracted by China and the country where the judgment is made or on reciprocity between jurisdictions. As there currently exists no bilateral treaty, international convention or other form of reciprocity between China and the United States governing the recognition of judgments, including those predicated upon the liability provisions of the U.S. federal securities laws, it would be highly unlikely that a PRC court would enforce judgments rendered by U.S. courts.

CORPORATE HISTORY AND STRUCTURE

We commenced operations in May 2017 through Gracell Biotechnologies (Shanghai) Co., Ltd., a company incorporated in China, which we refer to as Shanghai Gracell Biotech in this prospectus. In April 2018, Shanghai Gracell Biotech incorporated Suzhou Gracell Biotechnologies Co., Ltd., a company incorporated in China, which we refer to as Suzhou Gracell Biotech in this prospectus. Currently, we conduct research and development activities in biotechnologies and pharmaceutical industries primarily through Suzhou Gracell Biotech and Shanghai Gracell Biotech.

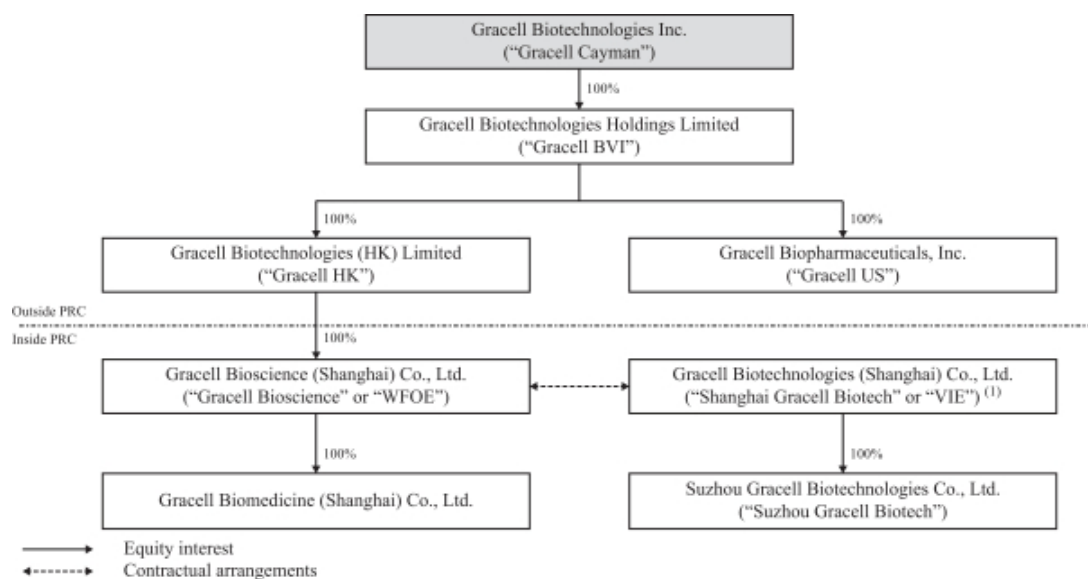
In May 2018, we incorporated Gracell Biotechnologies Inc., or Gracell Cayman, under the laws of the Cayman Islands as our offshore holding company. Shortly after its incorporation, Gracell Cayman established a wholly owned subsidiary, Gracell Biotechnologies Holdings Limited, or Gracell BVI, under the laws of the British Virgin Islands in May 2018. Gracell BVI in turn established its wholly owned subsidiaries Gracell Biotechnologies (HK) Limited, or Gracell HK, and Gracell Biopharmaceuticals, Inc., or Gracell US, in June 2018 and February 2020, respectively. In August 2018, Gracell Bioscience (Shanghai) Co., Ltd., which we refer to as Gracell Bioscience or our wholly foreign-owned enterprise, or WFOE, in this prospectus, was incorporated as a PRC subsidiary wholly owned by Gracell HK. Our WFOE incorporated its wholly owned PRC subsidiary Gracell Biomedicine (Shanghai) Co., Ltd. in August 2020.

We obtained control over Shanghai Gracell Biotech, or our variable interest entity, or VIE, and its subsidiary through a series of contractual arrangements, as amended and restated, entered into among our WFOE, our VIE and shareholders of our VIE. As a result, we are regarded as the primary beneficiary of our VIE and its subsidiary. We treat our VIE and its subsidiary as our consolidated affiliated entities under U.S. GAAP and have consolidated the financial results of these entities in our consolidated financial statements in accordance with U.S. GAAP. For more details and risks related to our variable interest entity structure, please see “—Contractual Agreements with our VIE and its Shareholders” and “Risk Factors—Risks Related to Our Corporate Structure.”

PRC laws and regulations impose restrictions on foreign ownership companies engaged in the development and application of human stem cell or gene diagnostic and therapeutic technologies, or the Restricted Activities. Although as of the date of this prospectus, there has been no official interpretation of the scope of the Restricted Activities, and the application of this regulation remains unclear, we carry out all of our operations that may fall into the Restricted Activities through our VIE and its subsidiary. We use our WFOE to carry out preliminary research and development activities on animals, which we believe do not fall into the Restricted Activities. The research and development activities of our VIE and its subsidiary are not attributable to our WFOE.

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The following diagram illustrates our corporate structure as a result of our reorganization mentioned above and as of the date of this prospectus, including our significant subsidiaries and other entities that are material to our business:



(1) Shareholders of Shanghai Gracell Biotech are Dr. William Wei Cao and Xiaomi Hua holding 99.9% and 0.1%, respectively, of the equity interest in the VIE. Dr. Cao is our Founder, Chairman of board of directors and Chief Executive Officer.

Contractual Agreements with Our VIE and Its Shareholders

The following is a summary of the currently effective contractual arrangements by and among our WFOE, our VIE and its shareholders. These contractual arrangements enable us to (i) exercise effective control over our VIE and its subsidiary; (ii) receive substantially all of the economic benefits of our VIE and its subsidiary; and (iii) have an exclusive option to purchase all or part of the equity interests in and assets of our VIE and its subsidiary when and to the extent permitted by PRC law.

Agreements That Provide Us Effective Control over Our VIE

Voting Rights Proxy Agreement and Power of Attorney. On November 10, 2020, Dr. William Wei Cao, a shareholder of our VIE, entered into an amendment to voting rights proxy agreement with our WFOE and our VIE and executed a power of attorney, superseding the voting right proxy agreement and the power of attorney he previously executed on January 3, 2019, to irrevocably authorize our WFOE to act as his attorney-in-fact to exercise all of his rights as a shareholder of our VIE, including, but not limited to, the right to (i) propose to hold and attend shareholders' meetings, (ii) vote on any resolution that requires a shareholder vote pursuant to the applicable laws and article of association of our VIE, such as designation and appointment of directors, the chief executive officer and other senior management members of our VIE, and (iii) exercise other shareholder's rights, such as the sale or transfer of all or part of the equity interests owned by such shareholder. The voting rights proxy agreement will remain effective for 20 years. Prior to the expiration of the term, our WFOE may extend the term through written notification at its sole discretion.

On November 10, 2020, Xiaomi Hua, a shareholder of our VIE, entered into a voting rights proxy agreement and a power of attorney, each contains terms substantially similar to the amendment to voting rights proxy agreement and power of attorney executed by Dr. Cao respectively, as described above.

Equity Pledge Agreements. On November 10, 2020, Dr. Cao, a shareholder of our VIE, entered into an equity pledge supplementary agreement with our WFOE and our VIE, superseding the equity pledge agreement he previously executed on March 6, 2020, pursuant to which Dr. Cao pledges all of his equity interest in our VIE to our WFOE to guarantee the performance by Dr. Cao and our VIE of their obligations under the contractual arrangements, including the technical consultation and service agreement, the business cooperation agreement, the call option agreement, the voting rights proxy agreement and the power of attorney. In the event of a breach by any of our VIE's shareholders of their contractual obligations under these agreements, our WFOE, as pledgee, will have the right to dispose of the pledged equity interests in our VIE. Dr. Cao agrees that, during the term of the equity pledge agreement, he will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests without the prior written consent of our WFOE, except for the performance of the call option agreement. The equity pledge agreements will remain effective until our VIE and its shareholders discharge all of their obligations under the contractual arrangements. On November 10, 2020, Xiaomi Hua, a shareholder of our VIE, entered into an equity pledge agreement, which contains terms substantially similar to the equity pledge supplementary agreement executed by Dr. Cao, as described above. We have registered the equity pledge with the local branches of the Administration for Market Regulation in accordance with applicable PRC law.

Spouse Consent Letter. On November 10, 2020, the spouse of Dr. Cao, a shareholder of our VIE, unconditionally and irrevocably agreed that the equity interest in our VIE held by Dr. Cao will be disposed of pursuant to the equity pledge agreement, the voting rights proxy agreement and the call option agreement. The spouse agreed not to make any assertions in connection with the equity interest in our VIE held by Dr. Cao.

Agreements That Allow Us to Receive Economic Benefits from Our VIE

Technical Consultation and Service Agreement. Pursuant to the technical consultation and service agreement between our WFOE and our VIE, dated January 3, 2019, our WFOE has the exclusive right to provide to our VIE consultation and services related to, among other things, training and technical support, marketing, management and operation. Without our WFOE's written consent, our VIE shall not accept any consultation or services covered by this agreement from any third party. Our WFOE has the sole and exclusive ownership of intellectual property rights created as a result of the performance of this agreement. Our VIE agrees to pay our WFOE an annual service fee at an amount agreed by our WFOE. This agreement will remain effective for a 20-year term and then can be renewed at our WFOE's sole discretion.

Business Cooperation Agreement. Pursuant to the business cooperation agreement between our WFOE and our VIE, dated January 3, 2019, our WFOE has the exclusive right to provide to our VIE technical support, business support and related consulting services. Our WFOE has exclusive right and interests in all intellectual properties arising out of or created during the performance of this agreement. Our VIE agrees to pay our WFOE a monthly service fee at an amount agreed by our WFOE. Our VIE has no right of early termination while our WFOE may terminate this agreement upon a 30-day prior written notice at any time.

Agreements That Provide Us the Option to Purchase the Equity Interests in Our VIE

Call Option Agreement. Our WFOE, our VIE and Dr. Cao, a shareholder of our VIE, entered into an amendment to call option agreement on November 10, 2020, superseding the call option agreement Dr. Cao previously executed on January 3, 2019, pursuant to which he irrevocably grants our WFOE an exclusive option to purchase, or have its designated person or persons to purchase, at its discretion, to the extent permitted by PRC law, all or part of his equity interests in our VIE, and such option may be exercised at the lowest price permitted by applicable PRC law. Any proceeds received by Dr. Cao from the exercise of the option shall be remitted to our WFOE or its designated party, to the extent permitted by applicable PRC law. Dr. Cao undertakes that without our WFOE's prior written consent, he shall not take any actions that may have material effects on our VIE's assets, businesses and liabilities, nor shall they appoint or replace any directors of our VIE.

On November 10, 2020, Xiaomi Hua, a shareholder of our VIE, entered into a call option agreement, which contains terms substantially similar to the amendment to call option agreement executed by Dr. Cao, as described above.

In the opinion of AllBright Law Offices, our PRC legal counsel:

- the ownership structures of our VIE and our WFOE, both currently and immediately after giving effect to this offering, do not and will not result in any violation of PRC laws or regulations currently in effect; and
- the contractual arrangements among our WFOE, our VIE and the shareholders of our VIE governed by PRC law both currently and immediately after giving effect to this offering are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect.

However, we have been further advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules, and there can be of no assurance that the PRC government will ultimately take a view that is consistent with the above opinions of our PRC legal counsel. It is also uncertain whether any new PRC laws or regulations relating to the VIE structures will be adopted or if adopted, what they would provide. If we or the VIE is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See “Risk Factors—Risks Related to Our Corporate Structure—The uncertainties in the PRC legal system may subject our contractual arrangements to different interpretations or enforcement challenges, or subject us to severe penalties or force us to relinquish our interests in our operations” and “Risk Factors—Risks Related to Our Corporate Structure— Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current structure, our business, financial condition and results of operations.”

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present our selected consolidated financial data as of the dates and for the periods indicated. We have derived the consolidated statement of comprehensive loss data for the years ended December 31, 2018 and 2019, the consolidated statement of financial position data as of December 31, 2018 and 2019, and the consolidated statement of cash flows for the years ended December 31, 2018 and 2019 from our audited consolidated financial statements appearing in this prospectus. We have derived the consolidated statement of comprehensive loss data for the nine months ended September 30, 2019 and 2020, the consolidated statement of financial position data as of September 30, 2020, and the consolidated statement of cash flows for the nine months ended September 30, 2019 and 2020.

Our historical results are not necessarily indicative of results expected for future periods and our operating results for the nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2020. You should read this section together with our consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus.

The following table presents our selected consolidated statement of comprehensive loss data for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020:

	For the Year Ended December 31,			For the Nine Months Ended September 30,		
	2018	2019		2019	2020	
	RMB	RMB	US\$	RMB	RMB	US\$
	(in thousands, except per share data)					
Selected consolidated statement of comprehensive loss:						
Expenses						
Research and development expenses	(52,243)	(119,218)	(17,559)	(81,251)	(108,137)	(15,927)
Administrative expenses	(10,261)	(27,362)	(4,030)	(19,437)	(20,781)	(3,061)
Loss from operations	(62,504)	(146,580)	(21,589)	(100,688)	(128,918)	(18,988)
Interest income	1,435	3,932	579	2,494	2,416	356
Interest expense	—	—	—	—	(1,350)	(199)
Other income	256	1,449	213	170	1,794	265
Foreign exchange gain, net	—	2,556	376	2,127	(2,237)	(329)
Others, net	20	(21)	(3)	38	(12)	(2)
Loss before income tax	(60,793)	(138,664)	(20,424)	(95,859)	(128,307)	(18,897)
Income tax expense	—	—	—	—	—	—
Net loss	(60,793)	(138,664)	(20,424)	(95,859)	(128,307)	(18,897)
Deemed dividend to convertible redeemable preferred shareholders	—	(25,390)	(3,740)	(25,390)	—	—
Accretion of convertible redeemable preferred shares to redemption value	(12,199)	(36,802)	(5,420)	(26,176)	(46,392)	(6,833)
Net loss attributable to Gracell Biotechnologies Inc.’s ordinary shareholders	(72,992)	(200,856)	(29,584)	(147,425)	(174,699)	(25,730)

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	For the Year Ended December 31,			For the Nine Months Ended September 30,		
	2018	2019		2019	2020	
	RMB	RMB	US\$	RMB	RMB	US\$
	(in thousands, except per share data)					
Other comprehensive income						
Foreign currency translation adjustments, net of nil tax	—	(3,159)	(465)	1,042	(1,957)	(288)
Total comprehensive loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders	(72,992)	(204,015)	(30,049)	(146,383)	(176,656)	(26,018)
Weighted average number of ordinary shares used in per share calculation						
Basic	100,089,552	99,053,363	99,053,363	99,056,257	99,044,776	99,044,776
Diluted	100,089,552	99,053,363	99,053,363	99,056,257	99,044,776	99,044,776
Net loss per share attributable to Gracell Biotechnologies Inc.'s ordinary shareholders						
Basic	(0.73)	(2.03)	(0.30)	(1.49)	(1.76)	(0.26)
Diluted	(0.73)	(2.03)	(0.30)	(1.49)	(1.76)	(0.26)

The following table presents our selected consolidated statement of financial position as of December 31, 2018 and 2019 and September 30, 2020:

	As of December 31,			As of September 30,	
	2018	2019		2020	
	Actual	Actual		Actual	
	RMB	RMB	US\$	RMB	US\$
	(in thousands)				
Selected consolidated statement of financial position data:					
Cash and cash equivalents	11,890	312,058	45,961	156,781	23,091
Short-term investments	102,000	4,200	619	20,700	3,049
Property, equipment and software	16,285	48,323	7,117	112,114	16,513
Total assets	148,518	412,217	60,713	340,616	50,166
Total liabilities	146,135	156,861	23,103	76,829	11,315
Total mezzanine equity	83,404	547,843	80,688	732,930	107,949
Total shareholders' deficit	(81,021)	(292,487)	(43,078)	(469,143)	(69,098)
Ordinary shares (par value of US\$0.0001 per share; 500,000,000 and 500,000,000 shares authorized; 100,089,552 and 99,044,776 shares issued and outstanding as of December 31, 2018 and 2019, respectively)	69	68	10	68	10
Total liabilities, mezzanine equity and shareholders' deficit	148,518	412,217	60,713	340,616	50,166

The following table presents our selected consolidated statement of cash flows for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020:

	For the Year Ended December 31,			For the Nine Months Ended September 30,		
	2018	2019		2019	2020	
	RMB	RMB	US\$	RMB	RMB	US\$
(in thousands, except per share data)						
Selected consolidated statement of cash flows:						
Net cash used in operating activities	(61,856)	(135,393)	(19,941)	(102,610)	(134,195)	(19,765)
Net cash (used in) generated from investing activities	(113,357)	41,368	6,093	42,728	(81,790)	(12,046)
Net cash generated from financing activities	138,695	394,796	58,148	394,796	63,339	9,329
Effect of exchange rate on cash and cash equivalents	—	(603)	(90)	3,170	(2,631)	(388)
Net (decrease) increase cash and cash equivalents	(36,518)	300,168	44,210	338,084	(155,277)	(22,870)
Cash and cash equivalents at the beginning of the period	48,408	11,890	1,751	11,890	312,058	45,961
Cash and cash equivalents at the end of the period	11,890	312,058	45,961	349,974	156,781	23,091

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a global clinical-stage biopharmaceutical company dedicated to discovering and developing breakthrough cell therapies to address major industry challenges and fulfill unmet medical needs in the treatment of cancer. We aim to disrupt conventional approaches to CAR-T cell therapies with our proprietary technology platforms—FasTCAR and TruUCAR.

- With FasTCAR, we are able to deliver younger, less exhausted T cells for autologous cell therapies with enhanced activities and next-day manufacturing (22 to 36 hours) versus the industry norm of two to six weeks. Our lead FasTCAR-enabled autologous product candidate, GC012F, has achieved multiple minimal residual disease, or MRD, negative stringent complete responses, or sCR, in relapsed or refractory multiple myeloma, or r/r MM, patients in an ongoing investigator-initiated Phase 1 trial in China.
- With TruUCAR, we are able to derive T cells from non-HLA-matched healthy donors to generate allogeneic CAR-T cell therapies that are readily available off-the-shelf at lower cost for a broad patient base, including those less suitable for autologous CAR-T cell therapies. Our lead TruUCAR-enabled allogeneic product candidate, GC027, has achieved multiple complete responses, or CR, in relapsed or refractory T cell acute lymphoblastic leukemia, or r/r T-ALL, patients in an ongoing investigator-initiated Phase 1 trial in China.

In addition to our technology platforms, we utilize our proprietary genetic engineering techniques, Dual CAR and Enhanced CAR, to generate FasTCAR and TruUCAR product candidates with potentially enhanced therapeutic effects. Leveraging our pioneering platforms, know-how and experience, we are developing a rich clinical-stage pipeline of multiple autologous and allogeneic product candidates that we believe will unlock the long-held promise of CAR-T cell therapies for a broad range of patients with advanced hematologic malignancies and solid tumors.

We commenced operations in May 2017. Since our inception, our operations have focused on organizing and staffing our company, business planning, raising capital, establishing our intellectual property portfolio, developing and manufacturing our product candidates, conducting research and development activities, including preclinical studies and clinical trials, and providing general and administrative support for these operations. We do not have any product candidates approved for commercialization and have not generated any revenue from product sales.

We have funded our operations to date primarily through a combination of equity and debt financing. Through the date of this prospectus, we have received proceeds of RMB2.4 million (US\$0.4 million) from sale of ordinary shares, RMB1,319.6 million (US\$194.4 million) from sale of preferred shares, and RMB64.9 million (US\$9.6 million) from our term loan facility with commercial banks. As of September 30, 2020, we had RMB177.5 million (US\$26.1 million) in cash and cash equivalents and short-term investments.

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Since inception, we have incurred significant operating losses. Our net losses were RMB60.8 million and RMB138.7 million (US\$20.4 million) for the years ended December 31, 2018 and 2019, respectively and RMB128.3 million (US\$18.9 million) for the nine months ended September 30, 2020. We expect to continue to incur net losses for the foreseeable future, and we expect that our research and development expenses, administrative expenses and capital expenditures will continue to increase substantially for the foreseeable future in connection with our ongoing activities, as we:

- continue our ongoing and planned research and development of our lead product candidates, GC012F for the treatment of relapsed or refractory multiple myeloma, or r/r MM, and GC027 for the treatment of relapsed or refractory T cell acute lymphoblastic leukemia, or r/r T-ALL;
- continue our ongoing and planned clinical activities for our other product candidates, including those we are developing for the treatment of B-cell acute lymphoblastic leukemia, or B-ALL, and B-cell non-Hodgkin's lymphoma, or B-NHL;
- continue our ongoing and planned research and development activities;
- seek to discover and develop additional product candidates and further expand our clinical product pipeline;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- continue to scale up manufacturing capacity with the aim of securing sufficient quantities to meet our capacity requirements for clinical trials and potential commercialization;
- establish sales, marketing and distribution infrastructure to commercialize any product candidate for which we may obtain regulatory approval;
- develop, maintain, expand and protect our intellectual property portfolio;
- hire additional clinical, quality control, manufacturing and administrative personnel;
- expand our operations globally; and
- incur additional legal, accounting, investor relations, insurance and other expenses associated with operating as a public company following the completion of this offering.

Based upon our current operating plan, we believe that the net proceeds from this offering, together with our existing cash and cash equivalents as of September 30, 2020, will enable us to fund our operating expenses and capital expenditure requirements through from the date of this offering. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect.

We do not expect to generate any revenue from product sales unless and until we successfully complete development and obtain regulatory approval for one or more of our product candidates, which we expect will take a number of years. As a result, until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including potentially collaborations, licenses and other similar arrangements. Our ability to raise additional funds may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, the credit and financial markets in the United States and worldwide resulting from the ongoing COVID-19 pandemic and otherwise. If we fail to raise additional funds or enter into such other arrangements when needed on favorable terms or at all, it could force us to delay, limit, reduce or terminate our product development programs, commercialization efforts or other operations. Insufficient liquidity may also require us to relinquish rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

Impact of COVID-19

The global COVID-19 pandemic continues to rapidly evolve, and we have been monitoring the COVID-19 situation closely. To date, the impact of the COVID-19 on our business, operations and timelines and plans of our preclinical studies and clinical trials is immaterial. However, the ultimate impact of the COVID-19 pandemic is highly uncertain, and will depend on certain developments, including the duration and spread of the outbreak and its impact on our trial sites, GMP facilities, CROs and other third parties with whom we do business, as well as its impact on regulatory authorities and our key scientific and management personnel. We are generally conducting business as usual, with necessary or advisable modifications to employee travel with the exception of our U.S. employees who are currently working remotely. We will continue to actively monitor the rapidly evolving situation related to COVID-19 and may take further actions that alter our operations, including those that may be required by government authorities, or that we determine are in the best interests of our employees and other third parties with whom we do business. At this point, the extent to which the COVID-19 pandemic may affect our business, operations and timelines and plans of our preclinical studies and clinical trials, including the resulting impact on our expenditures and capital needs, remains uncertain.

Significant Components of Our Results of Operations

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred in connection with our research activities and include:

- cost of personnel engaged in research and development activities, including salaries, benefits and share-based compensation expense, if any;
- costs of funding research performed by third parties including laboratory, contract research organization, and other investigator and vendor expenses related to the execution of preclinical and clinical trials;
- costs related to production of preclinical and clinical materials;
- facilities and other expenses, which include expenses for rent and maintenance of facilities, depreciation and amortization expense and other supplies;
- expenses related to regulatory activities, including filing fees paid to regulatory agencies; and
- fees for maintaining licenses under our third-party licensing agreements.

Research and development costs are expensed as incurred. Costs for certain activities, such as manufacturing and preclinical studies and clinical trials, are generally recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and investigators.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect our research and development expenses to increase over the next several years as our existing clinical programs progress and as we seek to initiate clinical trials of additional product candidates. We also expect to incur increased research and development expenses as we selectively identify and develop additional product candidates. However, it is difficult to determine with certainty the duration and completion costs of our current or future preclinical programs and clinical trials of our product candidates.

The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors that include, but are not limited to, the following:

- per patient trial costs;

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- the number of patients that participate in the trials;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up;
- the efficacy and safety profile of the product candidates;
- the cost and timing of manufacturing of our product candidates;
- the number of trials required for regulatory approval;
- the receipt of regulatory approvals from applicable regulatory authorities;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities; and
- the extent to which we establish collaboration, licensing or similar arrangements and the performance of any related third parties.

A change in the outcome of any of these variables with respect to the development of any of our product candidates could significantly change the costs and timing associated with the development of that product candidate. In addition, the probability of success for each product candidate will depend on numerous factors, including competition, manufacturing capability and commercial viability. We will determine which programs to pursue and how much to fund each program in response to the scientific and clinical success of each product candidate, as well as an assessment of each product candidate's commercial potential. Because our product candidates are still in clinical and preclinical development and the outcome of these efforts is uncertain, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of product candidates or whether, or when, we may achieve profitability.

Administrative Expenses

Administrative expenses consist primarily of personnel expenses, including salaries, benefits and share-based compensation expense, if any, for personnel in executive, finance, accounting, business development, legal and human resource functions. Administrative expenses also include corporate facility costs not otherwise included in research and development expenses, legal fees related to intellectual property and corporate matters and fees for accounting and consulting services. Administrative costs are expensed as incurred, and we accrue for services provided by third parties related to the above expenses by monitoring the status of services provided and adjusting our accruals as actual costs become known.

We expect our administrative expenses to increase in the foreseeable future to support our continued research and development activities, manufacturing activities, potential commercialization of our product candidates and operating as a public company. These increased costs are anticipated to be related to the hiring of additional personnel, developing commercial infrastructure, fees to outside consultants, lawyers and accountants, and costs associated with being a public company such as accounting, audit, legal, regulatory, compliance and director and officer insurance costs, as well as investor and public relations expenses.

Other Income

Other income primarily consists of government subsidies that we receive from local government in the PRC.

Results of Operations

Comparison of Nine Months Ended September 30, 2019 and 2020

The following table summarizes our results of operations for the nine months ended September 30, 2019 and 2020:

	For the Nine Months Ended				
	September 30,			Change	
	2019	2020			
	RMB	RMB	US\$	RMB	US\$
(in thousands)					
Consolidated Statement of Operations Data:					
Operating expenses:					
Research and development expenses	(81,251)	(108,137)	(15,927)	(26,886)	(3,960)
Administrative expenses	(19,437)	(20,781)	(3,061)	(1,344)	(198)
Loss from operation	(100,688)	(128,918)	(18,988)	(28,230)	(4,158)
Interest income	2,494	2,416	356	(78)	(11)
Interest expense	—	(1,350)	(199)	(1,350)	(199)
Other income	170	1,794	265	1,624	239
Foreign exchange gain, net	2,127	(2,237)	(329)	(4,364)	(643)
Others, net	38	(12)	(2)	(50)	(7)
Loss before income tax	(95,859)	(128,307)	(18,897)	(32,448)	(4,779)
Income tax expense	—	—	—	—	—
Net loss	(95,859)	(128,307)	(18,897)	(32,448)	(4,779)

Operating Expenses

Research and Development Expenses

Research and development expenses for the nine months ended September 30, 2020 were RMB108.1 million (US\$15.9 million), compared to RMB81.3 million for the nine months ended September 30, 2019. This increase of RMB26.9 million (US\$4.0 million) was primarily due to an increase of RMB11.5 million (US\$1.7 million) in costs related to preclinical studies and clinical trials, resulting from increased manufacturing costs along with the progression of our preclinical studies and clinical trials, an increase of RMB3.9 million (US\$0.6 million) in payroll and other personnel expenses, and an increase of RMB9.6 million (US\$1.4 million) in depreciation expenses as one of our PRC operating entity, Suzhou Gracell Biotech, commenced operation in late 2019 with a substantial amount of equipments and leasehold improvement purchased in 2020.

Administrative Expenses

Administrative expenses for the nine months ended September 30, 2020 were RMB20.8 million (US\$3.1 million), compared to RMB19.4 million for the nine months ended September 30, 2019. This increase of RMB1.3 million (US\$0.2 million) was primarily due to an increase of RMB0.8 million (US\$0.1 million) in cost related to professional service fees and an increase of RMB2.8 million (US\$0.4 million) in personnel expenses and labor outsourcing cost, as a result of increased administrative personnel associated with increased research and development activities, partially offset by a decrease of RMB2.1 million (US\$0.3 million) in rental expense and depreciation expense as lesser expenses were allocated to administrative expenses, as a result of reduced proportion of working space being allocated to administrative activities.

Interest Income, Interest Expense, Other Income and Foreign Exchange Gain

Interest income for the nine months ended September 30, 2020 was RMB2.4 million (US\$0.4 million), compared to RMB2.5 million for the nine months ended September 30, 2019. This decrease of RMB0.08 million

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(US\$0.01 million) was primarily attributable to decrease in bank deposit and short-term investment. Interest expense for the nine months ended September 30, 2020 was RMB1.4 million (US\$0.2 million), compared to nil for the nine months ended September 30, 2019. This increase of RMB1.4 million (US\$0.2 million) was primarily attributable to the new borrowings incurred in 2020. Other income for the nine months ended September 30, 2020 was RMB1.8 million (US\$0.3 million), compared to RMB0.2 million for the nine months ended September 30, 2019. This increase of RMB1.6 million (US\$0.2 million) was primarily due to an increase in subsidies we received from the PRC local government in 2020.

Foreign exchange loss for the nine months ended September 30, 2020 was RMB2.2 million (US\$0.3 million), compared to foreign exchange gain of RMB2.1 million for the nine months ended September 30, 2019. This decrease of RMB4.4 million (US\$0.6 million) was primarily attributable to unfavorable foreign exchange fluctuation during the nine months ended September 30, 2020.

Income Tax Expense

We incurred no income tax expense for the nine months ended September 30, 2019 and 2020.

Comparison of Years Ended December 31, 2018 and 2019

The following table summarizes our results of operations for the years ended December 31, 2018 and 2019:

	For the Year Ended December 31,			Year-Over-Year	
	2018	2019		Change	
	RMB	RMB	US\$	RMB	US\$
(in thousands)					
Consolidated Statement of Operations Data:					
Operating expenses:					
Research and development expenses	(52,243)	(119,218)	(17,559)	(66,975)	(9,864)
Administrative expenses	(10,261)	(27,362)	(4,030)	(17,101)	(2,519)
Loss from operation	(62,504)	(146,580)	(21,589)	(84,076)	(12,383)
Interest income	1,435	3,932	579	2,497	368
Other income	256	1,449	213	1,193	176
Foreign exchange gain, net	—	2,556	376	2,556	376
Others, net	20	(21)	(3)	(41)	(6)
Loss before income tax	(60,793)	(138,664)	(20,424)	(77,871)	(11,469)
Income tax expense	—	—	—	—	—
Net loss	(60,793)	(138,664)	(20,424)	(77,871)	(11,469)

Operating Expenses

Research and Development Expenses

Research and development expenses for the year ended December 31, 2019 were RMB119.2 million (US\$17.6 million), compared to RMB52.2 million for the year ended December 31, 2018. This increase of RMB67.0 million (US\$9.9 million) was primarily due to an increase of RMB40.3 million (US\$5.9 million) in costs related to preclinical studies and clinical trials, which mainly resulted from increased manufacturing costs along with the progression of our preclinical studies and clinical trials, an increase of RMB11.0 million (US\$1.6 million) in payroll and other personnel expenses, and an increase in RMB9.4 million (US\$1.4 million) in rental expenses related to our research and development activities incurred as two of our PRC operating entities, Shanghai Gracell Biotech and Suzhou Gracell Biotech, commenced operation in 2019.

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Administrative Expenses

Administrative expenses for the year ended December 31, 2019 were RMB27.4 million (US\$4.0 million), compared to RMB10.3 million for the year ended December 31, 2018. This increase of RMB17.1 million (US\$2.5 million) was primarily due to an increase of RMB7.7 million (US\$1.1 million) in cost related to professional service fees, and an increase of RMB5.9 million (US\$0.9 million) in personnel expenses and labor outsourcing cost as a few of our subsidiaries commenced operation in 2019.

Interest Income, Other Income and Foreign Exchange Gain

Interest income for the year ended December 31, 2019 was RMB3.9 million (US\$0.6 million), compared to RMB1.4 million for the year ended December 31, 2018. This increase of RMB2.5 million (US\$0.3 million) was primarily attributable to proceeds from issuance of Series B-2 preferred shares. Other income for the year ended December 31, 2019 was RMB1.5 million (US\$0.2 million), compared to RMB0.3 million for the year ended December 31, 2018. This increase of RMB1.2 million (US\$0.2 million) was primarily due to an increase in subsidies we received from the PRC local government in 2019. Foreign exchange gain for the year ended December 31, 2019 was RMB2.6 million (US\$0.4 million), compared to nil for the year ended December 31, 2018. This increase of RMB2.6 million (US\$0.4 million) was primarily attributable to increase in United States dollars received and favorable foreign exchange fluctuation during the year ended December 31, 2019.

Income Tax Expense

We incurred no income tax expense for the years ended December 31, 2018 and 2019.

Liquidity and Capital Resources

We do not currently have any approved products and have not generated any revenue from product sales. We have funded our operations to date primarily through a combination of equity and debt financing. Through the date of this prospectus, we have received proceeds of RMB2.4 million (US\$0.4 million) from sale of ordinary shares, RMB1,319.6 million (US\$194.4 million) from sale of preferred shares, and RMB64.9 million (US\$9.6 million) from our term loan facility with commercial banks. As of September 30, 2020, we had RMB177.5 million (US\$26.1 million) in cash and cash equivalents and short-term investments.

Cash Flows

The following table shows a summary of our cash flow:

	For the Year Ended December 31,			For the Nine Months Ended September 30,		
	2018	2019		2019	2020	
	RMB	RMB	US\$	RMB	RMB	US\$
(in thousands)						
Net cash used in operating activities	(61,856)	(135,393)	(19,941)	(102,610)	(134,195)	(19,765)
Net cash (used in)/ generated from investing activities	(113,357)	41,368	6,093	42,728	(81,790)	(12,046)
Net cash generated from financing activities	138,695	394,796	58,148	394,796	63,339	9,329
Net (decrease)/increase in cash and cash equivalents	(36,518)	300,168	44,210	338,084	(155,277)	(22,870)
Cash and cash equivalents at the beginning of the period	48,408	11,890	1,751	11,890	312,058	45,961
Cash and cash equivalents at the end of the period	11,890	312,058	45,961	349,974	156,781	23,091

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2020 was RMB134.2 million (US\$19.8 million), primarily attributable to a net loss of RMB128.3 million (US\$18.9 million), an increase of RMB14.1 million (US\$2.1 million) in prepayments and other current assets, and a decrease of RMB6.2 million (US\$0.9 million) in accrued liabilities and other current liabilities, which were partially offset by an adjustment from the RMB12.2 million (US\$1.8 million) recognized in depreciation and amortization.

Net cash used in operating activities for the nine months ended September 30, 2019 was RMB102.6 million, consisting primarily of a net loss of RMB95.9 million and an increase of RMB10.4 million in prepayments and other current assets, which were partially offset by an adjustment from the RMB3.8 million recognized in depreciation and amortization.

Net cash used in operating activities for the year ended December 31, 2019 was RMB135.4 million (US\$19.9 million), primarily attributable to a net loss of RMB138.7 million (US\$20.4 million) and an increase of RMB10.0 million (US\$1.5 million) in prepayments and other current assets, which were partially offset by an increase of RMB10.7 million (US\$1.6 million) in accrued liabilities and other current liabilities and an adjustment from the RMB5.1 million (US\$0.8 million) recognized in depreciation and amortization.

Net cash used in operating activities for the year ended December 31, 2018 was RMB61.9 million, primarily attributable to a net loss of RMB60.8 million and an increase of RMB10.6 million in prepayments and other current assets, which were partially offset by an increase of RMB6.6 million in accrued liabilities and other current liabilities and an adjustment from RMB3.0 million recognized in depreciation and amortization.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2020 was RMB81.8 million (US\$12.0 million), attributable to an increase of RMB65.3 million (US\$9.6 million) in purchase of property, equipment and software and RMB73.7 million (US\$10.9 million) in short-term investments, partially offset by proceeds of RMB57.2 million (US\$8.4 million) from the disposal of short-term investments.

Net cash provided by investing activities for the nine months ended September 30, 2019 was RMB42.7 million, attributable to an increase of proceeds of RMB98.0 million from the disposal of short-term investments, partially offset by an increase of RMB9.1 million in short-term investments and RMB46.2 million in purchase of property, equipment and software.

Net cash provided by investing activities for the year ended December 31, 2019 was RMB41.4 million (US\$6.1 million), attributable to proceeds of RMB178.0 million (US\$26.2 million) from the disposal of short-term investments, partially offset by an increase of RMB80.2 million (US\$11.8 million) in short-term investments and RMB56.4 million (US\$8.3 million) in purchase of property and equipment.

Net cash used in investing activities for the year ended December 31, 2018 was RMB113.4 million, attributable to an increase of RMB335.0 million in short-term investments and RMB11.4 million in purchase of property and equipment, partially offset by proceeds of RMB233.0 million from the disposal of short-term investments.

Financing Activities

Net cash provided by financing activities in the nine months ended September 30, 2020 was RMB63.3 million (US\$9.3 million), attributable to proceeds of RMB137.2 million (US\$20.2 million) from the issuance of series C convertible redeemable preferred shares and proceeds of RMB64.9 million (US\$9.6 million) from bank borrowings, partially offset by RMB138.7 million (US\$20.4 million) in repayment of convertible loans.

Net cash provided by financing activities for the nine months ended September 30, 2019 was RMB394.8 million, attributable to proceeds of US\$63.0 million (equivalent to approximately RMB439.5 million) from the issuance of series B-2 convertible redeemable preferred shares, partially offset by payment of US\$6.7 million (equivalent to approximately RMB44.7 million) in repurchasing ordinary shares and series A preferred shares.

Net cash provided by financing activities for the year ended December 31, 2019 was RMB394.8 million (US\$58.1 million), attributable to proceeds of US\$63.0 million (equivalent to approximately RMB439.5 million) from the issuance of series B-2 convertible redeemable preferred shares, partially offset by the payment of US\$6.7 million (equivalent to approximately RMB44.7 million) in repurchasing series A preferred shares.

Net cash provided by financing activities for the year ended December 31, 2018 was RMB138.7 million, attributable to the proceeds we received from issuance of series B-1 convertible redeemable preferred shares.

Loan Agreements

Loan Agreement with Bank of China

On January 15, 2020, one of our PRC operating entities Suzhou Gracell Biotech entered into a loan agreement with Suzhou Industrial Park Branch of Bank of China, under which Suzhou Gracell Biotech may borrow an aggregate principal amount of RMB69.0 million (US\$10.2 million) in the form of a term loan with a term of 72 months commencing from the first drawdown date. Interest on the outstanding loan balance accrues at a variable annual rate equal to the five-year loan prime rate plus 0.2%. We are required to make interest payments on the loan on a quarterly basis and payments of principal according to the agreed repayment schedule which will commence from the end of the 42nd month after the first drawdown date. The loan agreement contains customary covenants that, among other things, require Suzhou Gracell Biotech to obtain written approval from Suzhou Industrial Park Branch of Bank of China for merger, consolidation or division, reducing registered capital, making investments, disposing of assets, increasing debt financing or other transactions that may adversely affect its ability to make payments under the loan. The loan agreement also contains customary events of default relating to, among other things, payment defaults or breaches of the terms of the loan, upon which the bank may declare all or a portion of our outstanding obligations payable to be immediately due and payable. As of September 30, 2020, RMB40.0 million (US\$5.9 million) was outstanding under the loan agreement.

Loan Agreements with China Construction Bank

On May 11, 2020, Suzhou Gracell Biotech entered into a loan agreement with Suzhou Industrial Park Sub-branch of China Construction Bank, under which Suzhou Gracell Biotech borrowed an aggregate principal amount of RMB5.0 million (US\$0.7 million) in the form of a term loan for 12 months. Interest on the outstanding loan balance accrues at a fixed annual rate equal to the one-year loan prime rate plus 0.5%. We are required to make interest payments on the loan on a monthly basis and repay principal at the end of the loan term. The loan agreement contains customary covenants that, among other things, require Suzhou Gracell Biotech to obtain written approval from Suzhou Industrial Park Sub-branch of China Construction Bank for merger, consolidation or division, reducing registered capital, making investments, disposing of assets, increasing debt financing or other transactions that may adversely affect its ability to make payments under the loan. The loan agreement also contains customary events of default relating to, among other things, payment defaults or breaches of the terms of the loan, upon which the bank may declare all or a portion of our outstanding obligations payable to be immediately due and payable.

On June 4, 2020, Suzhou Gracell Biotech entered into another loan agreement with Suzhou Industrial Park Sub-branch of China Construction Bank, under which Suzhou Gracell Biotech borrowed additional RMB5.0 million (US\$0.7 million) for a term of 12 months at an interest rate equal to the one-year loan prime rate plus 0.15%. On July 16, 2020, Suzhou Gracell Biotech entered into the third loan agreement with Suzhou

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Industrial Park Sub-branch of China Construction Bank, under which Suzhou Gracell Biotech borrowed additional RMB5.0 million (US\$0.7 million) for a term of 12 months at an interest rate equal to the one-year loan prime rate minus 0.2%. On September 10, 2020, Suzhou Gracell Biotech entered into the fourth loan agreement with Suzhou Industrial Park Sub-branch of China Construction Bank, under which Suzhou Gracell Biotech borrowed additional RMB5.0 million (US\$0.7 million) for a term of 12 months at an interest rate equal to the one-year loan prime rate. Other than the interest rate, these loan agreements have substantially the same terms and conditions as the loan agreement signed on May 11, 2020.

As of September 30, 2020, RMB20.0 million (US\$2.9 million) was outstanding under the loan agreements with China Construction Bank.

Loan Agreement with China Merchants Bank

On July 24, 2020, Suzhou Gracell Biotech entered into a loan agreement with Suzhou Branch of China Merchants Bank, under which Suzhou Gracell Biotech obtained a term loan facility of RMB29.0 million (US\$4.3 million) for a term of 60 months commencing from June 2, 2020 and ending on June 1, 2025. During the term, Suzhou Gracell Biotech may make multiple drawdowns within the facility limit. Interest on the outstanding loan balance accrues quarterly at a variable annual rate equal to the one-year loan prime rate plus 1%. We are required to make payments of principal and interest on the loan on a semi-annual basis unless otherwise agreed by the parties. The loan agreement contains customary covenants that, among other things, require Suzhou Gracell Biotech to obtain written approval from Suzhou Branch of China Merchants Bank for merger, consolidation or division, reducing registered capital, making investments, disposing of assets, increasing debt financing or other transactions that may adversely affect its ability to make payments under the loan. The loan agreement also contains customary events of default relating to, among other things, payment defaults or breaches of the terms of the loan, upon which the bank may declare all or a portion of our outstanding obligations payable to be immediately due and payable. As of September 30, 2020, RMB4.9 million (US\$0.7 million) was outstanding under the loan agreement.

Funding Requirements

We do not currently have any approved products and have not generated any revenue from product sales. We have funded our operations to date primarily through a combination of equity and debt financing. Through the date of this prospectus, we have received proceeds of RMB2.4 million (US\$0.4 million) from sale of ordinary shares, RMB1,319.6 million (US\$194.4 million) from sale of preferred shares, and RMB64.9 million (US\$9.6 million) from our term loan facilities with commercial banks. As of September 30, 2020, we had RMB177.5 million (US\$26.1 million) in cash and cash equivalents and short-term investments.

Since our inception, we have incurred significant operating losses. We expect to incur significant expenses and operating losses for the foreseeable future as we advance the preclinical and clinical development of our research programs and product candidates. We expect that our research and development and general and administrative expenses will increase in connection with conducting additional clinical trials and preclinical studies for our current and future research programs and product candidates, contracting with CROs to support clinical trials and preclinical studies, expanding our intellectual property portfolio, and providing general and administrative support for our operations. As a result, we expect that we will need additional capital to fund our operations.

Based upon our current operating plan, we believe that the net proceeds from this offering, together with our existing cash and cash equivalents as of September 30, 2020, will enable us to fund our operating expenses and capital expenditure requirements through from the date of this offering. We do not expect to generate any revenue from product sales unless and until we successfully complete development and obtain regulatory approval for one or more of our product candidates, which we expect will take a number of years. As a result, until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs

through equity offerings, debt financings or other capital sources, including potentially collaborations, licenses and other similar arrangements.

However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing shareholders, including investors in this offering, will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our shareholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies. If we are unable to raise capital, we will need to delay, reduce or terminate planned activities to reduce costs.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical products, we are unable to estimate the exact amount of our operating capital requirements. Our future funding requirements will depend on many factors, including, but not limited to:

- the timing, receipt and amount of sales of any future approved or cleared products, if any;
- the scope, progress, results and costs of researching and developing our existing product candidates or any future product candidates, and conducting preclinical studies and clinical trials;
- the timing of, and the costs involved in, obtaining regulatory approvals or clearances for our existing product candidates or any future product candidates;
- the time and costs involved in obtaining regulatory approval for our product candidates and any delays we may encounter as a result of evolving regulatory requirements or adverse results with respect to any of these product candidates;
- the number and characteristics of any additional product candidates we develop or acquire;
- the cost of manufacturing our product candidates and any products we successfully commercialize, including costs associated with developing our manufacturing capabilities;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the extent to which we acquire or in-license other product candidates and technologies;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of any such agreements that we may enter into;
- the expenses needed to attract and retain skilled personnel and senior management; and
- the costs associated with being a public company.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated product development programs.

Capital Expenditure

We incurred capital expenditure of RMB11.4 million and RMB56.4 million (US\$8.3 million) for the years ended December 31, 2018 and 2019, respectively, primarily in connection with our expenditure for the purchase

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of property and equipment. We incurred capital expenditure of RMB65.3 million (US\$9.6 million) in the nine months ended September 30, 2020, primarily in connection with our expenditure for the purchase of property, equipment and software. These purchases primarily relate to (i) equipment used for research and production activities and (ii) renovation in Suzhou facility. We intend to fund our future capital expenditure through our existing cash balance, proceeds from this offering and other financing alternatives. We will continue to incur capital expenditure to support the growth of our business.

Contractual Obligations and Commitments

The following is our contractual obligations and commitments as of December 31, 2019:

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
	(in RMB thousands)				
Operating Lease obligations	10,564	27,069	—	—	37,633

Our operating lease obligations related to our leases of offices and GMP facilities. For the years ended December 31, 2018 and 2019, total rental related expenses for all operating leases amounted to RMB4.2 million and RMB13.0 million (US\$1.9 million), respectively.

Internal Control Over Financial Reporting

During the audit of our financial statements for the years ended December 31, 2018 and 2019, one material weakness was identified in our internal control over financial reporting. Under standards established by the PCAOB, a “material weakness” is a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that has been identified relate to our lack of sufficient and competent financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting and compliance requirements.

We are in the process of implementing a number of measures to address the material weakness that has been identified including: (i) hiring additional accounting and financial reporting personnel with U.S. GAAP and SEC reporting experience and qualifications, (ii) expanding the capabilities of existing accounting and financial reporting personnel through continuous training and education in the accounting and reporting requirements under U.S. GAAP, and SEC rules and regulations, and (iii) enhancing internal audit function as well as engaging an external consulting firm to assist us in assessing compliance with the SEC requirements and improve overall internal control.

We may incur significant costs in the implementation of such measures. We cannot assure you that all these measures will be sufficient to remediate our material weakness in time, or at all. Additionally, we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. As a company with less than US\$1.07 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company’s internal control over financial reporting.

Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity or that are not reflected in our consolidated financial statements.

Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Holding Company Structure

Gracell Cayman is a holding company with no material operations of its own. We currently conduct our operations primarily through our PRC subsidiaries, our variable interest entity and its subsidiary in China. As a result, Gracell Cayman's ability to pay dividends primarily depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign owned subsidiary in China are permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws, each of our subsidiaries, our variable interest entity and its subsidiaries in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, our wholly foreign owned subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and our variable interest entity may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

As a Cayman Islands exempted company and offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiary only through loans or capital contributions, subject to the approval of government authorities and limits on the amount of capital contributions and loans. This may delay us from using the proceeds from this offering to make loans or capital contribution to our PRC subsidiary. See "Risk Factors—Risks Relating to Doing Business in China— PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiary."

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

British Virgin Islands

Under the current laws of the British Virgin Islands, our British Virgin Islands subsidiary, Gracell Biotechnologies Holdings Limited, is not subject to income or capital gain taxes. In addition, dividend payments are not subject to withholding tax in the British Virgin Islands.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiary, Gracell Biotechnologies (HK) Limited, is subject to a two-tiered profits tax rate where the first HK\$2 million of the

taxable income generated from operations in Hong Kong will be taxed at a rate of 8.25% while the remainder will be taxed at 16.5%. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, our Hong Kong subsidiary did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earnings in Hong Kong. Under the Hong Kong tax law, our Hong Kong subsidiary is exempt from Hong Kong profit tax on its foreign-derived income and dividend payments are not subject to withholding tax in Hong Kong.

PRC

Generally, our PRC subsidiaries, VIE and VIE's subsidiary are subject to corporate income tax on their taxable income in the PRC at a rate of 25%. Enterprise engaged in research and development activities are entitled to claim a tax deduction at an amount equal to 50%, or 75% in the years of 2018 to 2020 for corporate income tax purpose, of the qualified research and development expenses.

Dividends paid by our wholly owned subsidiary in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless they qualify for treaty benefit. If our Hong Kong subsidiary is qualified as a Hong Kong tax resident and satisfies all other requirements under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, then dividends paid by our wholly foreign owned subsidiary in China will be subject to a reduced withholding tax rate of 5% instead. See "Risk Factors—Risks Relating to Doing Business in China—Dividends we receive from our subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders."

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to corporate income tax on its worldwide income at a rate of 25%. See "Risk Factors—Risks Relating to Doing Business in China—If we are classified as a "resident enterprise" of China under the PRC Enterprise Income Tax Law, we and our non-PRC shareholders could be subject to unfavorable tax consequences, and our business, financial condition and results of operations could be materially and adversely affected."

Inflation

To date, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2018 and 2019 were increases of 1.9% and 4.5%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future. For example, certain operating expenses, such as employee compensation and rental and related expenses for office space may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and cash equivalents and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposure to higher inflation in China.

Qualitative and Quantitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in foreign exchange and interest rate risk.

Foreign Exchange Risk

Most of our expenses are denominated in Renminbi and, therefore, we are exposed to risks related to movements between Renminbi and U.S. dollars. To date, we have not used any derivative financial instruments to hedge exposure to foreign exchange risk. Although we do not believe that we currently have any significant

direct foreign exchange risk and the value of your investment in the ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in Renminbi, while the ADSs will be traded in U.S. dollars.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. For U.S. dollar against Renminbi, there was appreciation of approximately 5.7% and 1.3% for the years ended December 31, 2018 and 2019, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar. To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

We estimate that we will receive net proceeds of approximately US\$ million from this offering if the underwriters do not exercise their option to purchase additional ADSs, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us, based on the initial offering price of US\$ per ADS, the midpoint of the estimated initial public offering price range shown on the cover page of this prospectus. Assuming that we convert the full amount of the net proceeds from this offering into Renminbi, a 10% appreciation of the U.S. dollar against the Renminbi, from the exchange rate of RMB6.7896 for US\$1.00 as of September 30, 2020 to a rate of RMB7.4686 to US\$1.00, would result in an increase of RMB million in our net proceeds from this offering. Conversely, a 10% depreciation of the U.S. dollar against the Renminbi, from the exchange rate of RMB6.1106 for US\$1.00 as of December 31, 2019 to a rate of RMB6.2656 to US\$1.00, would result in a decrease of RMB million in our net proceeds from this offering.

Interest Rate Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities. We held cash and cash equivalents and short-term investments of RMB177.5 million (US\$26.1 million) as of September 30, 2020. We generally hold our cash in interest-bearing money market accounts. Due to the short-term maturities of our cash equivalents and short-term investments and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents and short-term investments.

Critical Accounting Policies, Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP.

Our consolidated financial statements include the financial statements of Gracell Biotechnologies Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet dates, as well as the reported expenses incurred during the reporting periods. Significant estimates and assumptions reflected in our consolidated financial statements include, but not limited to, the useful lives and impairment of long-lived assets, deferred tax valuation allowance, share-based compensation expenses and the valuation of our convertible redeemable preferred shares. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from

other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Research and Development Expenses

Research and development expenses primarily include (i) payroll and other related costs of personnel engaged in research and development activities, (ii) costs related to pre-clinical testing of our technologies under development and clinical trials such as payments to contract research organizations, investigators and clinical trial sites that conduct our clinical studies; (iii) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation and amortization, and facility related expenses, and (iv) other research and development expenses.

We expense research and development costs as incurred when the expenditures relate to our research and development services and have no alternative future uses in accordance with ASC 730, Research and Development. The contracts with contract research organizations are generally cancellable at our option with notice. We did not record any accrued expenses related to cancellation of contracts with contract research organizations as of September 30, 2020 as we did not have any plan to cancel the existing contracts with contract research organizations.

Our research and development expenses may vary substantially from period to period depending on the status of our research and development activities. The timing of expenses is impacted by the commencement of clinical trials and enrollment of patients in trials. Our research and development expenses incurred during the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020 were primarily due to the research and development of our product candidates, GC007F and GC007g, as summarized below in the table below, with the remaining contributed by the research and development activities of our other product candidates.

Product Candidate	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019		2020	
	RMB	RMB	US\$	RMB	US\$
		(in thousands)			
GC007F	10,047	35,569	5,238	51,520	7,588
GC007g	12,822	17,137	2,524	20,381	3,001
Other product candidates in clinical, preclinical and earlier stages	29,374	66,512	9,797	36,236	5,338
Total	52,243	119,218	17,559	108,137	15,927

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In addition, the following table sets forth a breakdown of the major components of our research and development expenses that generally apply to all or part of our product candidates in absolute amounts and as a percentage of our total research and development expenses for the periods indicated:

	For the Year Ended December 31,						For the Nine Months Ended September 30,		
	2018		2019			(in thousands, except percentage)	2020		
	RMB	%	RMB	US\$	%		RMB	US\$	
Payroll and other personnel expenses	16,165	30.9	27,134	3,996	22.8		22,249	3,277	20.6
Rental expenses related to our research and development activities	2,843	5.4	12,314	1,814	10.3		9,366	1,379	8.7
Depreciation and amortization expense related to our research and development activities	2,172	4.2	4,098	604	3.4		12,322	1,815	11.4
Costs related to preclinical studies and clinical trials	24,182	46.3	60,876	8,966	51.1		55,197	8,130	51.0
Other research and development expenses	6,881	13.2	14,796	2,179	12.4		9,003	1,326	8.3
Total	52,243		119,218	17,559			108,137	15,927	

Accounting and Modification of Preferred Shares

Our Preferred Shares are classified as mezzanine equity in the consolidated balance sheets because they are contingently redeemable upon the occurrence of an event outside of our control, for example us not achieving a qualified initial public offering or a deemed liquidation event before February 22, 2024, or the Target QIPO Date. Our Preferred Shares were determined to be mezzanine equity with no embedded feature to be bifurcated and no beneficial conversion features to be recognized. Our Preferred Shares are initially recorded at their respective issuance date fair value, net of issuance cost. We did not incur material issuance cost for any Preferred Shares issued. The cumulative undeclared dividends are not recorded in the consolidated balance sheet as we do not have the obligation to pay the cumulative dividend before it is declared by our board of directors.

Our Preferred Shares are not currently redeemable, but are probable to become redeemable. We accreted changes in the redemption value over the period from the date of issuance to the earliest redemption date using the effective interest method. The accretion is recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital, or in the absence of additional paid-in capital, by charges to accumulated deficit. The accretion of the Preferred Shares was RMB12.2 million and RMB36.8 million (US\$5.4 million) for the years ended December 31, 2018 and 2019, and RMB26.2 million and RMB46.4 million (US\$6.8 million) for the nine months ended September 30, 2019 and 2020.

On January 3, 2019, the Target QIPO Date was extended from November 15, 2022 to February 22, 2024 upon issuance of series B-2 preferred shares. The amendment is accounted for as modification rather than extinguishment as the fair values of these Preferred Shares immediately after the amendment were not significantly different from their respective fair values immediately before the amendment. When Preferred Shares are modified and such modification results in value transfer between the holders of the Preferred Shares and the holders of ordinary shareholders, the value transferred is treated as a deemed dividend to or deemed contribution from the holders of the Preferred Shares.

On March 6, 2020, the redemption price of series A preferred shares was amended. Before modification, the redemption price of each share of series A preferred shares equals to 150% of the original issue price on each series A preferred share, plus the interest at an annual compound rate of 8% on the original issue price on each

series A preferred share accrued August 8, 2017 to the redemption payment date minus all paid dividends on such series A preferred share. After modification, the redemption of each series A preferred share equals to 150% of the issue price on each series B-2 preferred share, minus all paid dividends on such series A preferred share. The amendment is accounted for as a modification rather than extinguishment as the fair values of these series A preferred shares immediately after the amendment were not significantly different from their respective fair values immediately before the amendment. When Preferred Shares are modified and such modification results in value transfer between preferred shareholders and ordinary shareholders, the value transferred is treated as a deemed dividend to or deemed contribution from the preferred shareholders.

Share-Based Compensation

We have adopted an employee stock option plan, which was amended and restated in October 2020 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of our operations. We follow ASC 718 *Compensation—Stock Compensation* to determine whether a share option should be classified and accounted for as a liability award or equity award. We have early adopted Accounting Standards Update 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* from the earliest period presented to recognize the effect of forfeiture in compensation cost when they occur.

We recognize share-based compensation costs related to share incentive awards based on the estimated fair value of the awards on the date of grant. The fair value of options was determined using the binomial option valuation model. The binomial model requires the input of highly subjective assumptions, including the expected volatility, the exercise multiple, the risk-free rate and the dividend yield. For expected volatility, we have referred to historical volatility of several comparable companies in the same industry. The exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. The risk-free rate for periods within the contractual life of the options is based on market yield of U.S. Treasury Strips plus China country risk premium with a maturity life equal to the remaining maturity life of the options as of the valuation date, sourced from Bloomberg. The dividend yield is based on our expected dividend policy over the contractual life of the options.

The assumptions used to estimate the fair value of the share options granted are as follows:

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2018	2019	2019	2020
Risk-free interest rate	3.7%-4.0%	2.9%-3.1%	3.1%	1.6%-2.1%
Dividend yield	0%	0%	0%	0%
Expected volatility range	55.0%-56.2%	53.7%-54.3%	54.3%	54.9%-55.7%
Exercise multiple	2.20	2.20	2.20	2.20-2.80
Contractual life	10 years	10 years	10 years	10 years

Share-based compensation costs are recognized as expenses immediately on the grant date if no vesting conditions are required. If the options are subject to a vesting schedule, then the share-based compensation costs are recognized as expenses using the straight-line method over the vesting period. If the options are subject to a vesting schedule and an exercise condition, which requires the listing of our shares on a recognized stock exchange, the cumulative share-based compensation expenses for the then vested options will be recorded upon the listing of our shares on a recognized stock exchange using the graded vesting method.

Since the exercisability is dependent upon the listing of our shares, and it is not probable that this performance condition can be achieved until the completion of our initial public offering, no share-based compensation expense relating to our employee stock option plan was recorded for the years ended December 31, 2018 and 2019 or for the nine months ended September 30, 2019 and 2020. We will recognize compensation expenses relating to options vested cumulatively upon the listing of our shares on a recognized stock exchange.

Fair Value Measurements

We apply ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided for fair value measurements. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

The carrying amounts of cash and cash equivalent, short-term investments, other current assets, accruals and other current liabilities and convertible loans approximate their fair values because of their generally short maturities.

Recent Accounting Pronouncement

For detailed discussion on recent accounting pronouncements, see Note 2 to our consolidated financial statements included elsewhere in this prospectus.

Emerging Growth Company Status

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of reduced reporting requirements that are otherwise applicable to public companies. Section 107 of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with those standards. The JOBS Act also exempts us from having to provide an auditor attestation of internal control over financial reporting under Sarbanes-Oxley Act Section 404(b). We have elected to take advantage of such exemptions.

We will remain an “emerging growth company” until the earliest of (1) the last day of the fiscal year in which we have total annual gross revenues of US\$1.07 billion or more, (2) the last day of the fiscal year in which the fifth anniversary of the completion of this initial public offering occurs, (3) the date on which we have issued more than US\$1.0 billion in nonconvertible debt during the previous three years or (4) the last day of the fiscal year in which we are deemed to be a large accelerated filer under the rules of the SEC, which generally is when we have more than US\$700.0 million in market value of our stock held by non-affiliates as of the prior June 30th and we have been a public company for at least 12 months and have filed one annual report.

BUSINESS

Overview

We are a global clinical-stage biopharmaceutical company dedicated to discovering and developing breakthrough cell therapies to address major industry challenges and fulfill unmet medical needs in the treatment of cancer. We aim to disrupt conventional approaches to CAR-T cell therapies with our proprietary technology platforms—FasTCAR and TruUCAR.

- With FasTCAR, we are able to deliver younger, less exhausted T cells for autologous cell therapies with enhanced activities and next-day manufacturing (22 to 36 hours) versus the industry norm of two to six weeks. Our lead FasTCAR-enabled autologous product candidate, GC012F, has achieved multiple minimal residual disease, or MRD, negative stringent complete responses, or sCR, in relapsed or refractory multiple myeloma, or r/r MM, patients in an ongoing investigator-initiated Phase 1 trial in China.
- With TruUCAR, we are able to derive T cells from non-HLA-matched healthy donors to generate allogeneic CAR-T cell therapies that are readily available off-the-shelf at lower cost for a broad patient base, including those less suitable for autologous CAR-T cell therapies. Our lead TruUCAR-enabled allogeneic product candidate, GC027, has achieved multiple complete responses, or CR, in relapsed or refractory T cell acute lymphoblastic leukemia, or r/r T-ALL, patients in an ongoing investigator-initiated Phase 1 trial in China.

In addition to our technology platforms, we utilize our proprietary genetic engineering techniques, Dual CAR and Enhanced CAR, to generate FasTCAR and TruUCAR product candidates with potentially enhanced therapeutic effects. Leveraging our pioneering platforms, know-how and experience, we are developing a rich clinical-stage pipeline of multiple autologous and allogeneic product candidates that we believe will unlock the long-held promise of CAR-T cell therapies for a broad range of patients with advanced hematologic malignancies and solid tumors.

GC012F, our lead FasTCAR autologous product candidate, is being studied in an ongoing investigator-initiated Phase 1 trial in China. 16 r/r MM patients were enrolled and treated for this trial with 15, or 93.8%, of these patients exhibiting high-risk features, which represent a subgroup of MM patients that are most difficult to treat. As of the July 2020 data cutoff date, 15 of 16 patients responded to therapy, resulting in an overall response rate, or ORR, of 93.8%, with all six patients, or 100%, from the highest dose cohort achieving a sCR, which was maintained through the landmark analysis at six months after CAR-T infusion. Cytokine release syndrome, or CRS, was a common and expected adverse event in CAR-T cell therapy that initially manifests with fever and can potentially progress to a life-threatening condition. CRS was observed with mostly low grade and non-life-threatening symptoms and was managed with standard of care, or SOC, treatment, including tocilizumab and steroids and resolved in all cases. No patient developed immune effector cell-associated neurotoxicity syndrome, or ICANS, another common adverse event and treatment-related toxicity observed after CAR-T cell therapy.

GC027, our lead TruUCAR allogeneic product candidate, has demonstrated in an ongoing investigator-initiated Phase 1 trial in China that all five enrolled adult r/r T-ALL patients, or 100%, achieved a CR or complete response with incomplete hematologic recovery, or CRi, on Day 14 or Day 28 after treatment, as of the February 2020 data cutoff date. All CRS observed was managed and resolved following treatment and supportive care. No patients developed neurotoxicity, an adverse event commonly observed after CAR-T cell therapy, or graft versus host disease, or GvHD, a potentially fatal condition after allogeneic CAR-T cell therapy, where allogeneic CAR-T cells recognize the patient's normal tissues as foreign and cause potentially lethal tissue damage.

Despite the vast potential of CAR-T cell therapies, major challenges persist for both autologous and allogeneic approaches. Autologous cell therapies are highly personalized, making the manufacturing process

time-consuming, complex, costly and difficult to scale. It is also challenging to generate sufficient high-quality T cells as T cells of patients are often compromised from earlier lines of cancer treatment. Unlike autologous therapies that derive cells from patients, allogeneic therapies, including those intended for use off-the-shelf, derive cells from healthy donors but require modifications to reduce or eliminate host versus graft rejection, or HvG, where a patient's immune cells recognize infused non-HLA-matched donor cells as foreign and reject them, and GvHD. Additionally, despite progress in treating hematologic malignancies, CAR-T cell therapies have had little success with treating solid tumors, primarily as a result of CAR-T cells' limited ability to penetrate and persist in solid tumors.

Our pioneering platforms, FasTCAR and TruUCAR, are highly innovative and are designed to provide significant advantages as highlighted below:

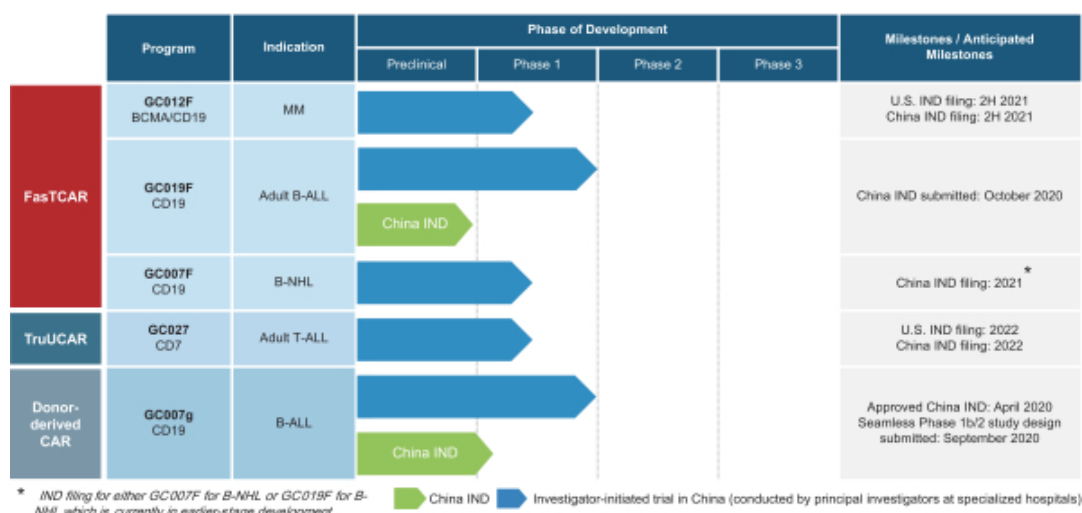
- **FasTCAR.** FasTCAR is designed to address the most pressing challenges associated with autologous therapies, such as lengthy manufacturing time, suboptimal manufacturing quality, high therapy cost and poor T cell fitness. We transform the three primary production steps—activation, transduction and expansion—into a single “concurrent activation-transduction” step. This is achieved by utilizing XLenti vectors derived from lentivirus to concurrently activate and transduce resting T cells and enable them to stably express one or more CARs and proliferate actively *in vivo*. In addition, FasTCAR manufactured CAR-T cells are younger, less exhausted and show enhanced proliferation, tissue migration and tumor cell clearance activities as demonstrated in preclinical studies, eliminating the need for the *ex vivo* expansion phase in the conventional process. This streamlined process significantly shortens the production time from an industry norm of two to six weeks and achieves next-day manufacturing. Shorter manufacturing time is of particular importance to increasing the widespread utility of CAR-T cell therapies, particularly in the case of rapidly progressing cancers. We established fully-closed production lines designed to produce FasTCAR product candidates while reducing the risk of contamination and optimizing cost-efficiency. Our significantly shorter manufacturing time and highly efficient manufacturing process may result in meaningful cost savings, increasing the accessibility of cell therapies for cancer patients. We are developing our lead autologous product candidate, GC012F, as well as multiple autologous clinical-stage pipeline candidates on our FasTCAR platform.
- **TruUCAR.** TruUCAR is designed to generate high-quality allogeneic CAR-T cell therapies that can be administered “off-the-shelf” at lower cost. As with FasTCAR, TruUCAR uses a lentivirus to deliver its CAR. TruUCAR has several key design differences when compared to conventional allogeneic CAR-T approaches. TruUCAR is designed to specifically target a patient's T cells and natural killer, or NK, cells that would otherwise be directed against the foreign, or allogeneic, cells resulting in rejection by the patients. This feature allows our allogeneic cell therapies to survive a patient's immune system without the need for combination treatment with anti-CD52 antibodies that may leave a patient at increased risk for infection. TruUCAR is designed to avoid GvHD, one of the most severe adverse events of allogeneic CAR-T cell therapies, and rapidly eliminate cancer cells without the need to bridge to hematopoietic stem cell transplantation, or HSCT, which is often used with conventional allogeneic CAR-T cell therapy to strengthen its therapeutic effects but pose a risk of early mortality. As a result, TruUCAR's monotherapy approach has the potential to significantly reduce the cost and length of treatment by achieving fast remission and avoiding anti-CD52 treatment and potentially HSCT. We believe that TruUCAR may result in meaningful cost savings, further increasing the accessibility of cell therapies for cancer patients. We are developing our lead allogeneic product candidate, GC027, as well as multiple allogeneic pipeline candidates on our TruUCAR platform.

In addition, we have a suite of genetic engineering techniques, Dual CAR and Enhanced CAR, that can be leveraged with FasTCAR and TruUCAR to potentially further enhance the therapeutic effects of our CAR-T cell therapies. Dual CAR has the potential to control relapse by reducing the likelihood of antigen escape and to reduce rejection of the CAR-T cells by patients treated with TruUCAR-enabled allogeneic CAR-T cell therapies. Enhanced CAR further strengthens CAR-T cells' functionality, for example by overcoming the

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immunosuppressive tumor microenvironment, or TME, and/or increasing cytokine signaling. We also have an allogeneic donor-derived CAR technique based on HLA-matching to avoid GvHD.

We have generated a pipeline of autologous and allogeneic cell therapy candidates with the potential to treat both hematologic malignancies and solid tumors. Our clinical development strategy is built on the robust pre-IND investigator-initiated trials program that we have established in partnership with top-tier hospitals in China. We engineer, produce and provide CAR-T cells to the principal investigators at those hospitals for administration in patients. The principal investigators agree to provide us results and findings generated from the investigator-initiated trials, and will only provide the underlying data points if separately requested by us and approved by them. To the extent that, after discussions with the FDA and/or the NMPA, we are permitted to rely on all or part of these initial results and the underlying data points to support our regulatory filings with the FDA and/or the NMPA, we work in close collaboration with the principal investigators to collect the data with their approval. This strategy is designed to expedite our global clinical development activities with the initial results in investigator-initiated Phase 1 trials utilizing safety as primary endpoint and overall response rate, or ORR, as secondary endpoint. We have generated all our product candidates internally. Our most advanced product candidates are presented in the pipeline diagram below:



MM = multiple myeloma, B-ALL = B cell acute lymphoblastic leukemia, B-NHL = B cell non-Hodgkin's lymphoma, T-ALL = T cell acute lymphoblastic leukemia

Our lead product candidates include:

- GC012F.** GC012F is a FasTCAR-enabled dual BCMA- and CD19-directed autologous CAR-T product candidate being studied for the treatment of MM in an ongoing investigator-initiated Phase 1 trial across multiple centers in China. As of July 2020, 16 r/r MM patients were enrolled and treated with 93.8% of these patients having high-risk features, which represent a subgroup of MM patients with a poor prognosis and potentially rapid disease progression, making them particularly challenging to treat even with novel agents. All patients in the trial had relapsed from, or were refractory to, previous treatments, including most commonly used agents and SOC treatments. 15 of 16 patients achieved and maintained a response. In the highest dose cohort which is the recommended dosage level, 100% of the six evaluable patients achieved MRD- sCR as best response which was maintained through the landmark analysis at six months after CAR-T infusion. Based on these results, we expect to submit IND applications for GC012F in r/r MM to the FDA and the NMPA by the end of 2021.
- GC019F.** GC019F is a FasTCAR-enabled CD19-directed autologous CAR-T product candidate that has been studied for the treatment of adult B-ALL in a completed investigator-initiated Phase 1 trial

across multiple centers in China. We submitted an IND application to study GC019F in B-ALL to the NMPA in October 2020, which was accepted by the Center for Drug Evaluation, or CDE. An investigator-initiated trial for GC019F for the treatment of r/r B-NHL is currently in the planning stage and is expected to begin patient enrollment by the end of 2020.

- **GC007F.** GC007F is a FasTCAR-enabled CD19-directed autologous CAR-T product candidate being studied for the treatment of B-NHL in an ongoing investigator-initiated Phase 1 trial across multiple centers in China. Based on the clinical results from the investigator-initiated trial, we plan to submit an IND application for either GC019F or GC007 in r/r B-NHL to the NMPA in 2021.
- **GC027.** GC027 is a TruUCAR-enabled CD7-directed allogeneic CAR-T product candidate being studied for the treatment of adult T-ALL in an ongoing investigator-initiated Phase 1 trial across multiple centers in China. As of February 2020, five adult r/r T-ALL patients were enrolled and treated. All patients enrolled had relapsed from, or were refractory to, their prior line of therapy. All five evaluable patients achieved a CR or CRi, resulting in an ORR of 100%, including four patients, or 80%, achieving MRD- CR on Day 28 after treatment. CRS was observed in all patients and was resolved with treatment. No patient developed neurotoxicity or GvHD. We expect to submit an IND application for GC027 in adult r/r T-ALL to the FDA and the NMPA in 2022.
- **GC007g.** GC007g is a donor-derived CD19-directed allogeneic CAR-T cell therapy that has been studied for the treatment of r/r B-ALL in a completed investigator-initiated Phase 1 trial, where CAR-T cells were manufactured using T cells from an HLA-matched healthy donor. We obtained IND approval to study GC007g in B-ALL from the NMPA on April 1, 2020 and are initiating the Phase 1 study in China. We submitted an updated innovative seamless Phase 1b/2 study design for GC007g's registration-enabling clinical trial to the CDE in September 2020 which may enable us to roll over the ongoing Phase 1 clinical trial into the seamless Phase 1b/2 registration-enabling clinical trial in the first half of 2021. Our goal is to submit a biologics license application, or BLA, to the NMPA for GC007g upon completion of a registrational trial.

In addition to our lead product candidates, we have a broad portfolio of earlier stage product candidates targeting various cancer indications, such as ovarian cancer, breast cancer, peripheral T cell lymphoma, or PTCL, a subtype of NHL, and T cell lymphoblastic leukemia, or T-LBL.

CAR-T cell manufacturing is a critical component of our clinical development and future commercialization, as CAR-T cell therapies are complex and, in the case of autologous therapies, highly personalized. We control our manufacturing through our two good manufacturing practices, or GMP, compliant manufacturing facilities in Suzhou and Shanghai, making us self-sufficient in the production of CAR-T cells for clinical development and early stage commercialization. We established fully-closed production lines in our Suzhou and Shanghai facilities, which are designed to produce FasTCAR product candidates while reducing contamination risks and optimizing cost-efficiency. With this fully-closed design, we are able to operate multiple systems in one manufacturing cleanroom at the same time, with each system producing CAR-T cells for an individual patient. We believe these advantages, coupled with our ability to achieve next-day manufacturing for autologous CAR-T cells in one production shift, allow us to substantially reduce manufacturing costs, improve productivity and scale up our production in a cost-efficient manner. Our Suzhou facility supports an annual production of 3,200 autologous samples using FasTCAR and 12,000 allogeneic samples using TruUCAR. Our Shanghai facility supports high-quality engineering runs for IND preparations.

We are led by an experienced management team with an unwavering commitment to developing next generation cell and gene therapies. Our Founder and Chief Executive Officer, Dr. William Wei Cao, Ph.D., B.M., has over 30 years of research and development experience in the biotechnology industry and previously co-founded and served as chief executive officer and executive board member of Cellular Biomedicine Group, Inc. (Nasdaq: CBMG), a Nasdaq-listed cell therapy company. Prior to that, Dr. Cao held research positions at Harvard Medical School and Standard University Medical Center, as well as senior roles at Chiron (Novartis and

Bayer) and Affymetrix (ThermoFisher). Our Chief Medical Officer, Dr. Martina Sersch, M.D., has over 25 years of academia and industry experience and previously served in senior roles at Amgen, Roche/Genentech and Pfizer. Dr. Sersch also served as Chief Medical Officer of Mustang Bio, Inc. (Nasdaq: MBIO), a Nasdaq-listed CAR-T and gene therapy company where she successfully led the IND approval of a CAR-T cell therapy. Our Chief Financial Officer, Dr. Kevin Xie, Ph.D., has over 18 years of experience in healthcare investment and held various leadership and management positions at Fosun Group, Locust Walk Capital, Scopia Capital, and Great Point Partners. Dr. Xie serves on the board of ViewRay Inc (Nasdaq: VRAY) and Alpha Healthcare Acquisition Corp. (Nasdaq: AHACU). Since our inception, we have raised approximately US\$195 million from a group of strategic and life sciences focused institutional investors who support our mission. Our key investors include Lilly Asia Ventures, Morningside, OrbiMed, Temasek, Vivo Capital and Wellington.

Our Strategy

Our goal is to disrupt conventional approaches to CAR-T cell therapy by using our proprietary platforms and techniques to discover and develop treatments that deliver fast, deep and durable responses for advanced hematologic malignancies and solid tumors. In order to achieve our goal, the key elements of our strategy include:

- ***Rapidly advance our lead product candidates through clinical development by leveraging our global clinical development capabilities.*** We seek to develop our product candidates by leveraging our relationships with clinicians and key opinion leaders in China, the United States and Europe. We partner with top-tier hospitals in China to streamline the safety and efficacy testing of our innovative pipeline product candidates in investigator-initiated trials that are conducted in accordance with international standards to support future global regulatory filings and clinical development. Our lead FasTCAR-enabled autologous product candidate, GC012F, has achieved multiple MRD- SCR in r/r MM patients in an ongoing investigator-initiated Phase 1 trial in China. In addition, our lead TruUCAR-enabled allogeneic product candidate, GC027, has achieved multiple CRs in r/r T-ALL patients in an ongoing investigator-initiated Phase 1 trial in China. We plan to submit IND applications to the FDA and the NMPA for GC012F by the end of 2021 and for GC027 in 2022.
- ***Continue to leverage the strength of our technology platforms to broaden our pipeline of next-generation autologous and allogeneic CAR-T cell therapies.*** We believe our FasTCAR platform positions us as the only company that currently has achieved next-day manufacturing (22 to 36 hours) for autologous CAR-T cells and can be applied broadly to any CAR-T target. We believe our TruUCAR platform, through its rapid monotherapy approach, has the potential to produce allogeneic therapies that will extend the reach of CAR-T cell therapies to more patients. We believe our technology platforms and in-house expertise will enable us to continue discovering and developing novel autologous and allogeneic CAR-T cell therapies with greater efficacy and safety than existing CAR-T cell therapies that, together with the substantial cost savings achieved, could increase the accessibility of these therapies for patients.
- ***Expand our CAR-T therapies into solid tumor indications.*** CAR-T cell therapies have not been able to show meaningful efficacy in treating solid tumors, possibly due to CAR-T cells' limited ability to infiltrate and proliferate in solid tumors as well as CAR-T cells' poor resistance against the immunosuppressive TME. Our proprietary platforms and techniques are designed to address these significant challenges. Utilizing FasTCAR, Enhanced CAR and Dual CAR, we are developing a portfolio of highly differentiated CAR-T product candidates for the treatment of solid tumors with high unmet needs.
- ***Enhance our leadership position within the cell and gene therapy field.*** We believe our proprietary technology platforms, know-how, and scientific expertise have enabled us to discover and develop cell therapies with significant advantages over other CAR-T cell therapies and have established us as leaders in the field. We plan to continue our leadership position in cell therapy by innovating and expanding upon our suite of proprietary platforms and techniques. In addition, we continually survey the scientific and industry landscape for opportunities to in-license or acquire new technologies.

- **Expand our proprietary genetic engineering and cell manufacturing capabilities.** We believe the quality, reliability, cost effectiveness and scalability of our proprietary cell manufacturing platforms and techniques, together with our know-how, are important to our competitive advantage over current CAR-T therapies and critical to our long-term success. We currently have two GMP-compliant manufacturing facilities in China that enable us to be self-sufficient in the production of CAR-T cells for our clinical development and early-stage commercialization. We will continue to invest in developing our manufacturing capabilities and plan to establish our own manufacturing facility in the United States to support future clinical trials and commercialization.
- **Evaluate strategic partnerships to maximize the value of our technology platforms.** We may strategically enter into collaborations or other partnerships with other biopharmaceutical companies to accelerate our development timelines and maximize the commercial potential of our product candidates. We may also explore strategic alliances to identify additional targets and develop pipeline product candidates.

CAR-T Cell Therapy and Industry Challenges

Cancer originates from individual cells that have developed mutations in essential cellular programs, driving increased cell division and growth. T cells are a type of white blood cell used by the human immune system to defend the body against cancerous cells and infectious pathogens. If, using its T cell receptor, a T cell recognizes an altered cell, it becomes activated and kills that particular cell. For a cancer to grow, cancer cells evolve mechanisms to evade recognition by, or establish other defenses against the immune system and in particular, T cells. However, T cells may not always be able to launch an effective defense due to a number of reasons, such as tumor antigen escape and T cell exhaustion. The two most common engineered T cells, CAR-T cells and TCR-T cells, are genetically modified T cells that express either chimeric antigen receptors or naturally occurring T cell receptors, or TCRs, that recognize antigen on a patient's tumors.

Chimeric antigen receptors, or CARs, are genetically engineered cell surface receptors that provide specific immunological properties to an immune effector cell, such as a lymphocyte T cell. CARs result from a coding sequence for the receptor when transferred into the cell by viral vectors, either retroviral or lentiviral, or non-viral gene engineering technologies. These CARs provide immune effector cells with the tumor targeting specificity of a monoclonal antibody. By redirecting the immune system to eliminate malignant cells, CAR-T cells act as a living drug, expanding in the patient and enabling long-term antitumor memory.


CAR-T cells can be classified as either autologous or allogeneic. Autologous CAR-T cells are derived from the T cells of the cancer patient while allogeneic CAR-T cells are derived from the T cells of a healthy donor. Theoretically, CAR-T cells can be engineered to target virtually any tumor-associated antigen. Currently, CAR-T cell therapies are primarily focused on hematologic malignancies. In 2017, the first two CAR-T cell therapies were approved: Kymriah (marketed by Novartis AG) for pediatric B cell acute lymphoblastic leukemia and Yescarta (marketed by Kite Pharma, Inc., acquired by Gilead Sciences, Inc.) for diffuse large B cell lymphoma. Despite the vast potential of CAR-T cell therapies, there are major challenges for both autologous and allogeneic CAR-T cell therapies, as presented below:

- **Manufacturing Time – Industry norm of two to six weeks.** Patients must wait for a few weeks to be treated with their engineered cells, primarily due to the lengthy manufacturing time of two to six weeks, which is the current industry norm. Lengthy manufacturing time can prove suboptimal for those patients with rapidly progressing cancer who may die while waiting for the therapy.
- **Production Quality – High failure risks.** The complex, multistep process of generating autologous CAR T cells increases the risk of manufacturing failure, including failure to generate a sufficient density of viable T cells or batch failures resulting from infection or contamination during production. Reported failure rates of autologous CAR-T cell manufacturing range from 5% to 14%. Manufacturing failure results in an inability to provide therapy.


- **Cost / Access – High manufacturing cost and lengthy hospitalization.** High manufacturing cost and highly personalized nature of CAR-T cell therapies result in an average cost of US\$1.5 million per patient per therapy. The long manufacturing time for conventional CAR-T cell therapies results in lengthy hospitalization that requires a dedicated infrastructure for in-patient care from specialized medical centers, further increasing costs to patients.
- **Poor T Cell Fitness – Exhausted T cells.** T cells of patients used for the autologous CAR-T therapy are often compromised from earlier lines of treatment, resulting in decreased survival, proliferation, differentiation, homing and tumor killing ability. The T cells are further weakened during the activation and expansion phases in conventional CAR-T manufacturing processes, affecting the quality of CAR-T cells.
- **Limited Durability – Need for combination therapy.** It is challenging to maintain response in relapsed or refractory patients for various reasons. For example, infused allogeneic CAR-T cells may be rejected by a patient's immune system via HvG, which harms the durability and efficacy of the treatment. Anti-CD52 therapies are often co-administered to avoid HvG. Additionally, CAR-T cell therapies are often coupled with or bridged into HSCT to strengthen the therapeutic effects and improve response durability.
- **Relapse – Antigen escape.** CAR-T cell therapies targeting a single antigen have been shown to lose efficacy due to antigen escape, which occurs when expression of a CAR-T target on a malignant cell is lost or reduced, resulting in an expansion of the malignant cells that have escaped the ability of the CAR-T cells to kill them. Antigen escape poses a significant risk of failure for CAR-T cell therapy and may result in response rates declining from the initial response level.
- **Limited Efficacy – Solid tumors.** Despite progress in the treatment of blood cancers with CAR-T cells, achieving success in solid tumors is significantly more challenging due to a variety of factors, including inefficient trafficking of CAR-T cells to tumor sites, immunosuppressive TME, limited ability of CAR-T cells to penetrate and remain alive in solid tumors, target antigen heterogeneity, and the inability of *ex vivo* expanded CAR-T cells to persist and proliferate following infusion into patients.

In view of the major challenges facing current autologous and allogeneic CAR-T therapies, there remains a critical unmet medical need for improved CAR-T cell therapies. We believe we can disrupt the conventional approaches to CAR-T cell therapies by leveraging our highly innovative technology platforms, proprietary techniques, in-house expertise, clinical development strategy and high-quality and scalable manufacturing facilities. Below are tables summarizing our proprietary platforms, techniques and their advantages over conventional autologous and allogeneic CAR-T therapies:


Challenges and FasTCAR's Advantages to Conventional Autologous CAR-T Approaches

Challenges	Conventional Autologous CAR-T Approach	
MANUFACTURING TIME	<ul style="list-style-type: none"> Industry norm being two to six weeks Less suitable for patients with rapidly progressing cancer 	<ul style="list-style-type: none"> Next-day manufacturing (22 to 36 hours) Increased speed to patients Access to a broad patient base
PRODUCTION QUALITY	<ul style="list-style-type: none"> Time-consuming multi-step process High risk of contamination High production variation 	<ul style="list-style-type: none"> Fully-closed manufacturing design <ul style="list-style-type: none"> - Reduced risk of contamination - Improved operational consistency
COST / ACCESS	<ul style="list-style-type: none"> Costly to manufacture Difficulty to scale (one sample in single space) Lengthy hospitalization 	<ul style="list-style-type: none"> Significantly reduced manufacturing cost High scalability (multiple samples in single space) Potential cost-savings to the healthcare system
POOR T CELL FITNESS	<ul style="list-style-type: none"> Weakened CAR-T cells with decreased survival, proliferation, differentiation, homing and tumor killing ability 	<ul style="list-style-type: none"> Greater T cell potency Younger, less exhausted CAR-T cells with enhanced proliferation, tissue migration and tumor cell clearance activities

Challenges and TruUCAR's Advantages to Conventional Allogeneic CAR-T Approaches

Challenges	Conventional Allogeneic CAR-T Approach	
LIMITED DURABILITY	<ul style="list-style-type: none"> Anti-CD52 therapies are co-administered to avoid HvG Often coupled with or bridged into HSCT 	<ul style="list-style-type: none"> Designed to specifically target a patient's T cells and NK cells to avoid HvG without extra antibody therapy Potential to eradicate cancer cells as a standalone therapy
COST / ACCESS	<ul style="list-style-type: none"> Anti-CD52 therapy carries infection risk HSCT carries risk of early mortality Severe adverse events and combination therapies increase cost and length of treatment, limiting patient access 	<ul style="list-style-type: none"> Potential to achieve fast remission and avoid anti-CD52 therapy and potentially HSCT Monotherapy approach provides meaningful cost savings, increasing patient access

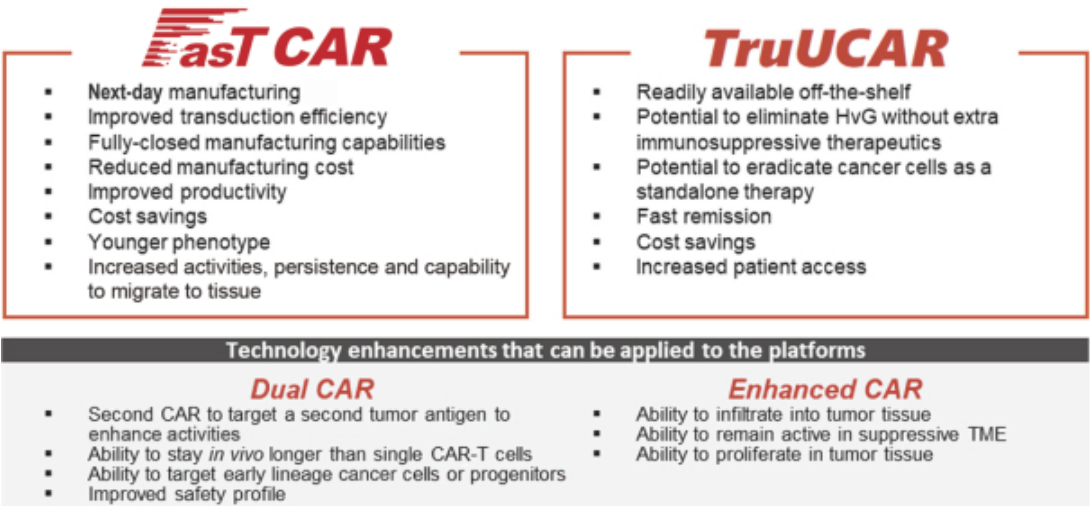
Challenges and Advantages of Other Proprietary Techniques to Conventional CAR-T Approaches

Challenges	Conventional CAR-T Approach	 Other Techniques
RELAPSE	<ul style="list-style-type: none"> • Lower efficacy due to antigen escape • Increased risk of therapy failure and disease relapse 	Dual CAR enables dual antigen targeting CAR-T cells with the potential to: <ul style="list-style-type: none"> • Enhance potency • Stay <i>in vivo</i> longer than single CAR-T cells • Target early lineage cells that will develop into cancer cells • Improve safety
LIMITED EFFICACY IN SOLID TUMORS	<ul style="list-style-type: none"> • Inefficient trafficking to tumor sites • Inability to resist the suppressive TME • Difficulty penetrating and remaining alive in solid tumors 	Enhanced CAR strengthens CAR-T cells' ability to: <ul style="list-style-type: none"> • Infiltrate into tumor tissue • Remain active in suppressive TME • Proliferate in tumor tissue
POOR T CELL FITNESS	<ul style="list-style-type: none"> • Collection of T cells from patients may be difficult due to their poor health or existing infection • Low quality of T cells given prior treatment and disease characteristics 	Donor-derived CAR derives T cells from HLA-matched healthy donors to: <ul style="list-style-type: none"> • Treat patients less suitable for autologous therapies • Improve tumor cell clearance ability for higher response rate and persistence of effects • Reduce manufacturing failure given higher quality donor T cells

Our Proprietary Technologies

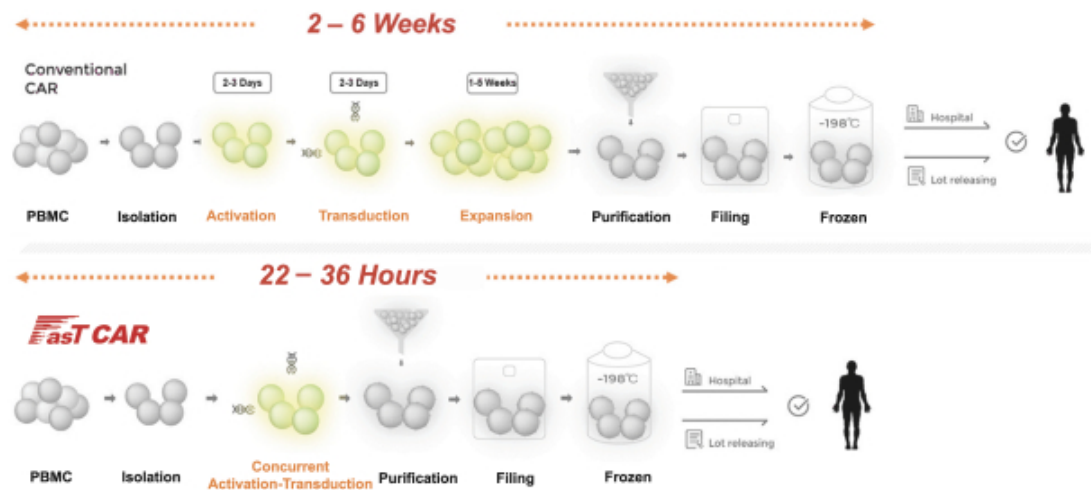
We believe our proprietary technology platforms, FastCAR and TruUCAR, represent game changing advances in the CAR-T industry. With FastCAR, we are able to deliver younger, less exhausted T cells for autologous cell therapies with enhanced activities and next-day manufacturing (22 to 36 hours) versus the industry norm of two to six weeks. With TruUCAR, we are able to derive T cells from non-HLA-matched healthy donors to generate allogeneic CAR-T cell therapies that are readily available off-the-shelf at lower cost for a broad range of patients, including those less suitable for autologous CAR-T cell therapies. In addition, we have a suite of genetic engineering techniques, Dual CAR and Enhanced CAR, that can be leveraged with FastCAR and TruUCAR technology platforms to potentially further enhance the therapeutic effects of our CAR-T cell therapies. Dual CAR is designed to control relapse by reducing the likelihood of antigen escape and to reduce rejection of the CAR-T cells by patients treated with TruUCAR-enabled allogeneic CAR-T cell therapies. Enhanced CAR further strengthens CAR-T cells' functionality, for example by overcoming the immunosuppressive TME and/or increasing cytokine signaling. We also have an allogeneic donor-derived CAR technique based on HLA-matching to avoid GvHD.

Our platforms and techniques are designed to produce therapies with significant advantages over conventional approaches as highlighted below:



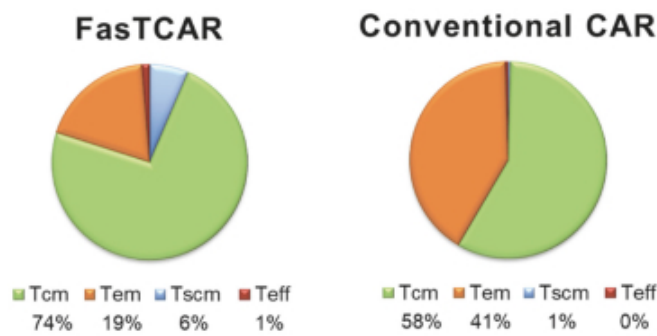
FasTCAR – Our Autologous CAR-T Platform

FasTCAR is our novel autologous CAR-T platform that tackles the most pressing challenges associated with autologous therapies, such as lengthy manufacturing time, suboptimal manufacturing quality, high therapy cost and poor T cell fitness. In the conventional CAR-T manufacturing process, the first and most essential step is activating a patient’s T cells using CD3 and/or CD28 antibodies. As the next step, activated T cells will be transduced by virus vectors to express one or more CARs. Engineered CAR-T cells will then need to be expanded *ex vivo* before they can be administered into the human body. As depicted in the figure below, the conventional process can take about two to six weeks. Our ability to revolutionize the autologous CAR-T manufacturing process relies on several proprietary technological innovations, including our system of concurrently activating and transducing T cells in a single step with no extra *ex vivo* T cell expansion phase and the use of XLenti vectors, our viral vectors with higher transduction efficiency. We developed a proprietary system of concurrently activating and transducing resting T cells using XLenti vectors derived from lentivirus, that are of high-quality and exhibit high gene transduction efficiency. As a result, after transduction, one or more CARs are integrated in the T cell genome and expressed stably. Based on our preclinical studies, these transduced T cells are highly active in proliferation and tumor cell clearance, as shown below, and therefore can be administered into the human body without the need for *ex vivo* cell expansion. With these innovations, FasTCAR transforms the activation, transduction and expansion steps into a single “concurrent activation-transduction” step, as depicted in the figure below, significantly reducing the autologous CAR-T cell manufacturing time from an industry norm of two to six weeks and achieving next-day manufacturing (22 to 36 hours).



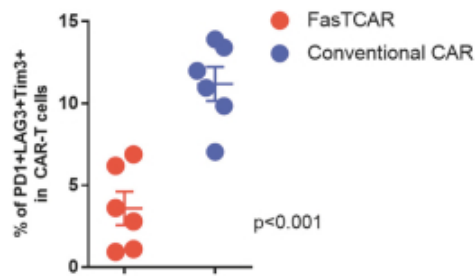
As exemplified by the preclinical studies for FasTCAR T cells targeting CD19, FasTCAR T cells are younger, less exhausted and show enhanced proliferation, tissue migration and tumor cell clearance activities, as compared to conventional CAR-T cells targeting CD19, as demonstrated by the figures below. We conducted a preclinical study in which the percentages of stem cell memory T cells, or Tscm cells, and central memory T cell, or Tcm cells, in FasTCAR T cells were compared to those in conventional CAR-T cells *in vitro*. Memory T cells, such as Tscm cells and Tcm cells, are indicators of T cell youth, and are associated with CAR-T cell therapeutic effects. Effector memory T cells, or Tem cells, and effector T cells, or Teff cells, are late-differentiated T cells that attack the tumor cells. As depicted in the figure below, we observed that FasTCAR T cells were younger than conventional CAR-T cells as demonstrated by the larger percentage of Tscm and Tcm cells in the FasTCAR T cells.

FasTCAR T Cells Are Younger than Conventional CAR-T Cells, As Demonstrated by the Percentage of Tscm and Tcm Cells *In Vitro*



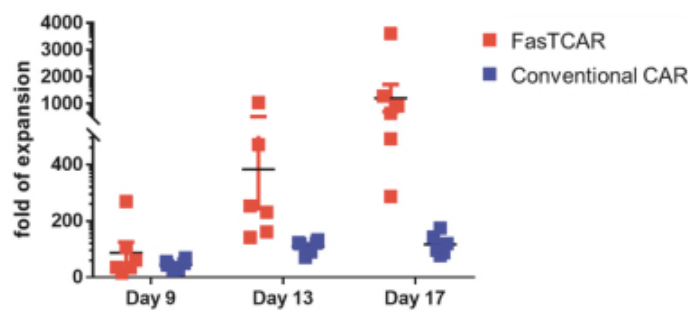
We compared T cell exhaustion of FasTCAR T cells targeting CD19 to conventional CAR-T cells targeting CD19 in a preclinical study, where the percentage of exhausted T cells was measured using common exhaustion markers, PD-1+Lag3+Tim3. T cell exhaustion is a state of T cell dysfunction due to reasons such as prolonged antigen stimulation and cancer. As depicted in the figure below, we observed that FasTCAR cells are less exhausted than conventional CAR-T cells.

FasTCAR T Cells Are Less Exhausted than Conventional CAR-T Cells, As Measured by the Percentage of T Cell Exhaustion Markers



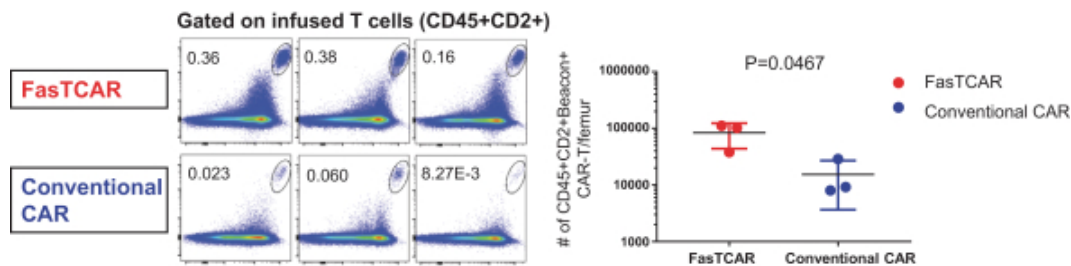
We observed that FasTCAR-T cells targeting CD19 also demonstrated more robust and enhanced proliferation activities than conventional CAR-T cells *in vitro* upon antigen re-stimulation, as depicted in the figure below.

FasTCAR T Cells Are More Robust and Active in Proliferation than Conventional CAR-T Cells



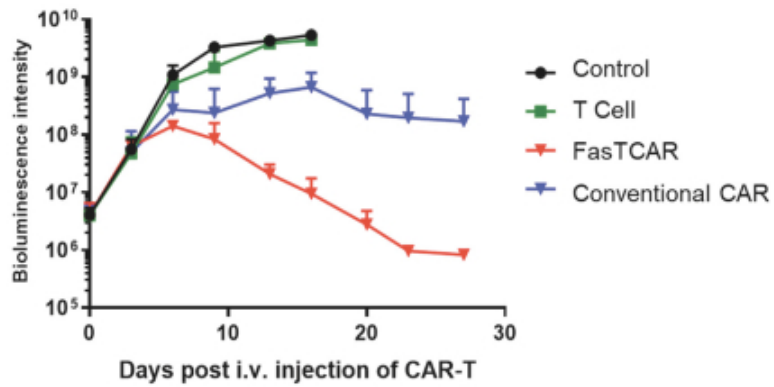
We also assessed the CAR-T cell migration to the bone marrow after infusion. As depicted in the figure below, we observed that significantly more FasTCAR T cells targeting CD19 were found in the bone marrow than conventional CAR-T cells ten days after CAR-T cell infusion.

FasTCAR T Cells Infiltrate into Bone Marrow Better than Conventional CAR-T Cells



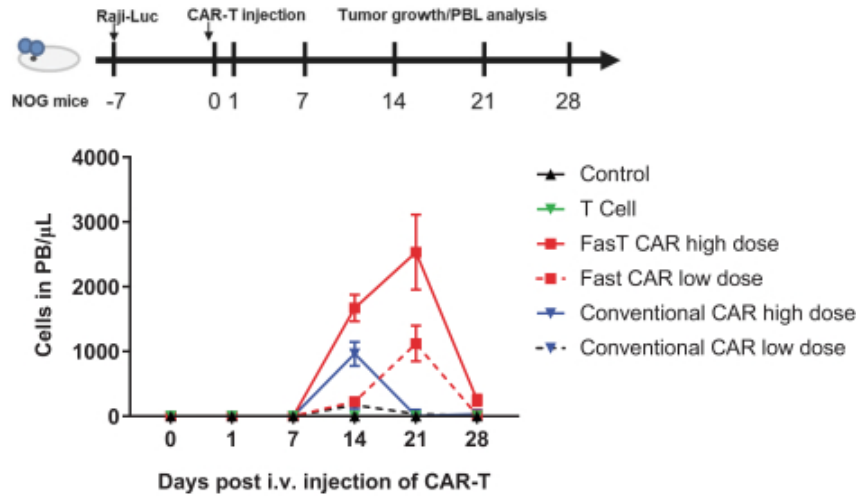
Additionally, we observed that FasTCAR T cells targeting CD19 demonstrated significantly better and more sustained anti-leukemia effects *in vivo* in a Raji xenograft mouse model, or Raji-Luc, as depicted in the figure below. Immunocompromised mice were implanted intravenously with tumor cells and the tumors were established for seven days before injection with a dose of 5.0x10⁵ total CAR-T cells. FasTCAR T cells targeting CD19 exhibited better and more sustained anti-tumor effects than conventional CAR-T cells at the same dose.

FasTCAR T Cells Exhibit Significantly More Active and Sustained Anti-Tumor Effects than Conventional CAR-T Cells in A B Cell Malignancy Xenograft Mouse Model



The *in vivo* expansion of FasTCAR T cells targeting CD19 was more robust than conventional CAR-T cells, as depicted in the figure below, which could be evidence of potentially enhanced effects of FasTCAR T cells as compared to conventional CAR-T cells.

Enhanced Anti-Tumor Activities of FasTCAR T Cells Was, at Least Partly, Attributable to Increased Proliferation Activities of FasTCAR T Cells Observed *In Vivo*



We believe our autologous CAR-T manufacturing process has the potential to reduce contamination risk, lower manufacturing cost and improve productivity. We established fully-closed production lines in our Suzhou and Shanghai facilities, which are designed to produce FasTCAR product candidates while reducing contamination risks and optimizing cost-efficiency. With this fully-closed design, we are able to operate multiple systems in one manufacturing cleanroom at the same time, with each system producing CAR-T cells for an individual patient. On the contrary, autologous CAR-T cell therapy producers without a fully-closed system can only produce one batch of CAR-T cells for a single patient in one manufacturing cleanroom at one time in order to avoid potential cross-contamination. Our fully-closed system reduces reagent consumable costs, labor costs, workshop equipment operations and depreciation. We believe these advantages, coupled with our ability to achieve next-day manufacturing for autologous CAR-T cells in one production shift, allow us to substantially

reduce manufacturing cost, improve productivity and scale up our production in a cost-efficient manner. We currently manufacture our lead product candidates, GC019F and GC007F, on the fully-closed production lines.

Given the number of patients with these fast-progressing diseases our autologous CAR-T product candidates are currently being developed to treat, the time saved by our faster and more reliable manufacturing process alone could make a large difference in clinical outcomes and, together with the substantial cost savings, could improve accessibility of cell therapies for patients. We believe that FasTCAR can be applied broadly to any CAR-T antigens and a variety of tumor markers, based on our clinical and preclinical studies. With FasTCAR, we are currently developing our lead autologous product candidates, GC012F, GC019F and GC007F, targeting hematologic malignancies, such as MM, B-ALL and B-NHL, as well as earlier-stage autologous product candidates targeting a variety of indications, such as ovarian cancer and breast cancer.

TruUCAR – Our Off-the-Shelf Allogeneic CAR-T Platform

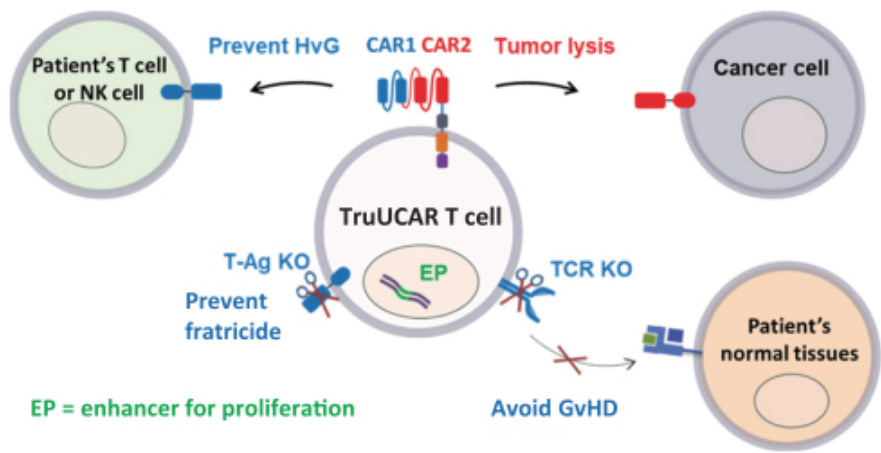
TruUCAR is our proprietary and innovative technology platform for generating high-quality allogeneic CAR-T therapies with enhanced therapeutic effects that can be administered “off-the-shelf” at lower cost. Unlike autologous CAR-T therapies, these product candidates use T cells from non-HLA-matched healthy donors, making them readily available to treat cancer patients, including those who are less suitable for, or have relapsed after, autologous CAR-T cell therapy as well as those with rapidly progressing cancer. Allogeneic CAR-T cell therapies that are derived from higher quality T cells from healthy donors have the potential to be superior to T cells derived from cancer patients in multiple attributes, including fitness, proliferation, differentiation, homing and tumor cell clearance ability *in vivo*.

Despite these advantages, allogeneic cell therapy approaches are often limited by HvG and GvHD, which limit the therapeutic potential of these therapies by reducing potential efficacy and posing significant safety challenges. HvG occurs when a patient’s immune cells recognize infused non-HLA-matched donor cells as foreign and reject them. The most common method used for mitigating the potential for HvG is to suppress the patient’s own alloreactive killer cells, including T cells and NK cells. We believe the only clinically proven strategy to achieve such suppression of T and NK cells to date is to administer anti-CD52 antibodies as part of the preconditioning regimen. Since CD52 is broadly expressed on the surface of many immune cells including not only T and NK cells, but also monocytes and granulocytes, depletion of these cell types increases the risk of infections. GvHD is a potentially fatal condition, where transplanted cells, or specifically allogeneic CAR-T cells in this case, recognize the patient’s normal tissues as foreign and cause potentially lethal tissue damage. GvHD associated with allogeneic CAR-T cell therapies can be addressed by knocking out, or making functionally inactive, TCRs, and this approach has been validated by our and others’ early results observed in clinical trials. Due to the limited monotherapy efficacy, the current-generation of off-the-shelf allogeneic cell therapies are often coupled with or bridged into HSCT to strengthen the therapeutic effects that may leave a patient at risk of neutropenia and early mortality. Antibody therapies and HSCT, as well as the risks associated with each of them together, result in increased treatment timeframes and medical costs.

As depicted in the figure below, to reduce HvG, we engineer T cells to express a CAR that specifically targets a patient’s own T cells and NK cells that would otherwise be directed against the foreign, or allogeneic, CAR-T cells, resulting in rejection by the patient without affecting the recovery of other immune cell compartments, such as monocytes and granulocytes, during treatment. This feature allows our allogeneic cell therapies to survive in a patient’s immune system without the need for combination treatment with anti-CD52 antibodies that may leave the patient at risk for infection. To reduce the possibility of GvHD from allogeneic T cells, we utilize CRISPR/Cas9 to disrupt the T cell receptor alpha constant, or TRAC, locus to eliminate surface expression of the TCR complex of our TruUCAR product candidates. Furthermore, to eliminate potential fratricide, or self-killing of CAR-T cell during the production process, we utilize CRISPR/Cas9 to disrupt CD7, a pan T and NK marker on the CAR-T cells. To enable TruUCAR T cell therapies to function as a standalone therapy, our proprietary enhancer for proliferation, or EP, is implanted in TruUCAR T cells utilizing a lentivirus-based gene delivery system, to strengthen cell expansion and *in vivo* engraftment. We believe these

differentiating design features of TruUCAR can work together to enable the creation of safer and more effective allogeneic CAR-T cell therapies.

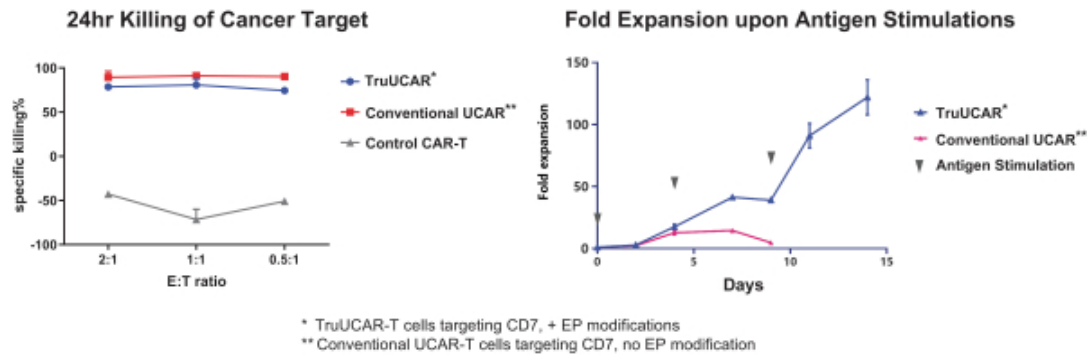
Mechanism of Action of TruUCAR



Since TruUCAR is modular, alternative CAR constructs targeted against different antigens can be applied to TruUCAR to achieve similar therapeutic effects. For example, the anti-HvG and anti-GvHD functions can be carried out by a dual CAR design or a single CAR design for dual functions. In the case of a dual CAR design, as depicted in the figure above, one CAR serves a “defensive” purpose, targeting the patient’s own alloreactive killer T cells and NK cells while the second CAR serves an “attack” purpose, targeting tumor antigen to eradicate tumor cells. In the case of a single CAR design, as in the case of GC027, our CD7-directed allogeneic CAR-T product candidate, the CAR targeting CD7 carries out dual functions, targeting both alloreactive killer T cells and NK cells, as well as T leukemia cells. No GvHD symptoms were observed as of the February 2020 data cutoff date in the first-in-human trial of GC027 when administered to five adult patients.

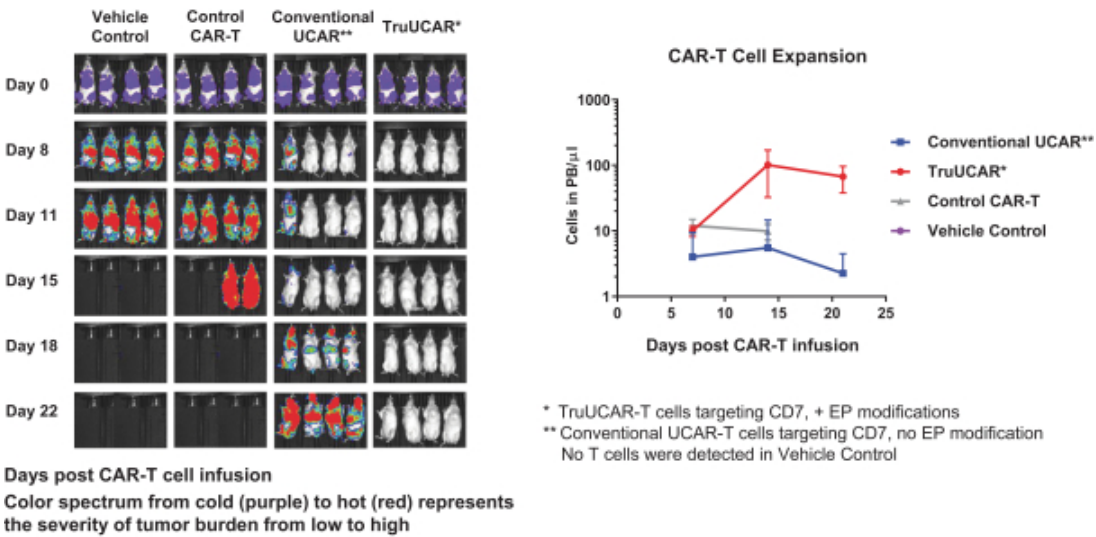
We believe TruUCAR’s monotherapy approach has the potential to significantly reduce cost and length of treatment by achieving fast remission and avoiding anti-CD52 treatment and potentially HSCT, which carries a risk of early mortality and may require lengthy hospitalization. By avoiding combination therapy, we believe that TruUCAR can result in meaningful cost savings, further increasing the accessibility of CAR-T cell therapies for cancer patients. In the preclinical studies we conducted for TruUCAR T cells targeting CD7, TruUCAR T cells demonstrated comparable short-term cancer cell killing *in vitro* and better long-term expansion over conventional UCAR T cells targeting CD7 without EP modifications.

TruUCAR T Cells Exhibited Comparable *In Vitro* Cancer Cell Killing and Better Expansion over Conventional UCAR T Cells



Additionally, TruUCAR T cells targeting CD7 demonstrated better engraftment and anti-leukemia effects *in vivo* compared to conventional UCAR T cells targeting CD7 in a highly malignant xenograft murine model for T-ALL. As depicted in the figures below, immunocompromised NOG mice were implanted intravenously with 2.0×10^6 CCRF-CEM leukemia cells and leukemia were established for six days before injection with 1.0×10^6 CAR-T cells. CCRF-CEM is an aggressive, highly malignant T-ALL cell line. Mice in the control groups all succumbed to death within two weeks post CAR-T infusion. TruUCAR T cells exhibited better and more sustained anti-leukemia effects than conventional UCAR T cells. TruUCAR T cells also demonstrated better *in vivo* proliferation as well as duration of expansion in the peripheral blood of treated animals, which was correlated with its robust anti-leukemia effects in mouse models.

In Murine Xenograft Model of Human T-ALL, TruUCAR T Cells Demonstrated Better *In Vivo* Engraftment and Anti-Leukemia Effects Compared to Conventional UCAR T Cells



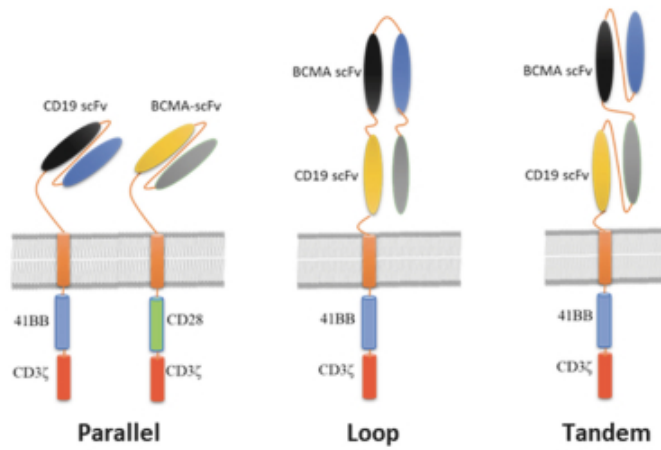
Technology Enhancements

We also have a suite of proprietary genetic engineering techniques, Dual CAR and Enhanced CAR, that can be leveraged with FasTCAR and TruUCAR technology platforms to further enhance the therapeutic effects of our CAR-T product candidates.

Dual CAR

Dual CAR is designed to control relapse in patients in FasTCAR by reducing the likelihood of antigen escape and to reduce rejection of the CAR-T cells by patients treated with TruUCAR-enabled allogeneic CAR-T cell therapies. Stimulated by two CARs, dual antigen targeting CAR-T cells have the potential to maintain *in vivo* longer than single antigen targeting CAR-T cells. The second CAR can be designed to target early lineage cells or progenitors that will ultimately develop into cancer cells. A Dual CAR construct can come in a parallel design, a loop design or a tandem design, as depicted in the figures below. The final designs for our dual antigen targeting product candidates are determined through *in vivo* and *in vitro* screening. For example, our lead product candidate, GC012F, adopts a loop design.

Dual CAR Construct Designs



Enhanced CAR

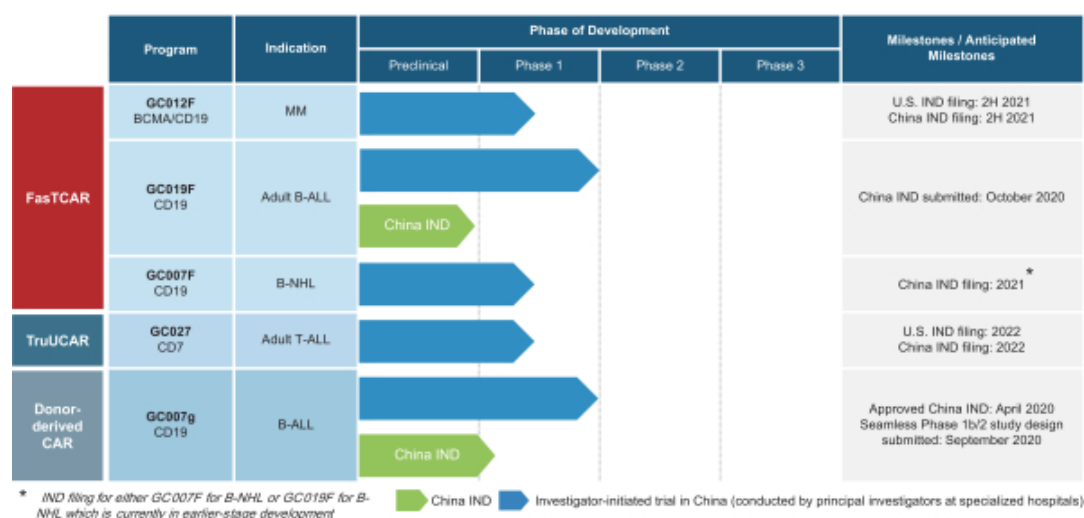
Enhanced CAR further strengthens CAR-T cells’ functionality, for example by overcoming the immunosuppressive TME and/or increasing cytokine signaling. Working on the hypothesis that PD-1 mediated immunosuppression causes CAR-T cell hypofunction, we utilize CRISPR/Cas9 to knock out PD-1 expressed on CAR-T cells to release potential suppression from programmed death-ligand 1, or PD-L1, expressed on tumor cells and other suppressive immune cells in tumor tissue. With Enhanced CAR, we can also enable CAR-T cells to achieve intended functions by regulating the expression of one or a combination of cytokine, cytokine receptors or checkpoint ligands.

Donor-derived CAR

Donor-derived CAR technique produces allogeneic CAR-T cells based on HLA-matching, offering an alternative CAR-T cell therapy option for patients who are less suitable for autologous CAR-T cell therapies due to various reasons. Autologous CAR-T cells are produced from T cells of patients. Due to repeated radiotherapy and chemotherapy, the survival, proliferation, differentiation, homing and tumor killing ability of T cells in cancer patients are often compromised, thus affecting the quality of autologous CAR-T products. Our donor-derived CAR technique is designed to derive higher quality T cells from healthy donors to manufacture CAR-T cells that demonstrate better tumor cell clearance ability as well as improved response rate and persistence of efficacy. GC007g, enabled by our allogeneic donor-derived CAR, is our most clinically advanced product candidate. GC007g has shown favorable safety and efficacy results and obtained IND approval from the NMPA on April 1, 2020.

Our Clinical Development Pipeline and Strategy

Leveraging our pioneering FastCAR and TruUCAR platforms, proprietary techniques, in-house know-how, and experience, we are developing a rich clinical-stage pipeline of multiple autologous and allogeneic product candidates with the potential for clear differentiation compared to current CAR-T cell therapies. We seek to bridge the gap between research and development and patient treatments by leveraging our relationships with clinicians and key opinion leaders in China, the United States and Europe. In particular, our clinical development strategy is built on the robust pre-IND investigator-initiated trials program that we have established in partnership with top-tier hospitals in China. We engineer, produce and provide CAR-T cells to the principal investigators at those hospitals for administration in patients. The principal investigators agree to provide us results and findings generated from the investigator-initiated trials, and will only provide the underlying data points if separately requested by us and approved by them. To the extent that, after discussions with the FDA and/or the NMPA, we are permitted to rely on all or part of the initial results and the underlying data points from these studies to support our regulatory filings with the FDA and/or the NMPA, we work in close collaboration with the principal investigators to collect the data with their approval. This strategy is designed to expedite our global clinical development activities with the initial results in investigator-initiated Phase 1 trials utilizing safety as primary endpoint and ORR as key secondary endpoint. We have generated all our product candidates internally. Our most advanced product candidates are presented in the pipeline diagram below:



FastCAR Autologous Product Candidates

GC012F: BCMA-CD19-directed Autologous Dual CAR-T for the Treatment of Multiple Myeloma

Overview

GC012F, our FastCAR-enabled autologous dual CAR-T product candidate, is being studied in an ongoing investigator-initiated Phase 1 trial across multiple centers in China for the treatment of MM. The goal of GC012F is to tackle MM by simultaneously targeting both malignant plasma cells expressing BCMA and early progenitor cells expressing CD19. Targeting both antigens in multiple myeloma is designed to drive fast, deep and durable responses in MM patients and to our knowledge is first-in-class in its design. This trial commenced in September 2019 and has been sponsored and conducted by principal investigators at specialized hospitals in China. As of July 17, 2020, 16 r/r MM patients were enrolled and treated. All patients in the trial had relapsed from, or were refractory to, previous treatments including commonly used agents and SOC treatments. Notably, the majority of this study population belong to a subgroup of MM patients with high-risk features, a poor prognosis and potentially rapid disease progression. These patients often, in later lines, do not respond to therapy or soon progress after a

short initial response, making them particularly challenging to treat even with novel agents. Despite this, 15 of 16 patients treated with GC012F achieved and maintained a response. In the highest dose cohort, 100% of the six evaluable patients achieved MRD- sCR/CR as best response, which was maintained through the landmark analysis at six months post CAR-T infusion. Most patients experienced Grade 1 or Grade 2 CRS, only two patients experienced Grade 3, and no patient experienced Grade 4 or Grade 5 CRS or ICANS of any grade.

Background on Multiple Myeloma

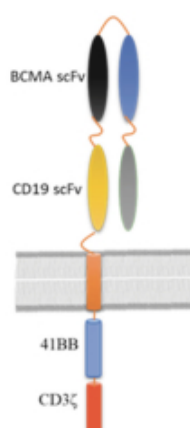
Multiple myeloma is the third most common type of blood cancer in the United States, originating from plasma cells, a type of immune cell that is typically responsible for secreting antibodies to fight infection. DNA damage can turn these plasma cells into cancerous cells known as myeloma cells. Often asymptomatic initially, in later stages of the disease patients experience a number of different signs and symptoms that can greatly vary. Multiple myeloma patients may experience severe bone pain, anemia, kidney dysfunction, easy bruising and bleeding and infections as the disease progresses. Myeloma cells produce high levels of single antibodies, resulting in dysfunction of the immune system and kidneys and other organs. Overproduction of abnormal plasma cells are also a hallmark of MM. The underlying cause of the disease is still unknown. In recent years, many advances have been made to treat MM, however, the disease is still considered incurable. Globally, approximately 160,000 patients are diagnosed with MM every year with over 32,000 expected to be diagnosed in the United States in 2020.

Multiple myeloma patients with certain cytogenetic and other abnormalities are classified by the International Myeloma Working Group, or IMWG, and Mayo Stratification for Myeloma and Risk-Adapted Therapy, or mSMART, criteria as high-risk patients. They represent a smaller portion of the overall MM patient population accounting for approximately 20-30% of MM patients. High-risk patients have a much higher risk of early relapse and shorter progression free and overall survival. These patients are considered the most difficult to treat MM patients, typically with a poor prognosis. Novel antibody therapy has not yet shown to add any significant benefit to this subgroup of patients when added to SOC therapy in early lines of therapy. This challenge was recently discussed in the Hematologic Malignancies-Plasma Cell Dyscrasia session at the 2020 American Society of Clinical Oncology Annual Meeting (ASCO 2020, Highlights of the Day Session, Suzanne Lentzsch). High-risk MM continues to represent a high unmet medical need in all stages of the disease and through all lines of therapy. We believe that regulatory pathways for this subgroup of patients may potentially enable us to adopt a fast-to-market strategy.

Dual Antigen Targeting with GC012F

CAR-T cell therapy directed at BCMA, a well-established MM target, has provided an encouraging modality for the management of r/r MM. However, CAR-T cells targeting a single antigen may not be sufficient to control the relapse resulting from antigen escape or auto-antibody, an antibody produced by the immune system that is directed against self-antigens that can induce the immune system to attack a patient's tissues. According to a 2016 study of BCMA expression after CAR-T treatment, BCMA loss occurred in approximately 10% of MM patients after BCMA-targeted therapy. Additionally, it has been demonstrated that CD19-directed CAR-T cell therapy was effective in certain MM patients, likely due to CD19 expression on subsets of MM cells, including early-stage MM cells, known as progenitor cells. In order to improve the efficacy and duration of responses to CAR-T cell therapy for r/r MM, we designed GC012F with dual CARs targeting both BCMA and CD19. As depicted in the figure below, in the GC012F construct, BCMA and CD19 scFv are linked, and joined by a hinge, a transmembrane domain, a co-stimulatory domain and CD3z intracellular domain.

GC012F Structure

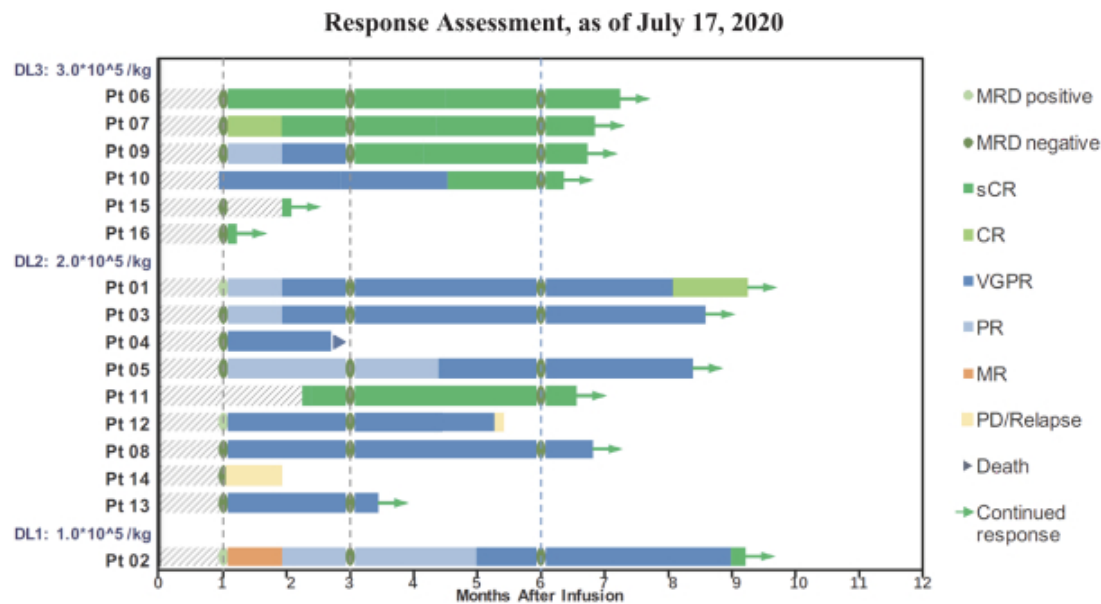


Ongoing Investigator-Initiated Phase 1 Trial and Preliminary Evidence of Clinical Benefit

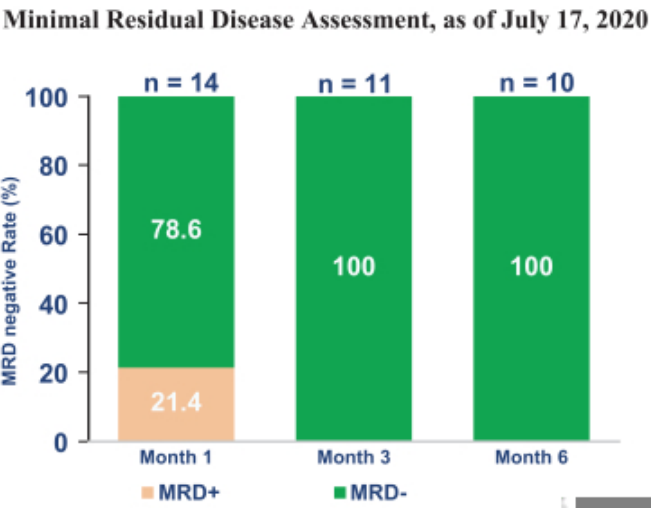
GC012F is being studied in an ongoing investigator-initiated Phase 1 trial across multiple centers in China, for the treatment of MM. The primary endpoint of this first-in-human, single-arm, open-label trial is safety, as determined by the occurrence of treatment-related adverse events, such as CRS and neurotoxicity. CRS is the most significant treatment-related toxicity, and may result from rapid immune activation induced by CAR-T cell therapies. CRS initially manifests with fever, depending on grade hypoxia and hypotension and can progress to a life-threatening condition. Another common toxicity observed after CAR-T cell therapy is neurotoxicity, including ICANS which may manifest as delirium, encephalopathy, aphasia and lethargy among other symptoms. A secondary endpoint is efficacy, as determined by clinical response, such as sCR, CR in accordance with the IMWG uniform response criteria for MM. The IMWG uniform response criteria has been utilized in registrational trials of approved drugs, including as a primary endpoint. As such, ORR and depth of response such as MRD and sCR are important parameters to establish efficacy in MM. ORR, the percentage of patients achieving a response to therapy, is also a secondary endpoint for this trial, and an approvable endpoint for MM in later line settings.

This trial commenced in September 2019 and has been sponsored and conducted by principal investigators at specialized hospitals in China. As of July 2020, 16 patients had been enrolled and this trial expects to enroll up to a total of 20 patients by the end of 2020. Patients enrolled in the trial had r/r MM and were heavily pre-treated with previous therapies. These patients had failed a median of five prior lines of therapy, with a range of two to seven prior therapies. In addition, 15 patients, representing 93.8% of total patients enrolled, had high-risk features as assessed by mSMART 3.0 guidelines. This trial is distinguished by the high percentage of high-risk patients, making the demonstration of a high ORR and a longer lasting response particularly challenging. As such, based on the data observed, GC012F may represent a highly competitive new treatment approach to high-risk MM and beyond.

According to study protocol, all patients in this investigator-initiated Phase 1 trial were preconditioned with fludarabine and cyclophosphamide over three days. Following preconditioning, the principal investigators at this trial administered GC012F as single infusion. As of July 17, 2020, 16 patients had been enrolled and were evaluable for assessment.



Efficacy Results. As of July 17, 2020, 15 of 16 patients had responded to therapy, resulting in an ORR of 93.8% of VGPR or better, including nine patients, or 56.3%, achieving MRD- CR/sCR as best response as of the July 17, 2020 data cut off date. One patient (Pt 14 as labeled in the figure above) achieved an MRD- response, however, was found to have relapsed extramedullary lesion and was counted as non-responder. Response was observed in all dosage levels with the earliest response observed on Day 28 after treatment. In dose level 3, or DL3, all six patients, or 100% of patients, achieved MRD- sCR, and three had been confirmed by PET/CT, a highly sensitive imaging technique to detect any remaining disease, as of the July 2020 data cutoff date. The median follow-up time was 7.3 months, with a range of one to ten months post infusion.



At one month, three months and six months after treatment, 14, 11 and ten patients, respectively, were evaluable for efficacy assessment. 11 of 14 evaluable patients, or 78.6%, were MRD- at one month after treatment, all 11 evaluable patients, or 100%, were MRD- at three months after treatment, and all ten evaluable

patients, or 100%, were MRD- at six months after treatment. Of the overall 16 patients, seven patients were measured by flow cytometry with a sensitivity level of 10^{-4} , and nine patients were measured by EuroFlow, a standardized procedure designed to measure MRD, with a sensitivity level of 10^{-6} and at least 1.08×10^7 cells analyzed. At the landmark analysis at six months post treatment, all six patients in DL3, which were evaluable for assessment, or 100%, had achieved and maintained MRD- sCR, which includes patients heavily pretreated, including by anti-CD38 agents such as daratumumab.

Safety Results. As of July 17, 2020, 16 patients experienced CRS with mostly low grade. 14 patients, or 87.5%, experienced Grade 1 or Grade 2 CRS and two patients, or 12.5%, experienced Grade 3 CRS. No Grade 4 or Grade 5 CRS was observed. The median duration of CRS was four days, with a range of one to eight days. CRS symptoms were managed with SOC treatment, including tocilizumab and steroids, and resolved in all cases. No patient developed ICANS of any grade. Treatment-emergent adverse events presented predominantly as cytopenias and aspartate transaminase release and were resolved with standard therapy. Lower respiratory tract infection was observed in three patients. One patient at dosage level 2, or DL2, presented with fever and died shortly after Day 78 of unknown cause during the COVID-19 pandemic.

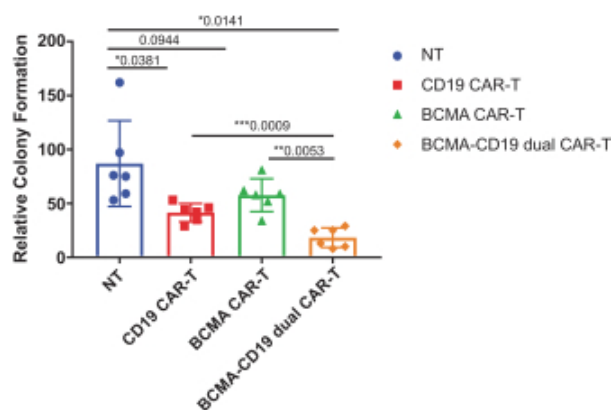
GC012F Future Clinical Plans

The ongoing investigator-initiated Phase 1 trial has demonstrated GC012F's potential to deliver responses in r/r MM patients, including high-risk MM patients who have exhausted other therapeutic options. We intend to use DL3 as the recommended Phase 2 dose for dose expansion studies. Based on these results generated from this trial by the principal investigators, we intend to conduct clinical trials of GC012F in r/r MM and potentially in earlier lines of therapy. We expect to submit IND applications for GC012F to the FDA and the NMPA by the end of 2021. To the extent permitted by the FDA and the NMPA, we plan to work in close collaboration with the principal investigators to collect and use the data from the investigator-initiated Phase 1 trial as supportive evidence in our IND applications. We expect to discuss options for clinical development in earlier lines of therapy and accelerated regulatory pathways for GC012F with the FDA and the NMPA.

Preclinical Data

As demonstrated in a preclinical study that we conducted, we observed that our GC012F, dual CAR-T cells targeting both BCMA and CD19 were more effective in killing BCMA+ and/or CD19+ target cells including MM cell lines both *in vitro* and *in vivo*. More importantly, BCMA-CD19 dual CAR-T cells were shown to be more effective than single CAR-T cells targeting either BCMA or CD19 (CD19-CAR-T and BCMA-CAR-T as labeled in the figure below) in eliminating bone marrow MM progenitors, as depicted in the figure below.

BCMA-CD19 Dual CAR-T Cells Eliminate MM Progenitors More Effectively than BCMA and CD19 Single CAR-T Cells



GC019F: CD19-directed Autologous CAR-T for the Treatment of Adult B Cell Acute Lymphoblastic Leukemia and B Cell Non-Hodgkin's Lymphoma**Overview**

GC019F, our FasTCAR-enabled autologous CAR-T product candidate, has been studied in a completed investigator-initiated Phase 1 trial in China, for the treatment of r/r B-ALL. This trial was sponsored and conducted by principal investigators at specialized hospitals in China. We submitted an IND application to study GC019F in B-ALL to the NMPA in October 2020, which was accepted by the CDE. An investigator-initiated trial for GC019F for the treatment of B-NHL is currently in the planning stage and is expected to begin patient enrollment by the end of 2020.

Background on B Cell Acute Lymphoblastic Leukemia

Acute lymphoblastic leukemia, or ALL, is characterized by the proliferation of immature lymphocytes in the bone marrow. Symptoms may include fatigue, pale skin, fever, easy bleeding or bruising, enlarged lymph nodes and bone pain. ALL progresses rapidly and, if left untreated, is generally fatal within weeks or months. ALL can involve either the T lymphocytes, referred to as T-ALL, or the B lymphocytes, referred to as B-ALL. B-ALL occurs mainly in children and adolescents, with two-thirds of affected patients being male. A second peak incidence occurs later in life, among people over 40 years of age. SOC treatment for T-ALL includes chemotherapy, radiation therapy and stem cell transplantation. Globally, approximately 64,000 patients are diagnosed with ALL every year with over approximately 6,000 expected to be diagnosed in the United States in 2020. B-ALL accounts for 85%-88% of ALL diagnoses.

Ongoing Investigator-initiated Phase 1 Trial and GC019F Future Clinical Plans

GC019F has been studied in a completed investigator-initiated Phase 1 trial across multiple centers in China, for the treatment of r/r B-ALL. This trial was conducted and sponsored by principal investigators at specialized hospitals in China. We submitted an IND application to study GC019F in B-ALL to the NMPA in October 2020, which was accepted by the CDE. Additionally, patient enrollment in an investigator-initiated first-in-human trial in China for GC019F for the treatment of B-NHL is expected to start by the end of 2020. Safety and efficacy of both GC019F and GC007F in the treatment of r/r B-NHL will be studied in first-in-human trials and, if the results we receive from the principal investigators support further development, we plan to advance one of the two product candidates into the IND stage.

GC007F: CD19-directed Autologous CAR-T for the Treatment of B Cell Non-Hodgkin's Lymphoma**Overview**

GC007F, our FasTCAR-enabled autologous CAR-T product candidate, is being studied in an ongoing investigator-initiated Phase 1 trial across multiple centers in China for the treatment of r/r B-NHL. This trial has been sponsored and conducted by principal investigators at specialized hospitals in China.

Background on B Cell Non-Hodgkin's Lymphoma

Lymphomas are a group of blood malignancies that develop from lymphocytes, a type of white blood cell. Symptoms of lymphoma include enlarged lymph nodes, fever, night sweats, weight loss and fatigue. Lymphomas associated with a cell type known as Reed–Sternberg cells, are known as Hodgkin's lymphoma and they account for 15% of lymphomas. All other lymphomas are known as non-Hodgkin's lymphoma. Non-Hodgkin's lymphomas can be further categorized by the predominant lymphocyte type involved. B cell Non-Hodgkin's lymphoma, or B-NHL, is the most common type of adult B cell lymphoma, and includes several sub-types, based on various histologic and cytogenetic factors. Some forms are slow-growing, while others may be more

aggressive. SOC treatment of B-NHL includes chemotherapy, radiation therapy, and stem cell transplantation. CAR-T cell therapy targeting CD19 has shown some success in treating B-NHL. However, relapse rate is high and the long-term patient survival is not satisfactory, which is in part due to the limited expansion and persistence of CAR-T cells manufactured using a conventional process. Globally, approximately 510,000 patients are diagnosed with NHL every year with over 77,000 patients expected to be diagnosed in the United States in 2020. B-NHL accounts for approximately 85% of NHL diagnoses.

Ongoing Investigator-initiated Phase 1 Trial and GC007F Future Clinical Plans

GC007F is being studied in an ongoing investigator-initiated Phase 1 trial across multiple centers in China for the treatment of B-NHL. This trial has been sponsored and conducted by principal investigators at specialized hospitals in China. This trial is expected to enroll 12 more patients to evaluate GC007F in treating r/r B-NHL patients. If the results that we receive from the principal investigators from this trial or from the future investigator-initiated Phase 1 trial of GC019F for r/r B-NHL support further development, we plan to submit an IND application for either GC007F or GC019F to the NMPA in 2021 and advance that candidate into further clinical trials, including potentially registrational trials.

TruUCAR Off-the-Shelf Allogeneic Product Candidate

GC027: CD7-directed Allogeneic CAR-T for the Treatment of Adult T Cell Acute Lymphoblastic Leukemia

Overview

GC027, our TruUCAR-enabled allogeneic CAR-T product candidate, is being studied in an ongoing investigator-initiated Phase 1 trial across multiple centers in China, for the treatment of adult T-ALL. This trial has been sponsored and conducted by principal investigators at specialized hospitals in China. As of February 2020, five adult r/r T-ALL patients were enrolled and treated in this trial. All five evaluable patients achieved a CR or CRi, resulting in an ORR of 100%, including four patients, or 80%, achieving MRD- CR on Day 28 after treatment. All CRS observed were managed and resolved with treatment and supportive care. No patient developed neurotoxicity (ICANS) or GvHD.

Background on T Cell Malignancies and T Cell Acute Lymphoblastic Leukemia

T cell malignancies are a group of cancers involving T lymphocytes, including acute T cell lymphoblastic leukemia or T-ALL. Like B-ALL, T-ALL occurs mainly in children, with most affected patients being male. The symptoms of T-ALL are also similar to B-ALL, including fatigue, pallor, fever, easy bleeding or bruising, enlarged lymph nodes and bone pain. SOC treatment for T-ALL includes chemotherapy, radiation therapy and stem cell transplantation. Patients with T cell malignancies usually have high relapse and mortality rates. Due to shared common surface antigen and potential contamination by malignant cells, development of CAR-T cell therapies is lagged behind. In addition, no new therapies have been approved for the treatment of T-ALL since the approval of Nelarabine (marketed by GlaxoSmithKline) by the FDA in 2005. Globally, approximately 64,000 patients are diagnosed with ALL every year with over approximately 6,000 expected to be diagnosed in the United States in 2020. T-ALL accounts for approximately 12-15% of ALL diagnoses.

Dual Functions Single Antigen Targeting with GC027

To avoid the potential for HvG, which may lead to rejection of allogeneic CAR-T cells by patients' own immune system, we have designed GC027 with a CD7-directed single CAR that carries out dual functions, targeting both the patient's own alloreactive killer T cells and NK cells as well as tumor antigen to eradicate tumor cells. To alleviate the potential of GvHD, which causes tissue damage in the recipient patient, we utilize CRISPR/Cas9 to disrupt the TRAC locus to eliminate surface expression of the TCR complex of GC027. To eliminate potential fratricide, we utilize CRISPR/Cas9 to disrupt CD7, a pan T and NK marker on the CAR-T

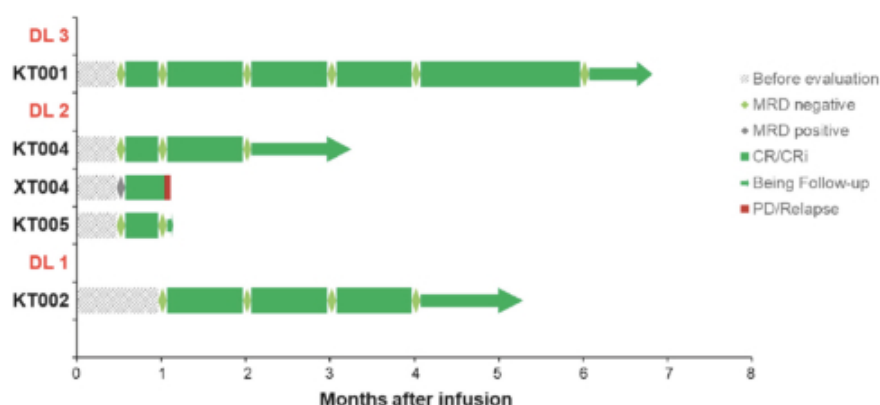
cells. In addition, an enhancer is implanted in the CAR-T cells utilizing a lentivirus-based gene delivery system, to strengthen cell expansion and *in vivo* engraftment.

Ongoing Investigator-initiated Phase 1 Trial and Preliminary Evidence of Clinical Benefit

GC027 is being studied in an ongoing investigator-initiated Phase 1 trial across multiple centers in China, for the treatment of adult T-ALL. The primary endpoint of this first-in-human, single-arm and open-label trial is safety, as determined by the occurrence of treatment-related adverse events, such as CRS, neurotoxicity (ICANS) and GvHD. The secondary endpoint is efficacy, as determined by clinical response, such as ORR, CR and CRi.

This trial has been sponsored and conducted by principal investigators at specialized hospitals in China. As of February 2020, five adult r/r T-ALL patients had been enrolled. Patients in this trial had failed a median of five prior lines of therapy, with a range of one to nine prior therapies. All patients enrolled had relapsed from, or were refractory to, their prior line of therapy. According to study protocol, all patients in this trial were preconditioned with a regimen based on a fludarabine and cyclophosphamide backbone. No other biologics such as anti-CD52 antibody were required. Following preconditioning, the principal investigators administered all patients with a single infusion of GC027, including one patient at dosage level 1, or DL1 (0.6×10^7 CAR+ cells/kg), three patients at dosage level 2, or DL2 (1.0×10^7 CAR+ cells/kg) and one patient at dosage level 3, or DL3 (1.5×10^7 CAR+ cells/kg). As of February 2020, all five patients were evaluable for safety and efficacy assessment.

Response, Duration of Remission and Adverse Events, as of February 2020



Efficacy Results. All five evaluable patients achieved a CR or CRi on Day 14 or Day 28 after treatment, representing an ORR of 100%. Of these patients, three patients achieved MRD- CR on Day 28 after treatment and remained MRD- at follow-up re-evaluations on Day 61, 118 and 161, respectively, without bridging into HSCT and one patient just achieved MRD- CR on Day 28 after treatment, as of the February 2020 data cut-off date. One patient (XT004 as labeled in the figure above) achieved MRD+ CR on Day 14 after treatment, but such patient's disease progressed on Day 29 and deceased due to relapse. No patient has been bridged into HSCT.

Safety Results. All five evaluable patients tolerated their dose levels. Of the five patients, four patients experienced Grade 3 CRS and one patient experienced Grade 4 CRS. CRS symptoms were managed and resolved after anti-CRS treatment and supportive care. No neurotoxicity nor GvHD was observed.

GC027 Future Clinical Plans

We expect to submit IND applications for GC027 to the FDA and the NMPA in 2022. We intend to work in close collaboration with the principal investigators at this trial to collect and use the data from investigator-initiated Phase 1 trial as supportive evidence in our IND applications.

Donor-derived Allogeneic Product Candidate

GC007g: CD19-directed Allogeneic CAR-T for the Treatment of B Cell Acute Lymphoblastic Leukemia

Overview

GC007g, our donor-derived allogeneic CAR-T product candidate, has been studied in a completed investigator-initiated Phase 1 trial across multiple centers in China, for the treatment of B-ALL patients who relapsed after receiving allogeneic stem cell transplantation. We submitted the interim results and the relevant underlying data collected by the principal investigators as of the June 17, 2019 data cutoff date from this trial to the CDE as part of our IND application for GC007g. This trial was sponsored and conducted by principal investigators at specialized hospitals in China. As of June 17, 2019, 14 patients were enrolled and treated. 11 of 13 evaluable patients achieved a CR, resulting in an ORR of 84.6%, including ten patients, or 76.9%, achieving an MRD- CR on Day 28 after treatment. CRS and neurotoxicity observed were managed and resolved after treatment and supportive care, except for one early withdrawal due to CRS.

We obtained IND approval to study GC007g in B-ALL from the NMPA on April 1, 2020 and are initiating the Phase 1 trial in China. We submitted an updated innovative seamless Phase 1b/2 study design for GC007g's registration-enabling clinical trial to the CDE in September 2020 which may enable us to roll over the ongoing Phase 1 clinical trial into the seamless Phase 1b/2 registration-enabling clinical trial in the first half of 2021. Our goal is to submit a BLA to the NMPA for GC007g upon completion of a registrational trial.

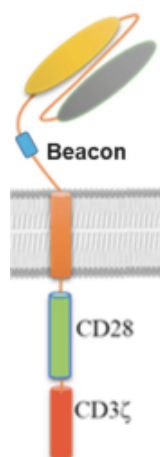
Background

There are a significant portion of B-ALL patients who are not suitable for the autologous CAR-T cell therapy due to various reasons, including but not limited to existing viral infections, high tumor burden, poor quality of their own T cells, conditions prohibitive to leukapheresis and failure to prior autologous CAR-T cell therapies. Reported failure rates of autologous CAR-T cell manufacturing range from 5% to 14%. Under certain circumstances, collection of autologous T cells directly from cancer patients may be difficult due to poor general condition or concomitant viral infections. Donor-derived CAR technology has the potential to resolve the T cell fitness issue associated with autologous CAR-T cell therapies and offer an alternative treatment options for B-ALL patients.

Beacon Tag Monitoring with GC007g

To improve our ability to precisely monitor the number of CAR-T cells in the body and effectively control toxicity in CAR-T cells without compromising efficacy, we inserted a Beacon tag into CD19 CAR construct. As depicted in the figure below, in the GC007g construct, CD19 scFv is joined by a hinge, a transmembrane domain and CD3z intracellular domain. A Beacon tag was inserted to allow precise monitoring of the number of CAR-T cells in the body in using the antibodies against the Beacon tag. Studies both *in vivo* and *ex vivo* have demonstrated that Beacon tag monitoring technology enables accurate calculation of the number of viable CAR-T cells in patients and effectively controls toxicity in CAR-T cells without compromising efficacy.

GC007g Structure



Interim Results from Completed Investigator-Initiated Phase 1 Trial and Preliminary Evidence of Clinical Benefit

GC007g has been studied by principal investigators in an investigator-initiated Phase 1 trial across three independent centers in China, for the treatment of r/r B-ALL. The primary endpoint of this first-in-human, single-arm and open-label trial was safety, as measured by the occurrence of treatment-related adverse events, such as CRS, neurotoxicity (ICANS), GvHD and acute GvHD, or aGvHD. The secondary endpoint was efficacy, as determined by clinical response, such as ORR, CR, PFS and overall survival, or OS.

We submitted interim results as of the June 17, 2019 data cutoff date that we obtained from the principal investigators at this investigator-initiated Phase 1 trial to the CDE as part of our IND application for GC007g. This trial was sponsored and conducted by principal investigators at specialized hospitals in China. As of June 17, 2019, 14 patients had been enrolled. Patients enrolled in the trial had r/r B-ALL and had relapsed after receiving allogeneic stem cell transplantation as the last line of therapy. The study protocol varied across sites, allowing us to explore multiple treatment protocols within a single trial. The study protocol was standardized to the extent possible across sites; however, some variation in methodologies may have occurred due to the flexible nature of this first-in-human study. According to study protocol, patients were preconditioned with fludarabine and cyclophosphamide. Following preconditioning, the principal investigators administered all patients with a single infusion of GC007g including three patients at dosage level 1, or DL1 (1.0×10^5 CAR+ cells/kg), nine patients at dosage level 2, or DL2 (2.0×10^6 CAR+ cells/kg) and two patients at dosage level 3, or DL3 (4.2×10^6 CAR+ cells/kg). As of June 17, 2019, all 14 patients were evaluable for safety assessment and 13 patients were evaluable for efficacy assessment. One patient (GG001 as labeled in the figure below) withdrew on Day 8 after treatment due to severe CRS accompanied with infection and the patient failed to receive the efficacy evaluation before such withdrawal.

Efficacy Results. During the observation period, 11 of the 13 evaluable patients responded, resulting in an ORR of 84.6%, including ten patients, or 76.9%, achieving MRD- CR on Day 28 after treatment. 11 patients, or 84.6%, achieved PFS one month after treatment and seven patients, or 77.8%, achieved PFS three months after treatment. The remaining four patients have not reached the three months follow-up time point after GC007g infusion.

Efficacy Results by Dosage, as of June 2019

Efficacy	DL1 (n=3)	DL2 (n=9)	DL3 (n=1)	Overall (n=13)
ORR (Day 28)	3 (100%)	7 (77.8%)	1 (100%)	11 (84.6%)
MRD- (Day 28)	3 (100%)	6 (66.7%)	1 (100%)	10 (76.9%)

Safety Results. During the observation period, 12 patients, or 85.7%, experienced CRS, including one patient, or 7.1%, experiencing Grade 3 or higher CRS. No patient experienced Grade 3 or higher neurotoxicity and two patients, or 14.3%, experienced aGvHD. CRS and GvHD symptoms were managed with SOC treatment.

Safety Results by Dosage, as of June 2019

Safety	DL1 (n=3)	DL2 (n=9)	DL3 (n=2)	Overall (n=14)
CRS	1 (33.3%)	9 (100%)	2 (100%)	12 (85.7%)
Grade 3 or higher CRS	0	1 (11.1%)	0	1 (7.1%)
Neurotoxicity	0	0	0	0
Grade 3 or higher neurotoxicity	0	0	0	0
aGvHD	0	2 (22.2%)	0	2 (14.3%)

GC007g Future Clinical Plans

We obtained the IND approval from the NMPA on April 1, 2020 to sponsor and study GC007g in B-ALL and are initiating the Phase 1 study in China. We expect to enroll up to nine patients by the first half of 2021. The primary endpoint of this trial is to evaluate the safety and tolerability of GC007g injection in patients with r/r B-ALL after allogeneic transplantation. The secondary endpoint is to evaluate the efficacy of GC007g injection in patients with r/r B-ALL after allogeneic transplantation. We submitted an updated innovative seamless Phase 1b/2 study design for GC007g's registration-enabling clinical trial to the CDE in September 2020 which may enable us to roll over the ongoing Phase 1 clinical trial into the seamless Phase 1b/2 registration-enabling clinical trial in the first half of 2021 and further streamline the clinical development process of GC007g. Our goal is to submit a BLA to the NMPA for GC007g upon completion of a registrational trial.

Preclinical Data

Data from a preclinical study of GC007g that we conducted demonstrate that CAR-T cells derived from healthy donor T cells showed potency to kill tumor cells expressing CD19 specifically *in vitro* and to eliminate tumor cell very fast in animal model. Co-cultured GC007g CAR-T cells with Hela cells or Hela-CD19 cells can be specifically eliminated. In tumor bearing mice, high dose GC007g eliminated tumor cells on Day 10 after infusion, and no weight loss and other side effects were observed. These data indicate GC007g has the potential to be an effective CAR-T therapy against CD19+ B cell malignancies.

Early Pipeline and Potential Additional Programs

While we have leveraged our technology platforms to currently pursue the development of CAR-T cell product candidates targeting MM, B-ALL, T-ALL, and B-NHL, we believe our technology platforms have broad applicability across a wide array of cell therapeutic modalities and diseases. We are developing a broad portfolio of preclinical programs beyond our current clinical pipeline. The following table highlights preclinical programs that we are prioritizing:

	Program	Indication	Investigator-initiated trial in China
FasTCAR	GC019F	NHL	4Q2020
	GC122	NHL	2H2021
	GC008E	Ovarian cancer	2H2021
		Breast cancer	1H2022
TruUCAR	GC198	B cell malignancies	1H2021
	GC202	PTCL	2H2021
	GC207	T-ALL, T-LBL	1H2022
	GC212	MM	1H2022

NHL = Non-Hodgkin's lymphoma, PTCL = Peripheral T cell lymphoma (a subtype of NHL), T-ALL = T cell acute lymphoblastic leukemia, T-LBL = T cell lymphoblastic leukemia/lymphoma, MM = multiple myeloma

Our lead FasTCAR-enabled preclinical programs include:

- **GC019F.** GC019F is an autologous CAR-T product candidate. An investigator-initiated trial for GC019F for the treatment of B-NHL is currently in the planning stage and is expected to begin patient enrollment by the end of 2020.
- **GC122.** GC122 is an autologous CAR-T product candidate for the treatment of NHL. To further improve the efficacy and reduce relapse rate, we plan to develop this new product candidate with three novel components, namely, a dual CAR-T which targets a new NHL marker, a newly developed scFv which has shown improved activity in pre-clinical studies, and a new molecule to improve persistence. With these novel components, we believe GC122 can provide a new therapeutic modality for NHL.
- **GC008E.** GC008E is a highly differentiated solid tumor CAR-T program designed to address the most significant challenges in treating solid tumors with CAR-T cell therapies. Utilizing FasTCAR and genetic engineering techniques, Enhanced CAR and Dual CAR, GC008E is engineered to enable CAR-T cells to infiltrate, survive and proliferate against immunosuppressive TME. We are developing a portfolio of solid CAR-T product candidates under this program to target mesothelin positive solid tumors, such as ovarian cancer and breast cancer.

Additionally, a significant portion of cancer patients cannot benefit from autologous CAR-T cell therapies due to medical reasons or product quality issues. To address these unmet needs, we plan to advance the following lead TruUCAR-enabled preclinical programs:

- **GC198.** GC198 is a CD19-directed allogeneic CAR-T product candidate for the treatment of B cell malignancies, including B-ALL and B-NHL.
- **GC202.** GC202 is an allogeneic CAR-T product candidate for the treatment of PTCL. PTCL develops from mature T cells and is a subtype of NHL with a high unmet medical need. PTCL patients represent approximately 7-10% and 10-15% of the NHL patient populations in the United States and China. Patients with r/r PTCL usually have poor prognosis and high long-term mortality rates.

- **GC207.** GC207 is an allogeneic CAR-T product candidate for the treatment of T-ALL or T-LBL.
- **GC212.** GC212 is an allogeneic CAR-T product candidate for the treatment of r/r MM. While autologous CAR-T cell therapies for MM have achieved significant success, there are still more than 10% of the MM patient population who are not suitable for autologous CAR-T cell therapy. We are developing this program with additional modifications designed to produce TruUCAR T cells that are more potent and capable to deliver safer and more durable responses.

Our Global Clinical Development Strategy

We seek to bridge the gap between research and development and patient treatments by leveraging our relationships with clinicians and key opinion leaders in China, the United States and Europe. In particular, Our clinical development strategy is built on the robust pre-IND investigator-initiated trials program that we have established in partnership with top-tier hospitals in China. This strategy is designed to expedite our global clinical development activities with the initial results in investigator-initiated Phase 1 trials utilizing safety as primary endpoint and ORR as key secondary endpoint.

Our CAR-T Manufacturing Capacity and Strategy

We control our manufacturing through our two GMP compliant manufacturing facilities in Suzhou and Shanghai with high productivity. The over 66,000 square feet Suzhou GMP facility supports an annual production of 3,200 autologous samples from FasTCAR and 12,000 allogeneic samples from TruUCAR. We have also completed dozens of engineering runs for IND preparation in our Shanghai GMP facility, achieving high product quality and good production repeatability. We have produced hundreds of samples for our product candidates to be used with patients in the ongoing investigator-initiated Phase 1 trials in China.

Our Suzhou and Shanghai manufacturing facilities established fully-closed production lines, designed to produce FasTCAR product candidates while reducing contamination risks and optimizing cost-efficiency. With this fully-closed design, we are able to operate multiple systems in one manufacturing cleanroom at the same time, with each system producing CAR-T cells for an individual patient. This fully-closed system is designed to reduce reagent consumable costs, labor costs, workshop equipment operations and depreciation. We believe these advantages, coupled with our ability to achieve next-day manufacturing for autologous CAR-T cells in one production shift, allow us to substantially reduce manufacturing cost, improve productivity and scale up our production in a cost-efficient manner. We currently produce GC019F and GC007F on our fully-closed production lines. We are self-sufficient in the production of CAR-T cells for clinical development and early stage commercialization. We have the capacity to support our global preclinical and clinical development and early commercialization with our GMP facilities. We also plan to expand our manufacturing capabilities to the United States to enable a local supply of high-quality novel cell therapies.

Competition

The biotechnology industry, and specifically the CAR-T cell therapy sciences, are characterized by intense and rapidly changing competition to develop new technologies and proprietary products. While we believe that our pioneering technology platforms, know-how and scientific expertise in cell therapies provide us with competitive advantages, we face potential competition from many different sources, including biopharmaceutical companies, academic research institutions, government agencies and public and private research institutions, in addition to SOC treatments. Smaller or early-stage companies may compete with us through collaborative arrangements with more established companies.

Due to the promising clinical therapeutic effect of CAR-T product candidates in clinical trials, we anticipate direct competition from other organizations development advanced T cell therapies and other types of oncology therapies. This would include companies in the CAR-T space, including Nanjing Legend Biotech, bluebird Bio,

Inc., Allogene, Inc. Juno Therapeutics, Inc. (acquired by Celgene Corporation), Kite Pharma, Inc. (acquired by Gilead Sciences, Inc.), Poseida Therapeutics, Inc., Celyad Oncology AG, and Novartis AG. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are more effective, safer, have fewer or less severe side effects, and more convenient, or cost less than any products that we may develop. Our competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient enrollment for clinical trials.

Intellectual Property

Intellectual property is of vital importance in our field and in biotechnology generally. We seek to protect and enhance proprietary technology, inventions, and improvements that are commercially important to the development of our business by seeking, maintaining, and defending patent rights, whether developed internally, acquired or licensed from third parties.

As of the date of this prospectus, we own one Patent Cooperation Treaty application (which has entered into the national stage in the U.S.) and one patent application in Taiwan directed to composition-of-matter coverage, manufacture and methods of use of our FasTCAR technology platform. These patent applications also relate to the manufacture of our product candidates, GC012F, GC019F, and GC007F. For our TruUCAR technology platform, as of the date of this prospectus, we own one Patent Cooperation Treaty application (which has entered into the national stage in the U.S.) and one patent application in Taiwan, both of which are directed to composition-of-matter coverage, manufacture and methods of use of our TruUCAR technology platform. These patent applications are directed to composition of matter coverage and method of use of our GC027 product candidate.

Additionally, for our GC012F product candidate, we own one Patent Cooperation Treaty application (which has entered into the national stage in the U.S.) and one patent application in Taiwan, both of which are directed to composition-of-matter coverage, manufacture and methods of use, as of the date of this prospectus. For our GC019F, GC007F and GC007g product candidates, we own one patent application in China directed to composition-of-matter coverage of these product candidates. We currently do not own or license any issued patents that cover any of our platforms or product candidates. We have additionally applied for patents, and expect to file additional patent applications in support of current and new product candidates and technologies. Our commercial success will depend in part on obtaining and maintaining patent, trade secret and other intellectual property protection for our current and future product candidates and the methods used to develop and manufacture them, as well as successfully defending such intellectual property rights against third-party challenges and operating without infringing, misappropriating or violating the intellectual property rights of others. Furthermore, our ability to develop and commercialize our product candidates, including GC012F and GC027, in certain jurisdictions will depend on our ability to acquire or license intellectual property owned by third parties. In addition, our ability to stop third parties from making, using, selling, offering to sell or importing our products depends on the extent to which we have rights under valid and enforceable patents, trade secrets or other intellectual property rights that cover these activities.

The area of patent and other intellectual property rights in biotechnology is an evolving one with many risks and uncertainties. We cannot be sure that patents will be granted with respect to any of our pending patent applications or with respect to any patent applications filed by us in the future, nor can we be sure that any of our existing patents or any patents that may be granted to us in the future will be commercially useful in protecting any of our platforms, product candidates, discovery programs and processes. Furthermore, the term of individual patents depends upon the legal term of the patents in the countries in which they are obtained and extend for varying periods depending on the date of filing of the patent application or the date of patent issuance. In most countries in which we file, the patent term is 20 years from the earliest non-provisional filing date. The life of a patent, and the protection it affords, is therefore limited and once the patent life of our issued patents has expired, we may face competition, including from other competing technologies. In China, the expiration of an invention patent is 20 years from its filing date and the expiration of a utility model patent or industrial design is ten years

from its filing date. The Draft Amendment to the PRC Patent Law proposed to introduce patent extensions to patents of new drugs that launched in the PRC, the adoption of which may enable the patent owner to submit applications for a patent term extension. The length of any such extension is uncertain. For more information regarding the risks related to our intellectual property, see “Risk Factors—Risks Related to Our Intellectual Property.”

We expect to rely on trademarks as one means to distinguish any of our product candidates that are approved for marketing from the products of our competitors. We have not yet selected trademarks for our product candidates and have not yet begun the process of applying to register trademarks for our product candidates. The period of validity for a registered trademark in China is ten years, commencing from the date of registration. The registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten years commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. For more comprehensive regulations related to intellectual property protection in the China, see “Regulation—PRC Regulation—Regulatory Protections.” For more information regarding the risks related to trademarks, see “Risk Factors—Risks Related to Our Intellectual Property—Any trademarks we may obtain may be infringed or successfully challenged, resulting in harm to our business.”

Furthermore, we rely upon trade secrets, know-how, confidential information, unpatented technologies, continuing technological innovation and other proprietary information to develop, protect and maintain our competitive position and aspects of our business that are not amenable to, or that we do not presently consider appropriate for, patent protection and prevent competitors from reverse engineering or copying our technologies. However, the foregoing rights, technologies and information are difficult to protect. We seek to protect them by, in part, using confidentiality agreements with our employees and consultants and any potential commercial partners and collaborators and invention assignment agreements with our employees. We also have implemented or intend to implement confidentiality agreements or invention assignment agreements with our selected consultants and any potential commercial partners. These agreements are designed to protect our proprietary information and, in the case of the invention assignment agreements, to grant us ownership of technologies that are developed through a relationship with a third party. These agreements may be breached, and we may not have adequate remedies for any breach. There can be no assurance that these agreements will be self-executing or otherwise provide meaningful protection for our trade secrets or other intellectual property or proprietary information. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our commercial partners, collaborators, employees and consultants 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. For this and more comprehensive risks related to our intellectual property, see “Risk Factors—Risks Related to Our Intellectual Property.”

Employees

As of September 30, 2020, we had 160 full time employees, 144 of whom hold medical, technical or scientific credentials and qualifications, including 61 holding Ph.D. and/or M.D. degrees. Of these 61 employees, 55 are engaged in research and development activities and six are engaged in business development, finance, information systems, facilities, human resources or administrative support. Substantially all of our employees are located in Suzhou and Shanghai, China. None of our employees are subject to a collective bargaining agreement. We believe that we maintain a good working relationship with our employees, and we have not experienced any material disputes with our employees in our history.

Facilities

Our principal research and development center is located at Building 3, 418 Guilin Road, XuHui District, Shanghai, with approximately 7,700 square meters of office space. We opened our Beijing office in level 14, 126

Jianguo Road, Chaoyang District in January 2020 to support clinical study. We believe that our current facilities are suitable and adequate to meet our current needs. If we need to add new facilities or expand existing facilities as we add employees, we believe that suitable additional space will be available to accommodate any such expansion of our operations.

Legal Proceedings

We are currently not a party to any material legal or administrative proceedings. We have been, and may from time to time in the future, be subject to various legal and administrative proceedings arising in the ordinary course of our business. Such claims or legal actions, even if without merit, could result in the expenditure of significant financial and management resources and potentially result in civil liability for damages. For risks related to legal proceedings, see “Risk Factors—Risk Related to Our Intellectual Property—We may become involved in lawsuits to protect or enforce our patents and other intellectual property, which could be expensive, time-consuming and unsuccessful” and “Risk Factors—Risk Related to Our Intellectual Property—Third parties may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could significantly harm our business.”

REGULATION

United States Regulation

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

In the United States, the FDA regulates biologic products under the Federal Food, Drug and Cosmetic Act, its implementing regulations and other laws, including, in the case of biologics, the Public Health Service Act. Our product candidates are subject to regulation by the FDA as biologics. Biologics require the submission of a BLA and licensure, which constitutes approval, by the FDA before being marketed in the United States. None of our product candidates has been approved by the FDA for marketing in the United States, and we currently have no BLAs pending. Failure to comply with applicable FDA or other requirements at any time during product development, clinical testing, the approval process or after approval may result in administrative or judicial sanctions. These sanctions could include the FDA's refusal to approve pending applications, suspension or revocation of approved applications, warning letters, product recalls, product seizures, total or partial suspensions of manufacturing or distribution, injunctions, fines, civil penalties or criminal prosecution.

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

- completion of preclinical laboratory tests and animal studies performed in accordance with the FDA's good laboratory practices, or GLP, regulations;
- submission to the FDA of an IND, which must become effective before clinical trials may begin and must be updated annually or when significant changes are made;
- approval by an independent Institutional Review Board, or IRB, or ethics committee at each clinical site before the trial is commenced;
- performance of adequate and well-controlled human clinical trials to establish the safety and effectiveness of the proposed biologic product candidate for its intended indications;
- preparation of and submission to the FDA of a BLA when adequate data are obtained from pivotal clinical trials;
- a determination by the FDA within 60 days of its receipt of a BLA to accept the application for review;
- satisfactory completion of an FDA Advisory Committee review, if applicable;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the proposed product is produced to assess compliance with cGMP and to assure that the facilities, methods and controls are adequate to preserve the biological product's continued safety, purity and potency, and of selected clinical investigation sites to assess compliance with Good Clinical Practices, or GCP regulations; and
- FDA review and approval of the BLA to permit commercial marketing of the product for particular indications for use in the United States.

Preclinical and Clinical Development

Prior to beginning the first clinical trial with a product candidate in the United States, we must submit an IND application to the FDA. An IND application is a request for authorization from the FDA to administer an

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

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical study. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Generally, a separate submission to the existing IND must be made for each successive clinical trial conducted during product development and for any subsequent protocol amendments. Furthermore, an independent IRB for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial and its informed consent form before the clinical trial begins at that site, and must monitor the study until completed. Regulatory authorities, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk or that the trial is unlikely to meet its stated objectives. Some studies also include oversight by an independent group of qualified experts organized by the clinical study sponsor, known as a data safety monitoring board, or DSMB, which provides recommendation on whether or not a study should move forward at designated check points based on access to certain data from the study. The DSMB may recommend halting of the clinical trial if it determines that there is an unacceptable safety risk for subjects or on other grounds, such as no demonstration of efficacy. There are also requirements governing the reporting of ongoing clinical studies and clinical study results to public registries.

For purposes of BLA approval, human clinical trials are typically conducted in three sequential phases that may overlap.

- **Phase 1.** The investigational product is initially introduced into healthy human subjects or patients with the target disease or condition. These studies are designed to test the safety, dosage tolerance, absorption, metabolism and distribution of the investigational product in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness. For investigational products developed for oncology indications, the Phase 1 trials are normally conducted in patients with serious or life-threatening diseases without other treatment alternatives.
- **Phase 2.** The investigational product is administered to a limited patient population with a specified disease or condition to evaluate the preliminary efficacy, optimal dosages and dosing schedule and to identify possible adverse side effects and safety risks. Multiple Phase 2 clinical trials may be conducted to obtain information prior to beginning larger and more expensive Phase 3 clinical trials. For certain indications in patients with serious or life-threatening diseases and with no available therapies, it may be possible to obtain BLA approval based on data from Phase 2 trials if a positive benefit risk profile is demonstrated.
- **Phase 3.** The investigational product is administered to an expanded patient population to further evaluate dosage, to provide statistically significant evidence of clinical efficacy and to further test for safety, generally at multiple geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the investigational product and to provide an adequate basis for product approval.

In some cases, the FDA may require, or companies may voluntarily pursue, additional clinical trials after a product is approved to gain more information about the product. These so-called Phase 4 studies may be made a condition to approval of the BLA. Concurrent with clinical trials, companies may complete additional animal studies and develop additional information about the biological characteristics of the product candidate, and must finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product, or for biologics, the safety, purity and potency. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

BLA Submission and Review

Assuming successful completion of all required testing in accordance with all applicable regulatory requirements, the results of product development, nonclinical studies and clinical trials are submitted to the FDA as part of a BLA requesting approval to market the product for one or more indications. The BLA must include all relevant data available from pertinent preclinical and clinical studies, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product's CMC, and proposed labeling, among other things. The submission of a BLA requires payment of a substantial application user fee to the FDA unless a waiver or exemption applies.

Once an original BLA has been submitted, FDA has 60 days to determine whether the application can be filed. If FDA determines that an application to be deficient, on its face, in a way that precludes a complete review, FDA may not accept the application for review and may issue a refuse-to-file letter to the sponsor. If FDA determines the application is fillable, the FDA's goal is to review standard applications within ten months after it accepts the application for filing, or, if the application qualifies for priority review, six months after the FDA accepts the application for filing. In both standard and priority reviews, the review process is often significantly extended by FDA requests for additional information or clarification. The FDA reviews a BLA to determine, among other things, whether a product is safe, pure and potent and the facilities in which it is manufactured, processed, packed, or held meets standards designed to assure the product's continued safety, purity and potency. The FDA may convene an advisory committee to provide clinical insight on application review questions. Before approving a BLA, the FDA will typically inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications.

Additionally, before approving a BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in the submission and often will request additional testing or information. Notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

After the FDA evaluates a BLA and conducts inspections of manufacturing facilities where the commercial product and/or its drug substance will be produced, the FDA may issue an approval letter or a Complete Response letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. A Complete Response letter will describe all of the deficiencies that the FDA has identified in the BLA, except that where the FDA determines that the data supporting the application are inadequate to support approval, the FDA may issue the Complete Response letter without first conducting required inspections, testing submitted product lots, and/or reviewing proposed labeling. In issuing the Complete Response letter, the FDA may recommend actions that the applicant might take to place the BLA in condition for approval, including requests for additional information or clarification. The FDA may delay or refuse approval of a BLA if applicable regulatory criteria are not satisfied, require additional testing or information and/or require post-marketing testing and surveillance to monitor safety or efficacy of a product.

If regulatory approval of a product is granted, such approval will be granted for particular indications and may entail limitations on the indicated uses for which such product may be marketed. For example, the FDA may approve the BLA with a Risk Evaluation and Mitigation Strategy, or REMS, to ensure the benefits of the product outweigh its risks. A REMS is a safety strategy to manage a known or potential serious risk associated with a product and to enable patients to have continued access to such medicines by managing their safe use, and could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling or the development of adequate controls and specifications. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing requirements is not maintained or if problems occur after the product reaches the marketplace. The FDA may require one or more Phase 4 post-market studies and surveillance to further assess and monitor the product's safety and effectiveness after commercialization, and may limit further marketing of the product based on the results of these post-marketing studies.

Expedited Development and Review Programs

The FDA offers a number of expedited development and review programs for qualifying product candidates. The fast track program is intended to expedite or facilitate the process for reviewing new products that meet certain criteria. Specifically, new products are eligible for fast track designation if they are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the disease or condition. Fast track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a fast track product has opportunities for frequent interactions with the review team during product development and, once a BLA is submitted, the product may be eligible for priority review. A fast track product may also be eligible for rolling review, in which case the FDA may consider for review sections of the BLA on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the BLA, the FDA agrees to accept sections of the BLA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the BLA.

A product intended to treat a serious or life-threatening disease or condition may also be eligible for breakthrough therapy designation to expedite its development and review. A product can receive breakthrough therapy designation if preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The designation includes all of the fast track program features, as well as more intensive FDA interaction and guidance beginning as early as Phase 1 and an organizational commitment to expedite the development and review of the product, including involvement of senior managers.

Any marketing application for a biologic submitted to the FDA for approval, including a product with a fast track designation and/or breakthrough therapy designation, may be eligible for other types of FDA programs intended to expedite the FDA review and approval process, such as priority review and accelerated approval. A product is eligible for priority review if it has the potential to provide a significant improvement in the treatment, diagnosis or prevention of a serious disease or condition compared to marketed products. For products containing new molecular entities, priority review designation means the FDA's goal is to take action on the marketing application within six months of the 60-day filing date (compared with ten months under standard review).

Additionally, products studied for their safety and effectiveness in treating serious or life-threatening diseases or conditions may receive accelerated approval upon a determination that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of accelerated approval, the

FDA will generally require the sponsor to perform adequate and well- controlled post-marketing clinical studies to verify and describe the anticipated effect on irreversible morbidity or mortality or other clinical benefit. In addition, the FDA currently requires as a condition for accelerated approval pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product.

In 2017, FDA established a new regenerative medicine advanced therapy, or RMAT, designation as part of its implementation of the 21st Century Cures Act, which was signed into law in December 2016. The RMAT designation program is intended to fulfill the 21st Century Cures Act requirement that FDA facilitate an efficient development program for, and expedite review of, any drug that meets the following criteria: (1) it qualifies as a RMAT, which is defined as a cell therapy, therapeutic tissue engineering product, human cell and tissue product, or any combination product using such therapies or products, with limited exceptions; (2) it is intended to treat, modify, reverse, or cure a serious or life-threatening disease or condition; and (3) preliminary clinical evidence indicates that the drug has the potential to address unmet medical needs for such a disease or condition. Like fast track and breakthrough therapy designation, RMAT designation provides potential benefits that include more frequent meetings with the FDA to discuss the development plan for the product candidate and eligibility for rolling review and priority review.

Products granted RMAT designation may also be eligible for accelerated approval on the basis of a surrogate or intermediate endpoint reasonably likely to predict long-term clinical benefit, or reliance upon data obtained from a meaningful number of sites, including through expansion to additional sites. Once approved, when appropriate, the FDA can permit fulfillment of post-approval requirements under accelerated approval through the submission of clinical evidence, clinical studies, patient registries, or other sources of real-world evidence such as electronic health records; through the collection of larger confirmatory datasets; or through post-approval monitoring of all patients treated with the therapy prior to approval.

Fast track designation, breakthrough therapy designation, priority review, accelerated approval, and RMAT designation do not change the standards for approval but may expedite the development or approval process.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biologic intended to treat a rare disease or condition, which is a disease or condition that affects fewer than 200,000 individuals in the United States, or if it affects more than 200,000 individuals in the United States, there is no reasonable expectation that the cost of developing and making available a drug or biologic for this type of disease or condition will be recovered from sales in the United States for that drug or biologic. Orphan drug designation must be requested before submitting a BLA. After the FDA grants orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. The orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review or approval process.

If a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusive approval (or exclusivity), which means that the FDA may not approve any other applications, including a full BLA, to market the same biologic for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity. Orphan drug exclusivity does not prevent the FDA from approving a different drug or biologic for the same disease or condition, or the same drug or biologic for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the BLA application fee.

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

Post-Approval Requirements

Any products manufactured or distributed by us pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to record keeping, reporting of adverse experiences, periodic reporting, product sampling and distribution, and advertising and promotion of the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims, are subject to prior FDA review and approval. There also are continuing user fee requirements, under which FDA assesses an annual program fee for each product identified in an approved BLA. Biologic manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting requirements upon us and any third-party manufacturers that we may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance.

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

- restrictions on the marketing or manufacturing of a product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical studies;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of existing product approvals;
- product seizure or detention, or refusal of the FDA to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA closely regulates the marketing, labeling, advertising and promotion of biologics. A company can make only those claims relating to safety and efficacy, purity and potency that are approved by the FDA and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. Failure to comply with these requirements can result in, among other things, adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available products for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, restrict manufacturer's communications on the subject of off-label use of their products.

Biosimilars and Reference Product Exclusivity

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

Biosimilarity, which requires that there be no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency, can be shown through analytical studies, animal studies, and a clinical study or studies. Interchangeability requires that a product be biosimilar to the reference product and the product must demonstrate that it can be expected to produce the same clinical results as the reference product in any given patient and, for products that are administered to a patient more than once, the biologic and the reference biologic may be alternated or switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic. Complexities associated with the larger, and often more complex, structures of biological products, as well as the processes by which such products are manufactured, pose significant hurdles to implementation of the abbreviated approval pathway that are still being worked out by the FDA.

Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the FDA may not approve a biosimilar product until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA containing that applicant's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of the competing product. The BPCIA also created certain exclusivity periods for biosimilars approved as interchangeable products. At this juncture, it is unclear whether products deemed "interchangeable" by the FDA will, in fact, be readily substituted by pharmacies, which are governed by state pharmacy law.

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

Other Healthcare Laws and Compliance Requirements

Pharmaceutical companies are subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and foreign jurisdictions in which they conduct their business. Such laws include, without limitation: the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering or paying remuneration, to induce, or in return for, either the referral of an individual, or the purchase or recommendation of an item or service for which payment may be made under any federal healthcare program; federal civil and criminal false claims laws, including the civil False Claims Act, and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment to the federal government, including federal healthcare programs, that are false or fraudulent; the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes which prohibit, among other things, executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters, and which, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, also imposes certain requirements on HIPAA covered entities and their business associates relating to the privacy, security and transmission of individually identifiable health information; the U.S. federal Physician Payments Sunshine Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to annually report to the federal government, information related to payments or other transfers of value made to physicians, as defined by such law, and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and U.S. state and foreign law equivalents of each of the above federal laws, which, in some cases, differ from each other in significant ways, and may not have the same effect, thus complicating compliance efforts. If their operations are found to be in violation of any of such laws or any other governmental regulations that apply, they may be subject to significant penalties, including, without limitation, civil, criminal and administrative penalties, damages, fines, exclusion from government-funded healthcare

programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, integrity oversight and reporting obligations to resolve allegations of non-compliance, disgorgement, imprisonment, contractual damages, reputational harm, diminished profits and the curtailment or restructuring of our operations.

Coverage and Reimbursement

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

In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on coverage and reimbursement and requirements for substitution of generic products. Third-party payors are increasingly challenging the prices charged for medical products and services, examining the medical necessity and reviewing the cost effectiveness of pharmaceutical or biological products, medical devices and medical services, in addition to questioning safety and efficacy.

Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit sales of any product. Decreases in third-party reimbursement for any product or a decision by a third-party payor not to cover a product could reduce physician usage and patient demand for the product.

Healthcare Reform

The United States and some foreign jurisdictions are considering or have enacted a number of reform proposals to change the healthcare system. There is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by federal and state legislative initiatives, including those designed to limit the pricing, coverage, and reimbursement of pharmaceutical and biopharmaceutical products, especially under government-funded healthcare programs, and increased governmental control of drug pricing.

In March 2010, the ACA was signed into law, which substantially changed the way healthcare is financed by both governmental and private insurers in the United States, and significantly affected the pharmaceutical industry. The ACA contains a number of provisions of particular import to the pharmaceutical and biotechnology industries, including, but not limited to, those governing enrollment in federal healthcare programs, a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected, and annual fees based on pharmaceutical

companies' share of sales to federal healthcare programs. Since its enactment, there have been judicial, Congressional, and executive branch challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. For example, the 2020 federal spending package permanently eliminates, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminates the health insurer tax. In addition, the Tax Act was enacted, which, among other things, removes penalties for not complying with ACA's individual mandate to carry health insurance. On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas ruled that the individual mandate is a critical and inseverable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. It is unclear how this decision, future decisions, subsequent appeals, if any, and other efforts to repeal and replace the ACA will impact the ACA.

Other legislative changes have been proposed and adopted since the ACA was enacted, including aggregate reductions of Medicare payments to providers of 2% per fiscal year and reduced payments to several types of Medicare providers, which will remain in effect through 2029 unless additional Congressional action is taken. Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. At the federal level, the Trump administration's budget proposal for fiscal year 2021 includes a US\$135 billion allowance to support legislative proposals seeking to reduce drug prices, increase competition, lower out-of-pocket drug costs for patients, and increase patient access to lower-cost generic and biosimilar drugs. Further, the Trump administration released a "Blueprint," or plan, to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out-of-pocket costs of drug products paid by consumers. The Department of Health and Human Services, or HHS, has solicited feedback on some of these measures and has implemented others under its existing authority. For example, in May 2019, the Centers for Medicare & Medicaid Services, or CMS, issued a final rule to allow Medicare Advantage plans the option to use step therapy for Part B drugs beginning January 1, 2020. This final rule codified CMS's policy change that was effective January 1, 2019. While some of measures may require additional authorization to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

PRC Regulation

In the PRC, we operate in an increasingly complex legal and regulatory environment. We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, rules and regulations that we believe are relevant to our business and operations.

PRC Drug Regulation

Introduction

China strictly supervises and regulates the development, approval, manufacturing and distribution of drugs, including biologics. The specific regulatory requirements applicable depend on whether the drug is made and

finished in China, which is referred to as a domestically manufactured drug, or made abroad and imported into China in finished form, which is referred to as an imported drug, as well as the approval or “registration” category of the drug. For both imported and domestically manufactured drugs, China typically requires regulatory approval for a clinical trial application, or CTA, to conduct clinical trials in China and submit China clinical trial data, prior to submitting an application for marketing approval. For a domestically manufactured drug, there is also a requirement to have a drug manufacturing license for a facility in China.

In 2017, the drug regulatory system entered a new and significant period of reform. The General Office of the State Council and the General Office of the Central Committee of the Communist Party of China jointly issued the Opinion on Deepening the Reform of the Evaluation and Approval System to Encourage Innovation in Drugs and Medical Devices, or the Innovation Opinion in October 2017. The expedited programs and other advantages under this and other recent reforms encourage drug manufacturers to seek marketing approval in China first, manufacture domestically, and develop drugs in high priority disease areas, such as oncology.

To implement the regulatory reform introduced by the Innovation Opinion, the NPC and the NMPA has been revising the fundamental laws, regulations and rules regulating pharmaceutical products and the industry, which include the framework law known as the PRC Drug Administration Law, or Drug Administration Law. Drug Administration Law was promulgated by the Standing Committee of the NPC on September 20, 1984 and last amended on August 26, 2019 and took effect as of December 1, 2019. The Drug Administration Law is implemented by a high-level regulation issued by the State Council referred to as the Implementing Regulations of the PRC Drug Administration Law. The NMPA has its own set of regulations further implementing Drug Administration Law; the primary one governing CTAs, marketing approval, and post-approval amendment and renewal is known as the Drug Registration Regulation, or DRR. The DRR was promulgated by the State Food and Drug Administration (the predecessor of CFDA and NMPA), or SFDA on February 28, 2005 and the latest amendment of DRR promulgated by the State Administration for Market Regulation (the “SAMR”) in January 2020 took effect as of July 1, 2020. Although the NMPA has issued several notices and proposed regulations in 2018 and 2019 to implement the reforms, the implementing regulations for many of the reforms in the Innovation Opinion have not yet been finalized and issued, and therefore, the details regarding the implementation of the regulatory changes remained uncertain in some respects.

Regulatory Authorities and Recent Government Reorganization

In the PRC, the NMPA is the primary regulatory agency for pharmaceutical products and businesses. The agency was formed from the prior China Food and Drug Administration, or CFDA, in 2018 as part of a government reorganization. Pursuant to the Decision of the First Session of the Thirteenth National People’s Congress on the State Council Institutional Reform Proposal made by the NPC on March 17, 2018, the CFDA’s functions with respect to drug supervision has been transferred to NMPA, a newly established regulatory authority responsible for registration and supervision of drugs, cosmetics and medical equipment under the supervision of the SAMR, which are responsible for consumer protection, advertising, anticorruption, pricing and fair competition matters. The CFDA was canceled following the structure reform of administrative organs led by the State Council.

Like the CFDA, the NMPA is still the primary drug regulatory agency and implements the same laws, regulations, rules, and guidelines as the CFDA, and it regulates almost all of the key stages of the life-cycle of pharmaceutical products, including nonclinical studies, clinical trials, marketing approvals, manufacturing, advertising and promotion, distribution, and pharmacovigilance (i.e., post-marketing safety reporting obligations). The Center for Drug Evaluation, or CDE, which remains under the NMPA, conducts the technical evaluation of each drug and biologic application to assess safety and efficacy.

The NHC (formerly known as the Ministry of Health, or MOH, and National Health and Family Planning Commission, or NHFPC), is China’s primary healthcare regulatory agency. It is responsible for overseeing the operation of medical institutions, some of which also serve as clinical trial sites, and regulating the licensure of

hospitals and other medical personnel. NHC plays a significant role in drug reimbursement. Furthermore, the NHC and its local counterparts at or below the provincial level of local government also oversee and organize public medical institutions' centralized bidding and procurement process for pharmaceutical products, through which public hospitals and their pharmacies acquire drugs.

Also, as part of the 2018 reorganization, the PRC government formed the National Healthcare Security Administration which focuses on regulating reimbursement under the state-sponsored insurance plans.

Non-Clinical Research and Animal Experiment

The NMPA requires preclinical data to support registration applications for imported and domestic drugs. According to the DRR, nonclinical safety studies must comply with the Administrative Measures for Good Laboratories Practice of Non-clinical Laboratory. On August 6, 2003, the SFDA (the predecessor of CFDA and NMPA) promulgated the Administrative Measures for Good Laboratories Practice of Nonclinical Laboratory, which was revised on July 27, 2017, to improve the quality of non-clinical research, and began to conduct the Good Laboratories Practice. Pursuant to the Circular on Administrative Measures for Certification of Good Laboratory Practice for Non-clinical Laboratory issued by the SFDA on April 16, 2007, the SFDA is responsible for the certification of non-clinical research institutions nationwide and local provincial medical products administrative authorities is in charge of the daily supervision of non-clinical research institution. The SFDA decides whether an institution is qualified for undertaking pharmaceutical non-clinical research by evaluating such institution's organizational administration, its research personnel, its equipment and facilities, and its operation and management of non-clinical pharmaceutical projects. A Good Laboratory Practice Certification will be issued by the SFDA if all the relevant requirements are satisfied, which will also be published on the SFDA's website.

Pursuant to the Regulations for the Administration of Affairs Concerning Experimental Animals promulgated by the State Science and Technology Commission on November 14, 1988 and amended on January 8, 2011, July 18, 2013 and March 1, 2017, respectively, by the State Council, the Administrative Measures on Good Practice of Experimental Animals jointly promulgated by the State Science and Technology Commission and the State Bureau of Quality and Technical Supervision on December 11, 1997, and the Administrative Measures on the Certificate for Experimental Animals (Trial) promulgated by the Ministry of Science and Technology and other regulatory authorities on December 5, 2001, using and breeding experimental animals shall be subject to some rules and performing experimentation on animals requires a Certificate for Use of Laboratory Animals.

Registration Categories

Prior to engaging with the NMPA on research and development and approval, an applicant will need to determine the registration category for its drug candidate (which will ultimately need to be confirmed with the NMPA), which will determine the application requirements for its clinical trial and marketing application. In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine, according to which, there are five categories for small molecule drugs: Category 1, or innovative drugs, refers to drugs that have a new chemical entity that has not been marketed anywhere in the world, Category 2, or improved new drugs, refers to drugs with a new indication, dosage form, route of administration, combination, or certain formulation changes not approved in the world, Category 3 is for domestic generics that reference an innovator drug marketed abroad but not in China, Category 4 is for domestic generics that reference an innovator drug marked in China, and Category 5 refers to an application to import into China innovative or generic drugs that have already been marketed abroad. As a support policy and implementing rule of the Registration Measures newly amended in 2020, the NMPA issued the Chemical Drug Registration Classification and Application Data Requirements in June 2020, effective in July 2020, which reaffirmed the principles of the classification of chemical drugs set forth by the Reform Plan for Registration Category of Chemical Medicine, and made minor adjustments to the subclassifications of Category 5. According to such rule, Category 5.1 are innovative chemical

drugs and improved new chemical drugs while Category 5.2 are generic chemical drugs, all of which shall have been already marketed abroad but not yet approved in China.

Therapeutic biologics follow a somewhat similar categorization, with three out of the 15 categories depending on marketing approval status: Category 1 is for innovative biologics that have not been approved inside or outside of China, Category 7 for biologics that have been marketed abroad but not in China, and Category 15 for biologics that have been marketed in China, and the rest of the 15 categories depending on products characteristics. All biologics follow the new drug application pathway, but a tentative guideline on the development and evaluation of biosimilar drugs was issued by the CFDA in 2015.

Expedited Programs

Priority Evaluation and Approval Programs to Encourage Innovation

The NMPA and its predecessors has adopted several expedited review and approval mechanisms since 2009 and created additional expedited programs in recent years that are intended to encourage innovation. Applications for these expedited programs can be submitted together with the registration package or after the registration submission is admitted for review by the CDE. The Announcement of Three Documents Including “Working Procedures for Review of Breakthrough Therapeutics (Trial)” promulgated by NMPA on July 7, 2020 clarifies that during clinical trials of drugs, innovative drugs or improved new drugs that are used to prevent and treat severely life threatening diseases which no effective prevention and treatment methods are available or there is sufficient evidence to show such drugs have obvious clinical advantages compared with existing treatment methods, etc., applicant can apply for breakthrough therapeutic drug program in Phase 1 and Phase 2 clinical trials, usually no later than the start of Phase 3 clinical trials.

If admitted to one of these expedited programs, an applicant will be entitled to more frequent and timely communication with reviewers at the CDE, expedited review and approval, and more agency resources throughout the review approval process.

NMPA also permits conditional approval of certain medicines based on early phase China clinical trial data or only on foreign approval clinical data. Post-approval the applicant may need to conduct one or more post-market studies. The agency has done this for drugs that meet unmet clinical needs for life-threatening illnesses and also for drugs that treat orphan indications. In 2018, NMPA and NHC established a conditional approval program for drugs designated by the CDE that have been approved in the US, EU and Japan within the last 10 years.

Clinical Trials and Marketing Approval

Upon completion of preclinical studies, a sponsor typically needs to conduct clinical trials in China for registering a new drug. The materials required for this application and the data requirements are determined by the registration category. The NMPA has taken a number of steps to increase efficiency for approving CTAs, and it has also significantly increased monitoring and enforcement of the Administrative Regulations of Quality of Drug Clinical Practice, or the PRC’s GCP to ensure data integrity. The PRC’s GCP was initially promulgated by the SFDA on August 6, 2003 and the latest version came into force on July 1, 2020.

Trial Approval

The clinical trials conducted in China for new drug registration purposes must be approved and conducted at pharmaceutical clinical trial institutions which shall be under the filing administration. In October 2014, the CDFA, National Health and Family Planning Commission and National Administration for Chinese Medicine issued Administration Rule for the Project of Clinical Trial Conducted by Medical and Healthcare Institution, pursuant to which, clinical trials conducted by medical and healthcare institution shall only be implemented in

medical and healthcare institution upon project approved by such medical and healthcare institution, and after the approval of such clinical trial project, such medical and healthcare institution shall file such approval with the medical and healthcare authority that issues its operating license for records. For imported drugs, proof of foreign approval is required prior to the trial, unless the drug has never been approved anywhere in the world. In addition to a standalone China trial to support development, imported drug applicants may establish a site in China that is part of an international multi-center trial, or IMCT, at the outset of the global trial. Domestically manufactured drugs are not subject to foreign approval requirements, and in contrast to prior practice, the NMPA has recently decided to permit those drugs to conduct development via an IMCT as well.

In 2015, the CFDA began to issue an umbrella approval for all phases (typically three) of a new drug clinical trial, instead of issuing approval phase by phase. For certain types of new drug candidates, CTAs may be prioritized over other applications and put in a separate expedited queue for approval.

The NMPA has now adopted a system for clinical trials of new drugs where trials can proceed if after 60 business days, the applicant has not received any objections from the CDE. China is also expanding the number of trial sites by changing from a clinical trial site certification procedure into a notification procedure.

Drug Clinical Trial Registration

According to the DRR, after the completion of the pharmaceutical, pharmacological and toxicological research of the drug clinical trial, the applicant may submit relevant research materials to CDE for applying for the approval to conduct drug clinical trial. The CDE will organize pharmaceutical, medical and other technicians to review the application and to decide whether to approve the drug clinical trial within 60 days of the date of acceptance of the application. Once the decision is made, the result will be notified to the applicant through the website of the CDE and if no notice of decision is issued within the aforementioned time limit, the application of clinical trial shall be deemed as approval. The Registration Measures further requires that the applicant shall, prior to conducting the drug clinical trial, register the information of the drug clinical trial plan, etc. on the Drug Clinical Trial Information Platform. During the drug clinical trials, the applicant shall update registration information continuously, and register information of the outcome of the drug clinical trial upon completion. The applicant shall be responsible for the authenticity of the drug clinical trial information published on the platform. On September 6, 2013, the CDFA released the Announcement on Drug Clinical Trial Information Platform, pursuant to which, the applicant shall complete trial pre-registration within one month after obtaining the clinical trial approval to obtain the trial's unique registration number and shall complete registration of certain follow-up information before the first subject's enrollment in the trial. If approval of the foregoing pre-registration and registration is not obtained within one year after obtaining the clinical trial approval, the applicant shall submit an explanation, and if the procedure is not completed within three years, the clinical trial approval shall automatically be annulled.

Human Genetic Resources Approval

According to the Interim Measures for the Administration of Human Genetic Resources, jointly promulgated by the Ministry of Science and Technology and the MOH on June 10, 1998, an additional approval is required for any foreign companies or foreign affiliates that conduct trials in China. Prior to beginning a trial, the foreign sponsor and the Chinese clinical trial site are required to obtain approval from the Human Genetic Resources Administration of China, or the HGRAC, which is an agency under the Ministry of Science and Technology, to collect any biological samples that contain the genetic material of Chinese human subjects, and to transfer any cross-border transfer of the samples or associated data. Furthermore, one of the key review points for the HGRAC review and approval process is the IP sharing arrangement between Chinese and foreign parties. The parties are required to share patent rights to inventions arising from the samples. Conducting a clinical trial in China without obtaining the relevant HGRAC preapproval will subject the sponsor and trial site to administrative liability, including confiscation of HGRAC samples and associated data, and administrative fines.

On July 2, 2015, the Ministry of Science and Technology issued the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading, Exporting Human Genetic Resources, or Taking Such Resources out of the PRC, which provides that the sampling, collecting or research activities of human genetic resources by a foreign-invested sponsor fall within the scope of international cooperation, and the cooperating organization of China shall apply for approval of the HGRAC through the online system. On October 26, 2017, the Ministry of Science and Technology issued the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources, which simplified the approval for sampling and collecting human genetic resources for the purpose of commercializing a drug in the PRC. On May 28, 2019, the State Council of PRC issued the Administration Regulations on Human Genetic Resources, which became effective on July 1, 2019. The Administration Regulations on Human Genetic Resources formalized the approval requirements pertinent to research collaborations between Chinese and foreign-owned entities. Pursuant to the new rule, a new notification system (as opposed to the advance approval approach originally in place) is put in place for clinical trials using China's human genetic resources at clinical institutions without involving the export of human genetic resources outside of China.

Trial Exemptions and Acceptance of Foreign Data

The NMPA may reduce requirements for clinical trials and data, depending on the drug and the existing data. The NMPA has granted waivers for all or part of trials and has stated that it will accept data generated abroad (even if not part of a global study), including early phase data, that meets its requirements. On July 6, 2018, the NMPA issued the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data, or the Guidance Principles, as one of the implementing rules for the Innovation Opinion. According to the Guidance Principles, the data of foreign clinical trials must meet the authenticity, completeness, accuracy and traceability requirements and such data must be obtained consistent with the relevant requirements under the GCP of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, or ICH. Sponsors must be attentive to potentially meaningful ethnic differences in the subject population.

The NMPA now officially permits, and its predecessor agencies have permitted on a case-by-case basis in the past, drugs approved outside of China to be approved in China on a conditional basis without the need for pre-approval clinical trials inside China. Specifically, on October 23, 2018, the NMPA and the NHC jointly issued the Procedures for Reviewing and Approval of Clinical Urgently Needed Overseas New Drugs, which established a program permitting drugs that have been approved within the last ten years in the United States, EU or Japan and that i) treat orphan diseases, ii) prevent or treat serious life-threatening illnesses for which there is either no effective therapy or prevention in China, or iii) prevent or treat serious life-threatening illnesses and the foreign-approved drug would have clear clinical advantages. Applicants will be required to establish a risk mitigation plan and may be required to complete trials in China after the drug is marketed.

Clinical Trial Process and Good Clinical Practices

Typically drug clinical trials in China have four phases. Phase 1 refers to the initial clinical pharmacology and human safety evaluation studies. Phase 2 refers to the preliminary evaluation of a drug candidate's therapeutic efficacy and safety for target indication(s) in patients. Phase 3 (often the pivotal study) refers to clinical trials to further verify the drug candidate's therapeutic efficacy and safety in patients with target indication(s) and ultimately provide sufficient evidence for the review of a drug registration application. Phase 4 refers to a new drug's post-marketing study to assess therapeutic effectiveness and adverse reactions when the drug is widely used to evaluate overall benefit-risk relationships of the drug when used among the general population or specific groups and to adjust the administration dose, etc. The NMPA requires that the different phases of clinical trials in China receive ethics committee approval and comply with the PRC's GCP. The NMPA conducts inspections to assess the PRC's GCP compliance and will cancel the CTA if it finds substantial issues.

On August 6, 2003, the SFDA promulgated the PRC's GCP to improve the quality of clinical trials. According to the latest PRC's GCP jointly issued by NMPA and MHC and came into effect on July 1, 2020, the

sponsor shall provide insurance to the subjects participating in the clinical trial and bear the cost of the treatment and the corresponding financial compensation for the subjects who suffer harm or death related to the trial. The sponsor shall provide legal and economic guarantee compatible with the nature and degree of risk of clinical trials to the investigator and clinical trial institution, but harm or death caused by the fault or negligence of the investigator or clinical trial institution shall be excluded. Pursuant to the Innovation Opinion, the accreditation of the institutions for drug clinical trials shall be subject to record-filing administration. The conduct of clinical trials must adhere to the PRC's GCP, and the protocols must be approved by the ethics committees of each study site. Pursuant to the newly amended Drug Administration Law, and the Regulations on the Administration of Drug Clinical Trial Institution jointly promulgated by NMPA and NHC on November 29, 2019 and effective from December 1, 2019, drug clinical trial institutions shall be under filing administration. Entities that only conduct analysis of biological samples related to clinical trials of drugs do not need to be filed.

New Drug Application and Approval

Upon completion of clinical trials, a sponsor may submit clinical trial data to support marketing approval for the drug. For imported drugs, this means issuance of an import license. Again, the applicant must submit evidence of foreign approval, unless it is an innovative drug that has never been approved anywhere in the world.

New drug application, or NDA, sponsors must submit data derived from domestically manufactured drugs in support of a drug approval. Under the current regime, upon approval of the registration application, the NMPA will first issue a new drug certificate to the applicant. Only when the applicant is equipped with relevant manufacturing capability will the NMPA issue a Drug Approval Serial Number, which is effectively the marketing approval allowing the holder to market/commercialize the drug in China.

Pursuant to the Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment promulgated on August 9, 2015, the State Council published the policy for carrying out a pilot plan for the drug marketing authorization holder mechanism.

Pursuant to the newly amended Drug Administration Law, under the drug marketing authorization holder mechanism, an enterprise or a research and development institution which has obtained a drug registration certificate is eligible to be a pharmaceutical marketing authorization holder, and this pharmaceutical marketing authorization holder shall be responsible for nonclinical laboratory studies, clinical trials, production and distribution, post-market studies, and the monitoring, reporting, and handling of adverse reactions in connection with pharmaceuticals in accordance with the provisions of the Drug Administration Law. The pharmaceutical marketing authorization holder may engage contract manufacturers for manufacturing, provided that the contract manufacturers are licensed and may engage pharmaceutical distribution enterprises with drug distribution license for the distribution activities. Upon the approval of the medical products administrative department under the State Council, a drug marketing authorization holder may transfer the drug marketing license and the transferee shall have the capability of quality management, risk prevention and control, and liability compensation to ensure the safety, effectiveness and quality controllability of drugs, and fulfill the obligations of the drug marketing license holder.

Manufacturing and Distribution

According to the newly amended Drug Administration Law and the implementing Measures of the Drug Administration Law, all facilities that manufacture drugs in China must receive a Drug Manufacturing License with an appropriate "scope of manufacturing" from the local drug regulatory authority. This license must be renewed every five years.

Similarly, to conduct sales, importation, shipping and storage, or distribution activities, a company must obtain a Drug Distribution License with an appropriate "scope of distribution" from the local drug regulatory authority, subject to renewal every five years.

China has formed a “Two Invoice System” to control distribution of drugs. The “Two-Invoice System” generally requires that no more than two invoices may be issued throughout the distribution chain, with one from the manufacturer to a distributor and another from the distributor to the end-user hospital. This excludes the sale of products invoiced from the manufacturer to its wholly owned or controlled distributors, or for imported drugs, to their exclusive distributor, or from a distributor to its wholly owned or controlled subsidiary (or between the wholly owned or controlled subsidiaries). However, the system still significantly limits the options for companies to use multiple distributors to reach a larger geographic area in China. Compliance with the Two-Invoice System will become a prerequisite for pharmaceutical companies to participate in procurement processes with public hospitals, which currently provide most of China’s healthcare. Manufacturers and distributors that fail to implement the Two-Invoice System may lose their qualifications to participate in the bidding process for centralized purchasing. Non-compliant manufacturers may also be blacklisted from engaging in drug sales to public hospitals in a locality.

The Two-Invoice System was first implemented in 11 provinces that are involved in pilot comprehensive medical reforms, but the program has expanded to nearly all provinces, which have their own individual rules for the program.

Human Cell Therapy

On March 20, 2003, the State Drug Administration (the predecessor of the SFDA), or the SDA, published the Technical Guidelines for Research on Human Cell Therapy and Quality Control of Preparations, which set some principles for the research of human cell therapy.

Pursuant to the DRR promulgated by the SFDA on July 10, 2007 and effective from October 1, 2007, human cell therapy and its products belong to biological products and the application for biological products shall be submitted as the process of new drug application.

On March 2, 2009, the MOH published the Management Measures for Clinical Application of Medical Technology, which came into effect on May 1, 2009 and prescribed that cell immunotherapy belongs to the Category 3 medical technology of which the clinical application shall be subject to the additional provisions of the MOH. In May, 2009, the MOH published the First List of Category 3 Medical Technologies Allowed for Clinical Application, or the Category 3 Medical Technologies which prescribed cell immunotherapy technology as Category 3 medical technologies were allowed for clinical application, and was abolished by the Notice on the Relevant Work Concerning Cancellation of the Category Three of Medical Technology Entry Approval of Clinical Application on June 29, 2015. The Notice on the Relevant Work Concerning Cancellation of the Category Three of Medical Technology Entry Approval of Clinical Application also cancelled the approval of Category 3 medical technology clinical application.

On November 30, 2017, the CFDA promulgated the Notice of Guidelines for Acceptance and Examination of Drug Registration (Trial), the application of clinical trials of therapeutic biological products and the production and listing application of therapeutic biological products shall be subject to the provisions thereof. On December 18, 2017, the CFDA promulgated the Technical Guiding Principles for Research and Evaluation of Cell Therapy Products (Trial) to regulate and guide the research and evaluation of cell therapy products that are researched on, developed and registered as drugs.

Post-Marketing Surveillance

Pursuant to the newly amended Drug Administration Law, the drug marketing authorization holder shall be responsible for the monitoring, reporting and handling of adverse reactions in connection with pharmaceuticals in accordance with the provisions of Drug Administration Law. Marketing authorization holders, pharmaceutical manufacturer, pharmaceutical distributors and medical institutions shall regularly inspect the quality, efficacy and adverse reactions of drugs manufactured, distributed and used by them. Cases of suspected adverse reactions

shall be promptly reported to the drug administrative authorities and the competent health administrative authority. The drug marketing authorization holder shall forthwith stop selling, notify the relevant pharmaceutical distributors and medical institutions to stop sales and use, recall sold drugs, promptly announce recall information if the drugs have quality issues or other safety hazards.

Advertising and Promotion of Pharmaceutical Products

China has a strict regime for the advertising of approved drugs. No unapproved drugs may be advertised. The definition of an advertisement is very broad, and it can be any media that directly or indirectly introduces the product to end users. There is no clear line between advertising and any other type of promotion.

Each advertisement for drugs requires an approval from a local drug regulatory authority, and the content of an approved advertisement may not be altered without filing a new application for approval. An enterprise seeking to advertise a prescription drug may do so only in medical journals jointly designated by NMPA and the NHC, and the advertisement for a prescription drug shall tag “this advertisement is for medical and pharmaceutical professionals reading only.” Drug advertisements are subject to strict content restrictions, which prohibit recommendations by doctors and hospitals and guarantees of effectiveness. Advertising that includes content that is outside of the drug’s approval documentation, off-label content, is prohibited. False advertising can result in civil suits from end users and administrative liability, including fines. In addition to advertisements, non-promotional websites that convey information about a drug must go through a separate approval process by a local drug regulatory authority.

Product Liability

The Product Quality Law of the PRC, or the Product Quality Law promulgated by the Standing Committee of the NPC on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018, respectively, is the principal governing law relating to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them, and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable for compensating for any bodily injuries or property damages, other than the defective product itself, resulting from the defects in the product, unless the manufacturer is able to prove that (1) the product has never been distributed; (2) the defects causing injuries or damages did not exist at the time when the product was distributed; or (3) the science and technology at the time when the product was distributed was at a level incapable of detecting the defects. A seller shall be liable for compensating for any bodily injuries or property damages of others caused by the defects in the product if such defects are attributable to the seller. A seller shall pay compensation if it fails to indicate either the manufacturer or the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Pursuant to the General Principles of the Civil Law of the PRC promulgated by the NPC on April 12, 1986 and amended on August 27, 2009, both manufacturers and sellers shall be held liable where the defective products result in property damages or bodily injuries to others. Pursuant to the Tort Liability Law of the PRC promulgated by the Standing Committee of the NPC on December 26, 2009 and effective from July 1, 2010, manufacturers shall assume tort liabilities where the defects in products cause damages to others. Sellers shall assume tort liabilities where the defects in products that have caused damages to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the defected product that has caused damage.

On May 28, 2020, the Third Session of the 13th National People’s Congress passed the Civil Code of the People’s Republic of China which will take effect on January 1, 2021, and will replace the current Tort Liability Law of the PRC. According to the Civil Code of the People’s Republic of China, patients have the right to claim compensation from the drug marketing authorization holder, medical institution or manufacturer for damage caused by drug defects.

Commercial Bribery

Pharmaceutical companies involved in a criminal investigation or administrative proceedings related to bribery are listed in the Adverse Records of Commercial Briberies by their respective provincial health and family planning administrative department. Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry which were promulgated by the NHFPC on December 25, 2013 and became effective on March 1, 2014, provincial health and family planning administrative departments formulate the implementing measures for establishment of Adverse Records of Commercial Briberies. Where a pharmaceutical company or its agent is listed in the Adverse Records of Commercial Briberies on one occasion, it will be prohibited from participating in the procurement bidding process or selling its products to public medical institutions located in the local provincial-level region for two years from the publication of the adverse records. Where a pharmaceutical company or its agent is listed in the Adverse Records of Commercial Briberies on two or more occasions within five years, it will be prohibited from participating in the procurement bidding process or selling its products to all public medical institutions in the PRC for two years from the publication of these adverse records.

Regulatory Protections

Non-Patent Exclusivities

New Drug Monitoring Period

According to the DRR and the Implementing Regulations of Drug Administration Law, the NMPA may, for the purpose of protecting public health, provide for an administrative monitoring period of five years for new drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs. During the monitoring period, the NMPA will not approve another CTA from another applicant for the same type of drug, except if another sponsor has an approved CTA at the time that the monitoring period is initiated it may proceed with its trial and once approved become another drug that is part of the monitoring period.

Regulatory Data Protection

The Innovation Opinion also lays the foundation for the establishment of a system for regulatory data protection to protect innovators. This protection will be available to the undisclosed clinical trial data of drugs falling into the following categories: innovative drugs, innovative therapeutic biologics, drugs that treat orphan diseases, pediatric drugs, and drugs for which there has been a successful patent challenge.

On April 25, 2018, NMPA published a draft on Implementing Regulations for Pharmaceutical Study Data Protection for public comment that would set regulatory data protection for innovative small molecule drugs at six years and for innovative therapeutic biologics at 12 years; pediatric and orphan drugs would receive six years to run concurrently from their approval dates. Full terms of protection would require reliance on local trials or sites of multi-center trials in China and simultaneous submissions of marketing applications in China and other countries. Submissions in China that are up to six years after those made abroad would result in the term being reduced to 1-5 years. Submissions made in China over six years after those made abroad may not receive protection.

Furthermore, the Data Security Law of the PRC (Draft) was published on July 3, 2020 by the Standing Committee of the National People's Congress for public comment. The draft law consists of seven chapters, namely General Provisions, Data Security and Development, Data Security System, Data Security Protection Obligation, Security and Openness of Government Data, Legal Liability and Supplementary Provisions.

Patent-Related Protections

Patent Linkage

The Innovation Opinion also sets forth the basic elements of a patent linkage system to protect innovators, in which a follow-on applicant will be required to specify patents that are relevant to its application and notify relevant patent holders (including, innovators) within a specified period after filing its application, permitting them to sue to protect their rights. The system will require that the NMPA continue to review the potentially infringing follow-on application during any lawsuit by the innovator. However, the NMPA may not approve the follow-on application pending resolution of the patent litigation in favor of the follow-on application or for a specified period of time, whichever is shorter. This reform will require implementing regulations. To date, the NMPA has not issued the relevant implementing regulations.

Patent Term Extension

In early 2019, pursuant to the Innovation Opinion, the NPC issued a proposal for patent term extension as part of a proposed amendment to the Patent Law. Under this proposal, the State Council may grant a patent term extension of up to five years to compensate for delays in the review process for innovative drugs that are applying simultaneously for marketing approval in both China and abroad. The patent term may not be extended to more than 14 years post-marketing. It is not clear when this will be finalized.

Trademarks

Pursuant to the Trademark Law of the PRC promulgated by the Standing Committee of the NPC on August 23, 1982 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, respectively and became effective from November 1, 2019, the period of validity for a registered trademark is ten years, commencing from the date of registration. The registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten years commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to the law.

Domain names

Domain names are protected under the Administrative Measures on China Internet Domain Names promulgated by the Ministry of Information Industry on November 5, 2004 and effective from December 20, 2004, which was replaced by the Administrative Measures on the Internet Domain Names issued by the Ministry of Industry and Information Technology, or the MIIT, on August 24, 2017 and effective from November 1, 2017, and the Implementing Rules on Registration of Domain Names issued by China Internet Network Information Center on 25 September 2002 which came into effect on 1 December 2002 and last amended on May 28, 2012, which became effective on May 29, 2012. The MIIT is the main regulatory authority responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Reimbursement and Pricing

China's national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program issued by the State Council in 1998, under which all employers in urban cities are required to enroll their employees in the basic medical insurance

program. The insurance premium is jointly contributed by the employers and employees. In 2007, the State Council promulgated Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. Participants of the national medical insurance program and their employers, if any, are required to contribute to the payment of insurance premiums on a monthly basis. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the NRDL. A pharmaceutical product listed in the NRDL must be clinically needed, safe, effective, reasonably priced, easy to use, and available in sufficient quantity.

Factors that affect the inclusion of a pharmaceutical product in the NRDL include whether the product is consumed in large volumes and commonly prescribed for clinical use in the PRC and whether it is considered to be important in meeting the basic healthcare needs of the general public. Since 2016, special consideration has been given to, among others, innovative drugs with high clinical value and drugs for serious diseases. In addition, the PRC Ministry of Human Resources and Social Security has also been negotiating with manufacturers of expensive drugs with high clinical demands and proven effectiveness for price cuts in exchange for inclusion into the NRDL.

Government Price Controls

On May 4, 2015, the National Development and Reform Commission, or the NDRC, and six other ministries and commissions in the PRC issued the Opinion on Promoting Drug Pricing Reform, which lifted the government-prescribed maximum retail price for most drugs, including drugs reimbursed by government medical insurance funds, patented drugs, and some other drugs. The government regulates prices mainly by establishing a consolidated procurement mechanism, restructuring medical insurance reimbursement standards and strengthening regulation of medical and pricing practices as discussed below.

Centralized Procurement and Tenders

Under current regulations, public medical institutions owned by the government or owned by state-owned or controlled enterprises are required to purchase pharmaceutical products through centralized online procurement processes. There are exceptions for drugs on the National List of Essential Drugs, which must comply with their own procurement rules, and for certain drugs subject to the central government's special control such as toxic, radioactive and narcotic drugs, and traditional Chinese medicines.

The centralized procurement process takes the form of public tenders operated by provincial or municipal-level government agencies. The centralized tender process is typically conducted once every year. The bids are assessed by a committee randomly selected from a database of experts. The committee members assess the bids based on a number of factors, including but not limited to bid price, product quality, clinical effectiveness, product safety, level of technology, qualifications and reputation of the manufacturer, after-sale services and innovation.

According to the Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State issued by the General Office of the State Council in January 2019, in the 11 pilot cities drugs will be selected from generic brands for centralized medicine procurement. The selected drugs must pass the consistency evaluation on quality and effectiveness. The policy is aimed at lowering drug costs for patients, reducing transaction costs for enterprises, regulating drug use of institutions, and improving the centralized medicine procurement and pricing system. The centralized procurement is open to all approved enterprises that can produce drugs on the procurement list in China. Clinical effects, adverse reactions, and batch stability of the drugs will be considered, and their consistency will be the main criteria for evaluation, while production capacity and stability of the supplier will also be considered.

Other PRC National- and Provincial-Level Laws and Regulations

We are subject to changing regulations under many other laws and regulations administered by governmental authorities at the national, provincial and municipal levels, some of which are or may become applicable to our business. For example, regulations control the confidentiality of patients' medical information and the circumstances under which patient medical information may be released for inclusion in our databases or released by us to third parties. The privacy of human subjects in clinical trials is also protected under regulations. For example, the case report forms must avoid disclosing names of the human subjects.

These laws and regulations governing both the disclosure and the use of confidential patient medical information may become more restrictive in the future, including restrictions on transfer of healthcare data. The Cybersecurity Law that took effect in 2017 designates healthcare as a priority area that is part of critical information infrastructure, and China's cyberspace administration is working to finalize a draft rule on cross-border transfer of personal information.

PRC Regulation of Foreign Investment

On March 15, 2019, the NPC approved the Foreign Investment Law of the PRC, or the Foreign Investment Law, which became effective on January 1, 2020 and replaced the three old rules on foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperation Joint Venture Law and the Wholly Foreign-Owned Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition. According to the Foreign Investment Law, "foreign investment" refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or other organizations of a foreign country (collectively referred to as "foreign investor") within China, and "investment activities" include the following activities: (i) a foreign investor, individually or together with other investors, establishes a foreign-invested enterprise within China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other similar rights and interests of an enterprise within China; (iii) a foreign investor, individually or together with other investors, invests in a new construction project within China; and (iv) investments in other means as provided by the laws, administrative regulations or the State Council.

The Foreign Investment Law grants foreign invested entities the same treatment as PRC domestic entities, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List. The Foreign Investment Law provides that foreign invested entities operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from relevant PRC governmental authorities.

On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law, which became effective on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated Measures for Information Reporting on Foreign Investment, which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

In addition, on June 28, 2017, the Ministry of Commerce of the People's Republic of China, or the MOFCOM, and the NDRC, jointly promulgated the Guidance Catalogue of Industries for Foreign Investment

(Revised in 2017), or the Catalogue, which came into effect on July 28, 2017. The Catalogue includes the Catalogue of Industries for Encouraging Foreign Investment, or the Encouraged Catalogue, and the Special Administrative Measures for Access of Foreign Investment (Negative List), or the Negative List. The Encourage Catalogue sets forth the industries and economic activities that foreign investment in China is encouraged to be engaged in. The Negative List sets forth the prohibited or restricted industries or economic activities for foreign investment in China. The Encouraged Catalogue was amended on June 30, 2019, and the Negative List was amended on June 28, 2018, June 30, 2019 and June 23, 2020. Any industry not listed in the Encouraged Catalogue and the Negative List is a permitted industry.

M&A Rules

According to the M&A Rules jointly issued by the MOFCOM, the State Assets Supervision and Administration Commission of the State Council, the SAT, the State Administration for Industry and Commerce (now known as the SAMR), the CSRC and the SAFE, on August 8, 2006 and amended by the MOFCOM on June 22, 2009, among other things, (i) the purchase of an equity interest or subscription to the increase in the registered capital of non-foreign-invested enterprises, (ii) the establishment of foreign-invested enterprises to purchase and operate the assets of non-foreign-invested enterprises, or (iii) the purchase of the assets of non-foreign-invested enterprises and the use of such assets to establish foreign-invested enterprises to operate such assets, in each case, by foreign investors shall be subject to the M&A Rules. Particularly, application shall be made for examination and approval of the acquisition of any company in China affiliating to a domestic company, enterprise or natural person, which is made in the name of an overseas company established or controlled by such domestic company, enterprise or natural person.

Regulations Relating to Employee Stock Incentive Plan

On February 15, 2012, the SAFE promulgated the Stock Option Rules. In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. We and our employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who participate in our stock incentive plan will be subject to such regulation. In addition, the SAT has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares vest, will be subject to PRC individual income tax, or the IIT. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold IIT of those employees related to their share options or restricted shares. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their IIT according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

Regulations Relating to Foreign Exchange

The PRC Foreign Exchange Administration Regulations promulgated by the State Council on January 29, 1996, which was amended on January 14, 1997 and August 1, 2008, respectively, are the principal regulations governing foreign currency exchange in China. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. In contrast, approval from or registration with appropriate government authorities or designated banks is required when RMB is to be converted into a foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans.

Under current regulations, the capital of a foreign-invested enterprise and capital in RMB obtained by the foreign-invested enterprise from foreign exchange settlement must not be used for the following purposes: directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; directly or indirectly used for investment in securities, unless otherwise provided by relevant laws and regulations; extending loans to non-related parties, unless permitted by the scope of business; and/or paying the expenses related to the purchase of real estate that is not for self-use, except for the real estate enterprises.

In 2017, new regulations were adopted which, among other things, relax the policy restriction on foreign exchange inflow to further enhance trade and investment facilitation and tighten genuineness and compliance verification of cross-border transactions and cross-border capital flows.

In 2019, SAFE promulgated SAFE Circular 28, which cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. If a non-investing foreign-funded enterprise makes domestic equity investment with capital funds obtained from foreign exchange settlement, the investee shall undergo registration formalities for accepting domestic reinvestment and open the “capital account — account for settled foreign exchange to be paid” to receive the corresponding funds according to relevant provisions.

SAFE Circular 37

In July 2014, SAFE promulgated SAFE Circular 37, which replaces the previous SAFE Circular 75. SAFE Circular 37 requires PRC residents, including PRC individuals and PRC corporate entities, to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we may make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, are required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its registration with the local branch of SAFE with respect to that SPV, to reflect any change of basic information or material events. If any PRC resident shareholder of such SPV fails to make the required registration or to update the registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China. In February 2015, SAFE promulgated SAFE Notice 13. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound direct investments, including those required under SAFE Circular 37, must be filed with qualified banks instead of SAFE. Qualified banks should examine the applications and accept registrations under the supervision of SAFE.

Regulations Relating to Dividend Distributions

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the PRC Company Law, promulgated in 1993 and last amended in 2018 and the Foreign Investment Law and its Implementing Regulations, both came into effect on January 1, 2020. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Labor Laws and Labor Contract Law

Pursuant to the PRC Labor Law promulgated by the Standing Committee of the NPC on July 5, 1994 and last amended on December 29, 2018 and the PRC Labor Contract Law promulgated by the Standing Committee of the NPC on June 29, 2007 and amended on December 28, 2012, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required to truthfully inform prospective employees of the job description, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

Regulations Relating to Social Insurance and Housing Provident Funds

In addition, according to the PRC Social Insurance Law promulgated on October 28, 2010 by the Standing Committee of the NPC and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Funds promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, respectively, employers like our PRC subsidiaries in China must provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. These payments are made to local administrative authorities, and any employer who fails to contribute may be fined and ordered to pay the deficit amount within a stipulated time limit.

Regulations Relating to Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law effective as of January 1, 2008 and as amended on February 24, 2017 and December 29, 2018, respectively, the income tax rate for both domestic and foreign-invested enterprises is 25% with certain exceptions. To clarify certain provisions in the PRC Enterprise Income Tax Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law on December 6, 2007, which was amended and became effective on April 23, 2019. Under the PRC Enterprise Income Tax Law and the Implementation Rules of the PRC Enterprise Income Tax Law, enterprises are classified as either “resident enterprises” or “non-resident enterprises.” Aside from enterprises established within the PRC, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are subject to the uniform 25% enterprise income tax rate for their global income. In addition, the PRC Enterprise Income Tax Law provides that a non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within the PRC, but has an establishment or place of business in the PRC, or does not have an establishment or place of business in the PRC but has income sourced within the PRC.

The Implementation Rules of the PRC Enterprise Income Tax Law provide that since January 1, 2008, an income tax rate of 10% shall normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which the non-PRC shareholders reside.

European Union Regulation

In the European Union, a clinical trial application must be submitted to each country’s national regulatory authority in which the clinical trial is to take place, together with an independent ethics committee, much like the

FDA and IRB, respectively. It is expected, however, that the Clinical Trials Regulation 536/2014 shall start to apply during the course of 2020. This new Regulation takes direct effect in each European Union Member State and seeks to simplify and streamline the approval of clinical trials in the European Union, for example, by allowing the clinical trial sponsor to submit a single application for approval of a clinical trial across the European Union via a new European Union Portal. The new Regulation also aims to streamline and simplify the rules on safety reporting, and introduces enhanced transparency requirements such as mandatory submission of a summary of the clinical trial results to a new European Union Database.

Medicinal products can only be commercialized in the European Economic Area after a marketing authorization, or MA, has been obtained. There are two types of marketing authorizations:

- The centralized MA, which is issued by the European Commission through the Centralised Procedure, based on the opinion of the Committee for Medicinal Products for Human Use of the European Medicines Agency, or EMA, and which is valid throughout the entirety of the EEA. The Centralised Procedure is mandatory for certain types of products, such as biotechnology medicinal products, orphan medicinal products, and medicinal products indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, autoimmune and viral diseases. The Centralised Procedure is optional for products containing an active substance not authorized in the EEA before May 20, 2004, for products that constitute a significant therapeutic, scientific or technical innovation or for which a centralized authorization would be in the interest of patients.
- National MAs, which are issued by the competent authorities of the Member States of the EEA and only cover their respective territory, are available for products not falling within the mandatory scope of the Centralised Procedure. Where a product has already been authorized for marketing in a Member State of the EEA, this National MA can be recognized in another Member State through the Mutual Recognition Procedure. If the product has not received a National MA in any Member State at the time of application, it can be approved simultaneously in various Member States through the Decentralized Procedure.

Under the above described procedures, before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

The European Union also provides opportunities for market exclusivity. For example, in the European Union, upon receiving marketing authorization, innovative medicinal products generally receive eight years of data exclusivity and an additional two years of market exclusivity. If granted, data exclusivity prevents regulatory authorities in the European Union from referencing the innovator's data to assess a generic or biosimilar application. During the additional two-year period of market exclusivity, a generic or biosimilar marketing authorization can be submitted, and the innovator's data may be referenced, but no generic or biosimilar product can be marketed until the expiration of the market exclusivity. Products receiving orphan designation, can receive ten years of market exclusivity, during which time no similar medicinal product for the same indication may be placed on the market. An orphan product's market exclusivity may be reduced to six years if, at the end of the fifth year, it is established that the criteria for orphan drug designation are no longer met, in other words, when it is shown on the basis of available evidence that the product is sufficiently profitable not to justify maintenance of market exclusivity. Additionally, marketing authorization may be granted to a similar product for the same indication at any time if:

- the second applicant can establish that its product, although similar, is safer, more effective or otherwise clinically superior;
- the applicant consents to a second orphan medicinal product application; or
- the applicant cannot supply sufficient quantities of the orphan medicinal product.

In the European Union, companies developing a new medicinal product must agree to a Paediatric Investigation Plan, or a PIP, with the EMA and must conduct pediatric clinical trials in accordance with that PIP,

unless a deferral or waiver applies (for example, because the relevant disease or condition occurs only in adults). The MA application for the product must include the results of pediatric clinical trials conducted in accordance with the PIP, unless a waiver applies, or a deferral has been granted, in which case the pediatric clinical trials must be completed at a later date. Products that are granted a marketing authorization on the basis of the pediatric clinical trials conducted in accordance with the PIP are eligible for a six month extension of the protection under a supplementary protection certificate (if any is in effect at the time of approval) or, in the case of orphan medicinal products, a two year extension of the orphan market exclusivity. This pediatric reward is subject to specific conditions and is not automatically available when data in compliance with the PIP are developed and submitted.

Coverage, Pricing and Reimbursement

In the European Union, pricing and reimbursement schemes vary widely from country to country. Some countries provide that drug products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost effectiveness of a particular drug candidate to currently available therapies. For example, the European Union provides options for its member states to restrict the range of drug products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. European Union member states may approve a specific price for a drug product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the drug product on the market. Other member states allow companies to fix their own prices for drug products, but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription drugs, has become intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross border imports from low priced markets exert competitive pressure that may reduce pricing within a country. Any country that has price controls or reimbursement limitations for drug products may not allow favorable reimbursement and pricing arrangements.

Advertising Regulation

All advertising and promotional activities for the product must be consistent with the approved summary of product characteristics, and therefore all off-label promotion is prohibited. Direct-to-consumer advertising of prescription medicines is also prohibited in the European Union. Although general requirements for advertising and promotion of medicinal products are established under European Union directives, the details are governed by regulations in each European Union Member State and can differ from one country to another.

If we fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

Pharmacovigilance System

The holder of a European MA must establish and maintain a pharmacovigilance system and appoint an individual qualified person for pharmacovigilance, or QPPV, who is responsible for oversight of that system. Key obligations include expedited reporting of suspected serious adverse reactions and submission of periodic safety update reports, or PSURs.

All new European MA applications must include a risk management plan, or RMP, describing the risk management system that the company will put in place and documenting measures to prevent or minimize the risks associated with the product. The regulatory authorities may also impose specific obligations as a condition of the MA. Such risk-minimization measures or post-authorization obligations may include additional safety monitoring, more frequent submission of PSURs, or the conduct of additional clinical trials or post-authorization safety studies. RMPs and PSURs are routinely available to third parties requesting access, subject to limited redactions.

Rest of World Regulation

For other countries outside of PRC, the United States and the European Union, the requirements governing the conduct of clinical trials, drug licensing, pricing and reimbursement vary from country to country. In all cases the clinical trials must be conducted in accordance with GCP requirements and the applicable regulatory requirements and the ethical principles having their origin in the Declaration of Helsinki.

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information relating to our directors and executive officers as of the date of this prospectus.

Name	Age	Position
William Wei Cao, Ph.D. B.M.	62	Founder, Chairman of the Board and Chief Executive Officer
David Guowei Wang M.D., Ph.D.	59	Director
Lili Shen	42	Director
Guotong Xu M.D., Ph.D.	63	Independent Director
Wendy Hayes†	50	Independent Director Appointee
Martina Sersch, M.D., Ph.D.	48	Chief Medical Officer
Yili Kevin Xie, Ph.D.	50	Chief Financial Officer

Note:

† Ms. Wendy Hayes has accepted appointment as our director, effective upon the SEC's declaration of effectiveness of our registration statement on Form F-1 of which this prospectus is a part.

William Wei Cao, Ph.D. B.M., has served as our Chairman of the Board and Chief Executive Officer since May 2017. Dr. Cao has over 30 years of research and development experience in the biotechnology industry. Prior to founding our company, Dr. Cao co-founded Cellular Biomedicine Group, Inc. (Nasdaq: CBMG), a Nasdaq-listed company engaging in developing proprietary cell therapies for the treatment of cancer and degenerative diseases, and served several positions at CBMG, such as chief operating officer, chief executive officer and director, from August 2010 to January 2016. Dr. Cao has extensive research experience in the immune-pharmacology field at Harvard Medical School and Stanford University Medical Center. Dr. Cao holds a Bachelor's degree in Medicine from Fudan University Medical College, Shanghai China, and a Ph.D. in Pharmacology from Medical College of Virginia, Richmond Virginia.

David Guowei Wang, M.D., Ph.D., has served as our director since March 2020. Dr. Wang has over 20 years of experience in the healthcare industry. Dr. Wang has served as Partner and Senior Managing Director, Asia, of OrbiMed Advisors LLC, since August 2011. He has served as director of AK Medical Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1789) since April 2016, and as director of Edan Instruments, Inc., a company listed in the Shenzhen Stock Exchange (Stock Code: 300206) since March 2010. Prior to that, Dr. Wang served as Managing Director of Healthcare Investment of WI Harper Group from April 2006 to July 2011. Dr. Wang holds a Bachelor's degree in basic medicine and an M.D. from Peking University School of Medicine, and a Ph.D. in Developmental Biology from California Institute of Technology.

Lili Shen, has served as our director since October 20, 2020. Ms. Shen has over 15 years of experience in the healthcare industry. Ms. Shen serves as the managing director at Morningside Ventures, primarily focuses on biotechnology investments. Prior to joining Morningside Ventures in August 2010, she served as a director at CVI Pharmaceuticals (Shanghai) Limited from February 2009 to August 2010, and was responsible for its overall business operation in China. From March 2004 to August 2008, she served as a manager at Shanghai Newsummit Biopharma Co., Ltd., primarily engaged in preclinical project management and IND filing in China. Ms. Shen holds a Bachelor's degree in Chemical Engineering & Technology and a Master's degree in Biochemistry and Molecular Biology from Xi'an Jiaotong University, and an M.B.A. from Fudan University.

Guotong Xu, M.D., Ph.D., has served as our director since February 2019. Dr. Xu has over 30 years of academia and industry experience in both China and the United States. Dr. Xu has been a professor of Ophthalmology and Pharmacology at Tongji University School of Medicine, or TUSM, since 2008 and a director of The East China Stem Cell Bank located inside TUSM, a center for stem cell research and clinical application in China. From March 2008 to July 2016, Dr. Xu served as dean of Tongji University School of Medicine.

Dr. Xu has been an independent director of Guangzheng Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002524) and Zhejiang Shapuaisi Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 603168), from June 2018 and August 2020, respectively. Prior to that, Dr. Xu served as an independent director of Cellular Biomedicine Group Inc. (Nasdaq: CBMG) from November 2014 to November 2016. Dr. Xu holds a Bachelor's degree in Medicine from Harbin Medical University, an M.D. and a Master of Medical Sciences from Peking Union Medical College, Chinese Academy of Medical Sciences, and a Ph.D. in Pharmacology from University of North Texas Health Science Center, Fort Worth, Texas.

Wendy Hayes will serve as our independent director immediately upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Ms. Hayes has served as an independent director of Tuanche Limited (Nasdaq: TC) since November 2018, Xinyuan Real Estate Co., Ltd. (NYSE: XIN) since January 2020, Burning Rock Biotech Limited (Nasdaq: BNR) since June 2020 and iHuman Inc. (NYSE: IH) since October 2020. Between May 2013 and September 2018, Ms. Hayes served as the Inspections Leader at the Public Company Accounting Oversight Board in the United States. Prior to that, Ms. Hayes was an audit partner at Deloitte (China). Ms. Hayes received her bachelor's degree in International Finance from University of International Business and Economics in 1991, and her executive MBA from Cheung Kong Graduate School of Business in 2012. Ms. Hayes is a certified public accountant in the United States (California) and China.

Martina Sersch, M.D., Ph.D., has served as our Chief Medical Officer since 2020. Dr. Sersch has over 25 years of academia and industry experience and extensive experience in cell and gene therapy, immune-oncology, mAb and small molecules in multi-national companies and biotechnology companies. Prior to joining us, Dr. Sersch served as chief medical officer of Mustang Bio, Inc. (Nasdaq: MBIO), a Nasdaq-listed CAR-T, cell and gene therapy company, from October 2018 to September 2019, where she led the clinical development for gene and cellular therapies for the treatment of rare diseases and hematological as well as solid tumor indications. She accomplished the successful IND submission and approval of a CAR-T cell therapy in acute myeloid leukemia, blastic plasmacytoid dendritic cell neoplasm and myelodysplastic syndrome. From December 2016 to September 2018, Dr. Sersch served as Executive Medical Director at Amgen Inc. leading early and late stage clinical development strategies and programs as hematology lead. Amongst other she was responsible for the successful filing and approval of a novel combination therapy in multiple myeloma and lead several key initiatives including the assessment of safety findings and potential differences in different ethnic groups. In addition, her responsibilities included portfolio activities such as global filings and regional development strategies. Prior to this role, she served as a Senior Medical Director at Roche/Genentech Inc from 2011 to 2016, where she served as Global Development Leader in solid tumors leading global and regional clinical development activities in Europe, Asia and the United States which included successful global filing activities for a mAb in mCRC. During her tenure at Roche/Genentech Inc, she worked in different cross functional capacities with increasing responsibilities including in the Asia-Pacific region as Global Biologics Strategy leader. Before joining Genentech Inc, Dr. Sersch worked many years at Pfizer Inc in country, regional and global roles with increasing responsibilities including the development of early immunotherapy agents. Dr. Sersch holds an M.D. and a doctorate degree from the University of Heidelberg in Germany.

Yili Kevin Xie, Ph.D., has served as our Chief Financial Officer since July 2020. Dr. Xie has over 18 years of experience in healthcare investment. Prior to joining our company, Dr. Xie served in various leadership positions in Fosun Group from March 2015 to July 2020, including as the President of Fosun Healthcare Holdings and Chief Representative of Fosun, New York. Dr. Xie has served as director of ViewRay Inc (Nasdaq: VRAY) since October 2019 and director of Alpha Healthcare Acquisition Corp (Nasdaq: AHACU) since September 2020. From February 2012 to March 2015, Dr. Xie served as Managing Partner for Kinglington Capital, an investment company. He co-founded and served as Portfolio Manager for Locust Walk Capital from April 2010 to February 2012. From January 2009 to January 2010, Dr. Xie served as Healthcare Sector Head for Scopia Capital, a global hedge fund. From 2005 to 2008, he served as Principal and subsequently Managing Director for Great Point Partners, a healthcare hedge fund. Dr. Xie served as an Equity Analyst for Delaware Investments, an asset management firm, from June 2002 to July 2005. Dr. Xie holds a Bachelor's degree from

Tianjin University in China, a Ph.D. from The City University in New York, and an M.B.A. from The Wharton School, University of Pennsylvania.

Board of Directors

Our board of directors will consist of five directors upon the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part. A director is not required to hold any shares in our company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested provided (i) such director, if his interest in such contract or arrangement is material, has declared the nature of his interest at the earliest meeting of the board at which it is practicable for him to do so, either specifically or by way of a general notice, (ii) such director has not been disqualified by the chairman of the relevant board meeting, and (iii) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee in accordance with the Nasdaq rules. The directors may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly and in good faith with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our amended and restated memorandum and articles of association. A shareholder has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- conducting and managing the business of our company;
- representing our company in contracts and deals;
- appointing attorneys for our company;
- selecting and removing senior management;
- providing employee benefits and pensions;
- managing our company's finance and bank accounts;
- evaluating the performance and determining the compensation level of chief executive officer;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- exercising any other powers conferred by the shareholders meetings or under our amended and restated memorandum and articles of association.

Terms of Directors and Executive Officers

Our directors may be elected by a resolution of our board of directors or by an ordinary resolution of our shareholders. Following the completion of this offering, unless otherwise determined by our company in general meeting, our company shall have not less than three (3) directors, and there shall be no maximum number of directors. Our directors will be divided into three (3) classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the board of directors. At the first annual general meeting of shareholders, the term of office of the Class I directors shall expire and Class I directors appointed at such meeting shall be elected for a full term of three (3) years. At the second annual general meeting of shareholders, the term of office of the Class II directors shall

expire and Class II directors appointed at such meeting shall be elected for a full term of three (3) years. At the third annual general meeting of shareholders, the term of office of the Class III directors shall expire and Class III directors at such meeting appointed shall be elected for a full term of three (3) years. At each succeeding annual general meeting of shareholders, directors shall be elected for a full term of three (3) years to succeed the directors of the class whose terms expire at such annual general meeting. Notwithstanding the foregoing, each director shall hold office until the expiration of his or her term, until his or her successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal. A director will be removed from office automatically if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be or becomes of unsound mind; (iii) resigned his office by notice in writing to the company; (iv) without special leave of absence from our board, is absent from three consecutive board meetings; or (v) is removed from office pursuant to any other provisions of the company's post-offering amended and restated memorandum and articles of association.

Our officers are elected by and serve at the discretion of the board of directors.

Board Committees

We will establish an audit committee, a compensation committee and a nominating and corporate governance committee immediately upon the effectiveness of our registration statement on Form F-1 of which this prospectus is a part. We have adopted a charter for each of these committees. Each committee's members and functions are described below.

Audit Committee

Our audit committee will initially consist of Wendy Hayes, Guotong Xu and Lili Shen. Wendy Hayes will be the chairperson of our audit committee. We have determined that each of Wendy Hayes and Guotong Xu satisfies the independence requirements under Rule 5605(c)(2) of the Nasdaq Stock Market Rules and meets the criteria for independence set forth in Rule 10A-3 of the Exchange Act. We have determined that Wendy Hayes satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC.

The audit committee will oversee our accounting and financial reporting processes and the audits of our financial statements. Our audit committee will be responsible for, among other things:

- selecting the independent auditors;
- reviewing and approving the independent auditors' annual engagement letter;
- review responsibilities, budget, compensation and staffing of our internal audit function;
- reviewing with the independent auditor any audit problems or difficulties and management's response;
- reviewing and pre-approving related party transactions;
- reviewing and discussing the annual audited financial statements with management and the independent auditor;
- reviewing and discussing with management and the independent auditors about all critical accounting policies and practices to be used;
- reviewing reports prepared by management and/or the independent auditors relating to significant financial reporting issues and judgments;
- reviewing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing with management and the independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on our financial statements;

- discussing policies with respect to risk assessment and risk management with management and internal auditors;
- timely reviewing reports from the independent auditors regarding all critical accounting policies and practices to be used by our company, and all other material written communications between the independent auditors and management;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time; and
- meeting separately, periodically, with management, internal auditors and the independent auditor.

Compensation Committee

Our compensation committee will initially consist of William Wei Cao, David Guowei Wang and Wendy Hayes. William Wei Cao will be the chairperson of our compensation committee. We have determined that Wendy Hayes satisfies the independence requirements under Rule 5605(a)(2) of the Nasdaq Stock Market Rules.

Our compensation committee will be responsible for, among other things:

- reviewing, evaluating and, if necessary, revising our overall compensation plans;
- reviewing and evaluating the performance of our directors and relevant executive officers and determining the compensation of relevant executive officers;
- reviewing and approving any severance or termination agreements to be made with any executive officers;
- reviewing our general compensation plans and other employee benefit plans, including our incentive compensation plan and equity-based compensation plans;
- administering our equity-based compensation plans in accordance with the terms thereof; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee will initially consist of William Wei Cao, Guotong Xu and Wendy Hayes. William Wei Cao will be the chairperson of our nominating and corporate governance committee. We have determined that each of Wendy Hayes and Guotong Xu satisfies the independence requirements under Rule 5605(a)(2) of the Nasdaq Stock Market Rules.

The nominating and corporate governance committee will be responsible for, among other things:

- selecting and recommending to our board of directors nominees for election by the shareholders or appointment by the board;
- reviewing annually with our board of directors the current composition of our board of directors with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of our board of directors meetings and monitoring the functioning of the committees of our board of directors; and
- advising our board of directors periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and

making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

Compensation of Directors and Executive Officers

For the year ended December 31, 2019, we paid an aggregate of approximately RMB2.4 million (US\$0.4 million) in cash and benefits to our executive officers. During the year ended December 31, 2019, we did not pay our non-employee directors. For stock option grants to our executive officers and directors, see “—Share Incentive Plans.” We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, if an executive officer willfully disobeys a lawful and reasonable order of us, misconducts himself or herself, with such conduct being inconsistent with the due and faithful discharge of his or her duties, is guilty of fraud or dishonesty, or is habitually neglectful in his or her duties. We may also terminate an executive officer’s employment without cause upon three-month advance written notice.

Each executive officer has agreed to not make any disclosure of our confidential information nor to make any duplication or copy of our confidential information, and immediately upon request from us, to return to us all of our confidential information. Each executive officer may provide our confidential information in compliance with a valid court order issued by a court of competent jurisdiction, provided that such executive officer takes reasonable steps to prevent dissemination of such confidential information. The executive officers have also agreed to promptly disclose to us, in confidence (i) all proprietary information that they create during the term of their employment, and (ii) all patent applications, copyright registrations or similar rights filed or applied for by them within six months after termination of their employment.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and the non-solicitation restrictions will survive the termination. Specifically, each executive officer has agreed not to (i) call upon, solicit, divert or take away or attempt to solicit, divert or take away any of the customers, vendors, business or patrons of us; (ii) solicit or attempt to solicit for employment or consultancy any person who is an employee of or consultant to us; or (iii) own, operate, manage, join, control, participate in the ownership, management, operation or control of, or be paid or employed by, or acquire any securities of, or otherwise become associated with or provide assistance to, as an employee, consultant, director, officer, shareholder, partner, agent, associate, principal, representative or in any other capacity, any business entity which engages in any competitive line of business in which the we are engaged.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

Share Incentive Plans

Third Amended and Restated 2017 Employee Stock Option Plan

We have adopted an employee stock option plan, which was amended and restated in October 2020. As of the date of this prospectus, the maximum aggregate number of ordinary shares that may be granted under our

employee stock option plan is 10,216,234 ordinary shares. As of the date of this prospectus, awards to purchase a total of 7,383,599 ordinary shares have been granted and are outstanding, excluding awards that were forfeited or cancelled after the relevant grant dates. The following paragraphs summarize the principal terms of our employee stock option plan.

- **Types of Awards.** Our employee stock option plan permits awards of options or similar rights.
- **Plan Administration.** With respect to grants of awards to our directors and officers, our employee stock option plan is administered by our board of directors or a committee designated by our board of directors. With respect to grants of awards to employees, consultants and other eligible persons, our employee stock option plan will be administered by our chief executive officer.
- **Stock Option Award Agreement.** Awards granted under our employee stock option plan are evidenced by a stock option award agreement that sets forth terms, conditions and limitations for each award which may include the term of an award, the provisions applicable in the event the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.
- **Exercisability.** Unless otherwise agreed by our board of directors, no option granted under our employee stock option plan may be exercised prior to the occurrence of, among other things, an admission of all or any part of our share capital to a recognized stock exchange or the grant of permission by any stock exchange to deal in the same.
- **Exercise Price.** The exercise price of an award will be determined by our board of directors.
- **Eligibility.** We may grant awards to our employees, officers, directors, contractors, advisors or consultants, as determined by our chief executive officer, provided that prior approval of our board of directors shall be obtained for grants to our officers and directors.
- **Term of the Awards.** The term of each share award granted under our employee stock option plan will be determined by our board of directors.
- **Vesting Schedule.** The vesting schedule of each award granted under our employee stock option plan will generally be set forth in the relevant stock option award agreement.
- **Transfer Restrictions.** Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise approved by the board of directors.
- **Termination.** Our employee stock option plan will terminate ten years after its adoption, provided that our board of directors may terminate the plan at any time.

2020 Share Incentive Plan

To promote the success and enhance the value of our company, in December 2020, our shareholders and board of directors approved the 2020 Share Incentive Plan, or the 2020 Plan, which will become effective immediately prior to the completion of this offering. Under the 2020 Plan, the maximum aggregate number of ordinary shares available for issuance, or the Award Pool, shall initially be three percent (3%) of the ordinary shares of our company outstanding immediately upon completion of this offering. The Award Pool will be increased on an annual basis on the first calendar day of each fiscal year of our company during the term of 2020 Plan commencing on January 1st of the year following the year in which this offering occurs, by the lesser of (i) an amount equal to one percent (1%) of the total number of ordinary shares of our company issued and outstanding on the last day of the immediately preceding fiscal year, and (ii) such number of ordinary shares as may be determined by our board of directors. As of the date of this prospectus, no award has been granted or outstanding under the 2020 Plan. The following paragraphs summarizes the principal terms of the 2020 Plan:

- **Type of Awards.** The 2020 Plan permits the awards of options, restricted shares, restricted share units or other types of awards approved by the board of directors or a committee of one or more members of the board of directors.

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- **Plan Administration.** Our board of directors or a committee of one or more members of the board of directors will administer the 2020 Plan. The committee or the board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each grant.
- **Award Agreement.** Awards granted under the 2020 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.
- **Eligibility.** Persons eligible to participate in the 2020 Plan include the independent directors of our company.
- **Vesting Schedule.** The vesting schedule of each award granted under 2020 Plan will be set forth in the relevant award agreement.
- **Exercise of Options.** The plan administrator determines the exercise price for each award, which is stated in the relevant award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant.
- **Transfer Restrictions.** Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2020 Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.
- **Termination and Amendment of the 2020 Plan.** Our board of directors has the authority to terminate, amend, suspend or modify the 2020 Plan in accordance with our articles of association. However, without the prior written consent of the participant, no such action may adversely affect in any material way any award previously granted pursuant to the plan.

The following table summarizes, as of the date of this prospectus, the options granted under our employee stock option plan to several of our executive officers, excluding awards that were forfeited or cancelled after the relevant grant dates.

Name	Ordinary Shares Underlying Options Awarded	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
William Wei Cao	—	—	—	—
David Guowei Wang	—	—	—	—
Lili Shen	—	—	—	—
Guotong Xu	*	0.30	September 1, 2017	August 31, 2027
Wendy Hayes†	—	—	—	—
Martina Sersch	*	1.06	June 15, 2020	June 14, 2030
Yili Kevin Xie	3,000,000	1.06	July 16, 2020	July 15, 2030
Other grantees	2,967,599	0.30 (August 8, 2017 through January 2, 2019) 1.06 (January 3, 2019 through November 3, 2020) 1.65 (On or after November 4, 2020)	From August 8, 2017	Ten years from date of award
Total	7,383,599			

* Less than 1% of our total outstanding ordinary shares on an as-converted basis.

† Ms. Wendy Hayes has accepted appointment as our director, effective upon the SEC's declaration of effectiveness of our registration statement on Form F-1 of which this prospectus is a part.

PRINCIPAL SHAREHOLDERS

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of the date of this prospectus:

- each of our directors and executive officers;
- all of our directors and executive officers as a group; and
- each person known to us to beneficially own more than 5% of our ordinary shares.

The calculations in the table below are based on 272,815,996 ordinary shares on an as-converted basis outstanding as of the date of this prospectus and ordinary shares issued and outstanding immediately after the completion of this offering, assuming the underwriters do not exercise their over-allotment option.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of the date of this prospectus, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned Prior to This Offering		Ordinary Shares Beneficially Owned After This Offering	
	Number	%	Number	%
Directors and Executive Officers**:				
William Wei Cao ⁽¹⁾	92,090,000	33.8%		
David Guowei Wang	—	—		
Lili Shen	—	—		
Guotong Xu	*	*		
Wendy Hayes†	—	—		
Martina Sersch.	*	*		
Yili Kevin Xie	*	*		
All Directors and Executive Officers as a Group	92,353,753	33.8%		
Principal Shareholders:				
Gracell Venture Holdings Limited ⁽¹⁾	92,090,000	33.8%		
TLS Beta Pte. Ltd. ⁽²⁾	48,193,912	17.7%		
Entities affiliated with LAV ⁽³⁾	25,030,857	9.2%		
Entities affiliated with OrbiMed ⁽⁴⁾ .	38,108,573	14.0%		
Entities affiliated with Kington ⁽⁵⁾	22,794,722	8.4%		

* Less than 1% of our total ordinary shares on an as-converted basis outstanding as of the date of this prospectus.

** Business address of Dr. William Wei Cao, Dr. Martina Sersch and Dr. Yili Kevin Xie is Building 12, Block B, Phase II, Biobay Industrial Park, 218 Sangtian St., Suzhou Industrial Park, Jiangsu Province, China. Dr. David Guowei Wang's business address is Unit 4706, Raffles City Shanghai Office Tower, 268 Middle Xizang Road, Huangpu District, Shanghai, China. Ms. Lili Shen's business address is 320 Wuyuan Road, Xuhui District, Shanghai, China. Dr. Guotong Xu's business address is Room 102, No.18, Lane 29, Lingling Road, Xuhui District, Shanghai, China. Ms. Wendy Hayes's business address is 2370 Roanoke Trail, Reno, NV 89523.

† Ms. Wendy Hayes has accepted appointment as our director, effective upon the SEC's declaration of effectiveness of our registration statement on Form F-1 of which this prospectus is a part.

(1) Represents 92,090,000 ordinary shares held by Gracell Venture Holdings Limited, a company incorporated in the British Virgin Islands. Gracell Venture Holdings Limited is wholly owned by Land Blossom Limited, a company incorporated in the British Virgin Islands. Land Blossom Limited, under The Cao Family Trust, or the Trust, established under the law of Republic of Singapore and managed by VISTRA Trust (Singapore) Pte. Limited, or the Trustee, is wholly owned and managed by the Trustee. Dr. William Wei Cao is the Settlor of the Trust and Dr. Cao and his family members are the Trust's beneficiaries. Under the terms of the Trust, Dr. Cao has the power to direct the Trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to the shares held by Gracell Venture Holdings Limited in our company. The registered address of Gracell Venture Holdings Limited is Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands.

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- (2) Represents 48,193,912 ordinary shares issuable upon the conversion of 37,668,351 series B-2 preferred shares and 10,525,561 series C preferred shares held by TLS Beta Pte. Ltd., a company incorporated in Singapore. TLS Beta Pte. Ltd. is a direct wholly-owned subsidiary of Temasek Life Sciences Private Limited. Temasek Life Sciences Private Limited, is a direct wholly-owned subsidiary of Fullerton Management Pte Ltd, or FMPL, which in turn is a direct wholly-owned subsidiary of Temasek Holdings (Private) Limited (Temasek"). Temasek is wholly owned by the Singapore Minister for Finance¹. As a commercial investment company, Temasek has its own Board of Directors and a professional management team. Temasek owns and manages its portfolio with full commercial discretion and flexibility under the guidance of its Board. The Singapore Government is not involved in Temasek's investment, divestment, or any other business or operational decisions. The principal business address of TLS Beta Pte. Ltd. is 60B Orchard Road #06-18 Tower 2, The Atrium@Orchard, Singapore 238891.
- (3) Represents (i) 78,214 and 27,616 ordinary shares held by LAV Biosciences Fund V, L.P., a Cayman Islands limited partnership, and LAV Granite Limited, a British Virgin Island company, respectively and (ii) 24,925,027 ordinary shares issuable upon the conversion of 2,346,402 series A preferred shares held by LAV Biosciences Fund V, L.P., 828,482 series A preferred shares held by LAV Granite Limited, 14,125,632 series B-2 preferred shares held by LAV Granite Limited., and 7,624,511 series C preferred shares held by LAV Biosciences Fund V, L.P. LAV Corporate V GP, Ltd. is the general partner of LAV GP V, L.P., which is the general partner of LAV Biosciences Fund V, L.P. Dr. Yi Shi is a Managing Partner of LAV Corporate V GP, Ltd and has voting power and investment discretion with regard to the shares held of record by LAV Biosciences Fund V, L.P. LAV Granite Limited is wholly owned by LAV Biosciences Fund IV, L.P. Dr. Yi Shi is the managing partner of LAV Corporate IV GP, Ltd the general partner of LAV GP IV, L.P., which is the general partner of LAV Biosciences Fund IV, L.P. The voting and investment power of shares held by LAV Granite Limited is exercised by Dr. Yi Shi. The registered address of LAV Biosciences Fund V, L.P. is 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The registered address of LAV Granite Limited is PO Box 4301, Road Town, Tortola, British Virgin Islands.
- (4) Represents (i) 864,383 ordinary shares held by OrbiMed Asia Partners III, L.P., or OAP III, a Cayman Islands exempted limited partnership and (ii) 37,244,190 ordinary shares issuable upon the conversion of 25,931,497 series A preferred shares held by OAP III, 5,503,473 series C preferred shares held by OrbiMed Partners Master Fund Limited, or OPM, a Bermuda exempted company, 2,751,736 series C preferred shares held by The Biotech Growth Trust Plc, or BIOG, a United Kingdom investment trust, 1,528,742 series C preferred shares held by OrbiMed Genesis Master Fund, L.P., or OrbiMed Genesis Master Fund, a Cayman Islands exempted limited partnership, and 1,528,742 series C preferred shares held by OrbiMed New Horizons Master Fund, L.P., or ONHM, a Cayman Islands exempted limited partnership.

OrbiMed Asia GP III, L.P., or OAP GP III, a Cayman Islands exempted limited partnership, is the general partner of OAP III. OrbiMed Advisors III Limited, or Advisors III, a Cayman Islands exempted company, is the general partner of OAP GP III. OrbiMed Genesis GP LLC, or OrbiMed Genesis, is the general partner of OrbiMed Genesis Master Fund. OrbiMed New Horizons GP LLC, or ONH GP, is the general partner of ONHM. OrbiMed Advisors LLC, or OrbiMed Advisors, acts as the investment manager to OAP III and is the managing member of OrbiMed Genesis and ONH GP. By virtue of such relationships, OrbiMed Advisors may be deemed to have voting power and investment power over the securities held by OAP III, OrbiMed Genesis Master Fund and ONHM, and as a result, may be deemed to have beneficial ownership over such securities. OrbiMed Advisors exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein, each of whom disclaims beneficial ownership of the shares held by OAP III, OrbiMed Genesis Master Fund and ONHM. The principal business address of OAP III, OrbiMed Genesis Master Fund and ONHM is c/o OrbiMed Advisors LLC, 601 Lexington Avenue, 54th Floor, New York, NY 10022.

OrbiMed Capital LLC, or OrbiMed Capital, a limited liability company organized under the laws of Delaware, is the investment advisor of OPM and the portfolio manager to BIOG. OrbiMed Capital has discretionary investment management authority with respect to the assets of OPM and BIOG, which includes the power to vote and otherwise dispose of securities purchased by OPM and BIOG. OrbiMed Capital exercises this investment and voting power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein. On the basis of this relationship, OrbiMed Capital may be deemed to have beneficial ownership of the securities held by OPM and BIOG. The principal business address of OPM and BIOG is c/o OrbiMed Advisors LLC, 601 Lexington Avenue, 54th Floor, New York, NY 10022.

- (5) Represents (i) 55,232 ordinary shares held by King Star Med LP and (ii) 22,739,490 ordinary shares issuable upon the conversion of 1,656,965 series A preferred shares held by King Star Med LP, 7,533,670 series B-2 preferred shares held by King Star Med LP, 9,879,873 series B-1 preferred shares held by Suzhou Kington Capital Holdings Co., Ltd., and 3,668,982 series C preferred shares held by King Star Med LP. King Star Med Management Limited, a company incorporated in the Cayman Islands, is the general partner of King Star Med LP. The voting and investment power of shares held by King Star Med LP is exercised by the two directors, Xianghong Lin and Bin Yu, of King Star Med Management Limited, no one of whom may act alone to vote or dispose of the shares. The voting and investment power of shares held by Suzhou Kington Capital Holdings Co., Ltd. is exercised by the five members of investment committee authorized by its board, Xianghong Lin, Yongmin Wu, Hongxia Zhao, Qi Zhang and Qing Ni, no one of whom may act alone to vote or dispose of the shares. The registered address of King Star Med LP is P.O. Box 309 Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Island. The registered address of Suzhou Kington Capital Holdings Co., Ltd. is Unit 801, North Building, Suyue Commercial Plaza, 118 West Suzhou Avenue, Suzhou Industrial Park, Suzhou City, Jiangsu Province, China.

As of the date of this prospectus, 6,237,269 of our shares are held by record holders in the United States. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

¹ Under the Singapore Minister for Finance (Incorporation) Act (Chapter 183), the Minister for Finance is a body corporate.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of transactions since January 1, 2018 to which we have been a participant in which the amount involved exceeded or will exceed US\$120,000, and in which any of our then directors, executive officers or holders of more than 5% of any class of our voting securities at the time of such transaction, or any members of their immediate family, had or will have a direct or indirect material interest.

Contractual Arrangements with Our Variable Interest Entities and Their Shareholders

See “Corporate History and Structure—Contractual Arrangements with our VIEs and Their Shareholders.”

Private Placements

See “Description of Share Capital—History of Securities Issuances.”

Shareholders Agreement

See “Description of Share Capital—History of Securities Issuances—Shareholders Agreement.”

Employment Agreements and Indemnification Agreements

See “Management—Employment Agreements and Indemnification Agreements.”

Share Incentives

See “Management—Share Incentive Plans.”

Other Related Party Transactions

Transactions with Unitex Capital Ltd. In the year ended December 31, 2019, we paid RMB1,358 thousand (US\$200 thousand) to obtain an exclusive license from Unitex Capital Ltd., an entity controlled by Dr. William Wei Cao.

DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands exempted company incorporated with limited liability and our affairs are governed by our memorandum and articles of association, the Companies Law (as amended) of the Cayman Islands, which we refer to as the Companies Law below and the common law of the Cayman Islands.

Upon the closing of this offering, our authorized share capital will be US\$ divided into shares, of which (i) are designated as ordinary shares of a par value of US\$0.0001 each (the “Ordinary Shares”) and (ii) of such class or classes (however designated) of shares, par value each, as our board of directors may determine in accordance with our amended and restated memorandum and articles of association. All of our issued and outstanding ordinary shares are fully paid.

As of the date of this prospectus, we had (i) 99,044,776 Ordinary Shares issued and outstanding, (ii) 31,343,284 series A preferred shares, (iii) 21,735,721 series B-1 preferred shares, (iv) 59,327,653 series B-2 preferred shares, and (v) 61,364,562 series C preferred shares issued and outstanding. All of our shares issued and outstanding prior to the completion of this offering will be fully paid, and all of our shares to be issued in the offering will be issued as fully paid.

Based on the assumed initial offering price of US\$ per ADS, which is the midpoint of the price range set forth on the cover page of this prospectus, we expect these shares and the Preferred Shares will convert into ordinary shares immediately prior to the closing of this offering. However, if our initial offering price is below US\$ per ADS, the number of our ordinary shares to be issued upon the conversion of our Preferred Shares will increase and will depend on the initial public offering price per ADS.

The ratio at which each Preferred Share automatically converts into our ordinary shares in connection with this offering is its original issue price of US\$ per share divided by a conversion price shall equal the lower of (i) the conversion price at the time in effect for such Preferred Share and (ii) the price per share that equals % of our initial offering price per ADS.

Upon the completion of this offering, our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges, and restrictions of up to an aggregate of other shares, including preferred shares, in one or more classes or series and authorize their issuance. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms, and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our ordinary shares. The issuance of our other shares, including potentially preferred shares, could adversely affect the voting power of holders of ADSs and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of other shares, including preferred shares, could have the effect of delaying, deferring, or preventing a change of control or other corporate action. Upon the completion of this offering, no preferred shares will be outstanding, and we have no present plan to issue any preferred shares.

Our Amended and Restated Memorandum and Articles of Association

Our shareholders intend to adopt an amended and restated memorandum and articles of association, which will become effective and replace our current amended and restated memorandum and articles of association in its entirety immediately prior to the completion of this offering. The following are summaries of material provisions of the amended and restated memorandum and articles of association that we expect will become effective immediately prior to completion of this offering, and of the Companies Law, insofar as they relate to the material terms of our ordinary shares.

Objects of Our Company. Under our amended and restated memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Ordinary Shares. Our ordinary shares are issued in registered form and are issued when registered in our register of shareholders. We may not issue shares to bearer. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Our amended memorandum and restated articles of association provide that the directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the directors, be applicable for meeting contingencies or for equalizing dividends or for any other purpose to which those funds may be properly applied. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or the credit standing in our company's share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business immediately following the date on which the distribution or dividend is paid.

Voting Rights. Holders of our ordinary shares shall be entitled to one vote per ordinary share. Voting at any shareholders' meeting is by show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands). A poll may be demanded by the chairman of such meeting or any one or more shareholders who together hold not less than 10% of the votes attaching to the total ordinary shares which are present in person or by proxy at the meeting.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our amended and restated memorandum and articles of association. Holders of the ordinary shares may, among other things, divide or combine their shares by ordinary resolution.

General Meetings of Shareholders. As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our amended and restated memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by a majority of our board of directors. Advance notice of at least ten calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least two holders of shares being not less than an aggregate of fifty percent (50%) of all votes attaching to all shares in issue and entitled to vote.

The Companies Law does not provide shareholders with an express right to put forth any proposal before an annual meeting of the shareholders. However, the Companies Law may provide shareholders with limited rights to requisition a general meeting, but such rights must be stipulated in the articles of association of our company.

Transfer of Ordinary Shares. Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four;
- the ordinary shares transferred are free of any lien in favor of our company; and
- a fee of such maximum sum as The Nasdaq Global Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of The Nasdaq Global Market, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

Liquidation. On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay the whole of the share capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. Subject to the Companies Law, our amended and restated memorandum and articles of association and to any applicable requirements imposed from time to time by the Nasdaq, the Securities and Exchange Commission, or by any other recognized stock exchange on which our securities are listed, we may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our board of directors and we may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders. Under the Companies Law, the redemption or repurchase of any share may be paid out of our profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there

being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. If at any time our share capital is divided into different classes or series of shares, the rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or series or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class or series. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Issuance of Additional Shares. Our amended and restated memorandum of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our amended and restated memorandum of association also authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rights, conversion rights, voting rights;
- the rights and terms of redemption and liquidation preferences; and
- any other powers, preferences and relative, participating, optional and other special rights.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our corporate records. However, we will provide our shareholders with annual audited financial statements. See “Where You Can Find Additional Information.”

Anti-Takeover Provisions. Some provisions of our amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our amended and restated memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Exempted Company. We are an exempted company with limited liability under the Companies Law. The Companies Law distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be

registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Differences in Corporate Law

The Companies Law is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments and accordingly there are significant differences between the Companies Law and the current Companies Act of England. In addition, the Companies Law differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (ii) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Companies Law. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Law also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

The Companies Law also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders’ Suits. In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;

- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

Indemnification of Directors and Executive Officers and Limitation of Liability. Cayman Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our amended and restated memorandum and articles of association provide that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person’s dishonesty, willful default or fraud, in or about the conduct of our company’s business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we intend to enter into indemnification agreements with our directors and executive officers prior to the completion of this offering, that provide such persons with additional indemnification beyond that provided in our amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors’ Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands exempted company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands exempted company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person

of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Resolution. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our amended and restated articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held. .

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Law provides shareholders with only limited rights to requisition a general meeting. However, these rights may be provided in a company's articles of association. Our amended and restated articles of association allow our shareholders holding in aggregate not less than one-third of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. As a Cayman Islands exempted company, we may but are not obliged by law to call shareholders' annual general meetings. See "-Our Amended and Restated Memorandum and Articles of Association-General Meetings of Shareholders" for more information on the rights of our shareholders' rights to put proposals before the annual general meeting.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled for a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our amended and restated articles of association, directors may be removed only for cause by an ordinary resolution of our shareholders. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; or (v) is removed from office pursuant to any other provisions of our amended and restated memorandum and articles of association.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on

which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Law and our amended and restated articles of association, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with the written consent of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Law and our amended and restated memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our post-offering amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

History of Securities Issuances

The following is a summary of our securities issuances in the past three years:

Ordinary Shares

On March 10, 2018, we issued (i) 1 ordinary share to Sertus Nominees (Cayman) Limited at par value of US\$0.0001 and (ii) 9,999 ordinary shares to Gracell Venture Holdings Limited at par value of US\$0.0001 as part of our reorganization.

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On February 22, 2019, we issued (i) 1,044,776 ordinary shares to Voyager Biosciences IV Limited at par value of US\$0.0001 (all of which were subsequently repurchased by us on March 6, 2020) and (ii) 97,990,000 ordinary shares to Gracell Venture Holdings Limited at par value of US\$0.0001 as part of our reorganization.

On March 6, 2020, we issued 1,044,776 ordinary shares to Suzhou Tonghe Venture Investment Partnership II (L.P.) at par value of US\$0.0001 as part of our reorganization.

As part of our reorganization, Dr. William Wei Cao and Suzhou Tonghe Venture Investment Partnership II (L.P.) also relinquished an aggregate of 9,904,477 ordinary shares in our VIE.

Preferred Shares

On February 22, 2019, we issued 31,343,284 series A preferred shares to Voyager Biosciences IV Limited at par value of US\$0.0001 as part of our reorganization.

On March 6, 2020, we issued (i) 18,283,584 series A preferred shares to Suzhou Tonghe Venture Investment Partnership II (L.P.) at par value of US\$0.0001 and (ii) 13,059,700 series A preferred shares to Suzhou Tonghe Yucheng Investment Partnership (L.P.) at par value of US\$0.0001 as part of our reorganization.

As part of our reorganization, certain investors also relinquished an aggregate of 3,656,716 series A preferred shares in our VIE.

On February 22, 2019, we issued (i) 7,533,670 series B-2 preferred shares to King Star Med LP for a purchase price of US\$8.0 million, (ii) 14,125,632 series B-2 preferred shares to LAV Granite Limited for a purchase price of US\$15.0 million and (iii) 37,668,351 series B-2 preferred shares to TLS Beta Pte. Ltd. for a purchase price of US\$40.0 million.

On July 2, 2020, we issued 1,975,975 series B-1 preferred shares to Chengdu Miaoji Medical Technology Co., Ltd. for a purchase price of approximately RMB12.6 million in equivalent U.S. dollars.

On August 25, 2020, we issued 9,879,873 series B-1 preferred shares to Suzhou Kington Capital Holdings Co., Ltd. for a purchase price of approximately RMB63.0 million in equivalent U.S. dollars.

On September 9, 2020, we issued 9,879,873 series B-1 preferred shares to Suzhou Lirui Equity Investment Center (Limited Partnership) for a purchase price of approximately RMB63.0 million in equivalent U.S. dollars.

On October 20, we issued an aggregate of 61,364,562 series C preferred shares for aggregate consideration of approximately US\$100.4 million to Morningside Venture (I) Investments Limited, Wellington Biomedical Innovation Master Investors (Cayman) I L.P., OrbiMed Partners Master Fund Limited, The Biotech Growth Trust Plc, OrbiMed Genesis Master Fund, L.P., OrbiMed New Horizons Master Fund, L.P., TLS Beta Pte. Ltd., LAV Biosciences Fund V, L.P., King Star Med LP, WINFAIR GLOBAL LIMITED, Vivo Panda Fund, L.P., Vivo Opportunity Fund, L.P., Parkway Limited and certain executive officers of our company.

Options

We have granted options to purchase our ordinary shares to certain of our directors, executive officers, employees and consultants. See “Management—Share Incentive Plans.”

Shareholders Agreement

We entered into our second amended and restated shareholders agreement on October 20, 2020, with our shareholders, which consisted of holders of ordinary shares and preferred shares.

The shareholders agreement provides for certain preferential rights, including right of first refusal, co-sale rights and provisions governing the board of directors and other corporate governance matters. Those preferential rights, as well as the corporate governance provisions, will automatically terminate upon the completion of this offering.

Registration Rights

Pursuant to our second amended and restated shareholders agreement dated October 20, 2020, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. If at any time after the expiry of six (6) months following the effective date of the registration statement, we receive a written request from the holders of at least 20% of the registrable securities then outstanding that we file a registration statement under the Securities Act (other than Form F-3 or Form S-3) covering the registration of the registrable securities of such holders with aggregate gross proceeds (prior to selling expenses) expected to be in excess of US\$25,000,000, then we shall, within ten (10) business days after the receipt of such written request, give written notice of such request ("Request Notice") to all the holders, and use our best efforts to effect, as soon as practicable, the registration under the Securities Act of all the registrable securities that the holders request to be registered and included in such registration by written notice given by such holders to us within twenty (20) days after receipt of the Request Notice. We shall not be obligated to effect more than two (2) such demand registrations.

If the holders requesting registration intend to distribute the registrable securities covered by their request by means of an underwriting, if the underwriter(s) advise(s) us in writing that marketing factors require a limitation of the number of securities to be underwritten, then we shall so advise all holders of registrable securities which would otherwise be registered and underwritten pursuant hereto, and the number of registrable securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among the holders of registrable securities on a pro rata basis according to the number of registrable securities then outstanding held by each holder requesting registration.

Notwithstanding the foregoing, if we shall furnish to the holders requesting registration a certificate signed by our President or Chief Executive Officer stating that in the good faith judgment of the Board, it would be materially detrimental to us and our Shareholders for such registration statement to be filed at such time, then we shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the holders.

Registration on Form F-3 or Form S-3. If we receive from any holder of at least five percent (5%) of the registrable securities then outstanding a written request or requests that we effect a registration on Form F-3 or Form S-3 for which the reasonably anticipated aggregate offering price to the public would exceed US\$2,500,000 and any related qualification or compliance with respect to all or a part of the registrable securities owned by such holder, we should promptly give a written notice to all other holders of registrable securities, and effect such registration and all such qualifications and compliances as may be so requested with twenty (20) days after we provided such notice, except in certain circumstances.

Piggyback Registration Rights. If we propose to register for our own account any of our equity securities in connection with the public offering of such equity securities, we shall offer holders of our registrable securities an opportunity to be included in such registration. If a holder decides not to include all of its registrable securities in such registration, such holder will continue to have the right to include any registrable securities in any subsequent registration statement as may be filed by us, subject to certain limitations.

Expenses of Registration. We will bear all registration expenses, other than the underwriting discounts and selling commissions applicable to the sale of registrable securities, incurred in connection with registrations

pursuant to the shareholders agreement. Each holder participating in the registration shall bear such holder's proportionate share (based on the total number of shares sold in such registration other than for our account) of all the selling expenses or other amounts payable to underwriter(s) or brokers in connection with such offering by the holders.

Termination of Obligations. The registration rights set forth above will terminate upon the earliest of (a) the fourth (4th) anniversary of consummation of this offering, (b) the termination, liquidation or dissolution of our Company and (c) if and when, in the opinion of our counsel, all such registrable securities proposed to be sold by each holder may be sold without registration in any ninety (90) day period pursuant to Rule 144 promulgated under the Securities Act.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

The Bank of New York Mellon, as depositary, will register and deliver American Depositary Shares, also referred to as ADSs. Each ADS will represent ordinary shares (or a right to receive ordinary shares) deposited with The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depositary in Hong Kong. Each ADS will also represent any other securities, cash or other property that may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs will be administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also called DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depositary confirming their holdings.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

- **Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. The depositary will distribute only whole U.S. dollars and cents and will round

fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.*

- **Shares.** The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.
- **Rights to purchase additional shares.** If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders, (ii) distribute those rights to ADS holders or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. *In that case, you will receive no value for them.* The depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depositary that it is legal to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.
- **Other Distributions.** The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.*

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs to the depositary for the purpose of withdrawal. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will

deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. However, the depositary is not required to accept surrender of ADSs to the extent it would require delivery of a fraction of a deposited share or other security. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of a shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise voting rights and there may be nothing you can do if your shares are not voted as you requested.*

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 45 days in advance of the meeting date.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.05 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

\$0.05 (or less) per ADS per calendar year

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

For:

Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Any cash distribution to ADS holders

Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders

Depositary services

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

As necessary

As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates, or the custodian or we may convert currency and pay U.S. dollars to the depositary. Where the depositary converts currency itself or through any of its affiliates, the depositary acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligation to act without negligence or bad faith. The methodology used to determine exchange rates used in currency conversions made by the depositary is available upon request.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do so by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a sub-division, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and practical to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are cancelled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender of those ADSs or cancel those ADSs upon notice to the ADS holders.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges

or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

How may the deposit agreement be terminated?

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if

- 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist the ADSs from an exchange in the United States on which they were listed and do not list the ADSs on another exchange in the United States or make arrangements for trading of ADSs on the U.S. over-the-counter market;
- we delist our shares from an exchange outside the United States on which they were listed and do not list the shares on another exchange outside the United States;
- the depositary has reason to believe the ADSs have become, or will become, ineligible for registration on Form F-6 under the Securities Act of 1933;
- we appear to be insolvent or enter insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depositary will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depositary will sell as soon as practicable after the termination date.

After the termination date and before the depositary sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depositary may refuse to accept a surrender for the purpose of withdrawing deposited securities or reverse previously accepted surrenders of that kind that have not settled if it would interfere with the selling process. The depositary may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depositary will continue to collect distributions on deposited securities, but, after the termination date, the depositary is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith, and the depositary will not be a fiduciary or have any fiduciary duty to holders of ADSs;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person;
- are not liable for the acts or omissions of any securities depositary, clearing agency or settlement system; and
- the depositary has no duty to make any determination or provide any information as to our tax status, or any liability for any tax consequences that may be incurred by ADS holders as a result of owning or holding ADSs or be liable for the inability or failure of an ADS holder to obtain the benefit of a foreign tax credit, reduced rate of withholding or refund of amounts withheld in respect of tax or any other tax benefit.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

Your Right to Receive the Shares Underlying your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;

- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is a feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

Shareholder communications; inspection of register of holders of ADSs

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Jury Trial Waiver

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law. You will not, by agreeing to the terms of the deposit agreement, be deemed to have waived our or the depositary's compliance with U.S. federal securities laws or the rules and regulations promulgated thereunder.

SHARES AND ADSs ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have _____ ADSs outstanding, representing approximately _____ % of our outstanding ordinary shares, assuming the underwriters do not exercise their over-allotment option to purchase additional ADSs. All of the ADSs sold in this offering will be freely transferable by persons other than by our “affiliates” without restriction or further registration under the Securities Act. Sales of substantial amounts of the ADSs in the public market could adversely affect prevailing market prices of the ADSs. Prior to this offering, there has been no public market for our ordinary shares or the ADSs. We have applied to list the ADSs on The Nasdaq Global Market, but we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our ordinary shares not represented by the ADSs.

Lock-up Agreements

For a period of 180 days after the date of this prospectus, we have agreed, subject to certain exceptions, not to directly or indirectly pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, except in this offering, any of our ordinary shares or ADSs or securities convertible into or exercisable or exchangeable for our ordinary shares or ADSs subject to certain exceptions, without the prior written consent of Citigroup Global Markets Inc., Jefferies LLC, Piper Sandler & Co. and Wells Fargo Securities, LLC. See “Underwriting” for additional information.

Furthermore, each of our officers, directors and other stockholders has also entered into a similar lock-up agreement for a period of 180 days from the date of this prospectus, subject to certain exceptions, with respect to our ordinary shares, ADSs and securities convertible into or exercisable or exchangeable for our ordinary shares or ADSs.

Other than this offering, we are not aware of any plans by any significant shareholders to dispose of significant numbers of the ADSs or ordinary shares. However, one or more existing shareholders or owners of securities convertible or exchangeable into or exercisable for the ADSs or ordinary shares may dispose of significant numbers of the ADSs or ordinary shares in the future. We cannot predict what effect, if any, future sales of the ADSs or ordinary shares, or the availability of ADSs or ordinary shares for future sale, will have on the trading price of the ADSs from time to time. Sales of substantial amounts of the ADSs or ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the trading price of the ADSs.

Rule 144

All of our ordinary shares that will be outstanding upon the completion of this offering, other than those ordinary shares represented by ADSs sold in this offering, are “restricted securities” as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirement such as those provided by Rule 144 and Rule 701 promulgated under the Securities Act. In general, beginning 180 days after the date of this prospectus, a person (or persons whose shares are aggregated) who at the time of a sale is not, and has not been during the three months preceding the sale, an affiliate of ours and has beneficially owned our restricted securities for at least six months will be entitled to sell the restricted securities without registration under the Securities Act, subject only to the availability of current public information about us, and will be entitled to sell restricted securities beneficially owned for at least one year without restriction. Persons who are our affiliates and have beneficially owned our restricted securities for at least six months may sell a number of restricted securities within any three-month period that does not exceed the greater of the following:

- 1% of the then outstanding ordinary shares of the same class, in the form of ADSs or otherwise, which immediately after this offering will equal approximately _____ ordinary shares, assuming the underwriters do not exercise their over-allotment option; or

- the average weekly trading volume of our ordinary shares of the same class, in the form of ADSs or otherwise, during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales by our affiliates under Rule 144 are also subject to certain requirements relating to manner of sale, notice and the availability of current public information about us.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our ordinary shares from us in connection with a compensatory share plan or other written agreement executed prior to the completion of this offering is eligible to resell those ordinary shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144. However, the Rule 701 shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

Regulation S

Regulation S provides generally that sales made in offshore transactions are not subject to the registration or prospectus-delivery requirements of the Securities Act. Accordingly, restricted securities may be sold in offshore transactions in compliance with Regulation S.

TAXATION

The following is a summary of Cayman Islands People's Republic of China and United States federal income tax consequences relevant to an investment in our ADSs and ordinary shares. To the extent that the discussion below relates to matters of Cayman Islands tax law, it is the opinion of Harney Westwood & Riegels, our Cayman Islands counsel. To the extent that the discussion below relates to matters of People's Republic of China tax law, it is the opinion of AllBright Law Offices, our PRC counsel. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser. The discussion is based on laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States. You should consult your tax advisors with respect to the consequences of acquisition, ownership and disposition of our ADSs and ordinary shares.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty.

No other taxes are likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares and ADSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of dividends or capital to any holder of our ordinary shares or ADSs, nor will gains derived from the disposal of our ordinary shares or ADSs be subject to Cayman Islands income or corporation tax.

No stamp duty is payable in respect of the issue of our ordinary shares or on an instrument of transfer in respect of our ordinary shares, unless the relevant instruments are executed in, or after execution brought within, the jurisdiction of the Cayman Islands or our company holds interests in land in the Cayman Islands.

Pursuant to section 6 of the Tax Concessions Law (as amended) of the Cayman Islands, the Company may obtain an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profit or income or gains or appreciations shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - on or in respect of the shares, debenture, or other obligations of the Company; or
 - by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (as amended).

PRC Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside China with “de facto management body” within China is considered as a Tax Resident Enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The implementation rules of the PRC Enterprise Income Tax Law define the term “de facto

management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel located in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of board members with voting rights or senior executives habitually reside in China.

It is unlikely that the Company will be considered as a PRC resident enterprise for PRC tax purposes as (i) the Company is incorporated outside of China and not controlled by a PRC enterprise or PRC enterprise group; and (ii) it does not meet all of the conditions above. 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.” There can be no assurance that PRC tax authorities will ultimately not take a different view.

If the PRC tax authorities determine that the Company is a PRC resident enterprise for enterprise income tax purposes, its worldwide income could be subject to 25% enterprise income tax; and any dividends payable to non-resident enterprise holders of our ordinary shares or ADSs may be treated as income derived from sources within China and therefore, could be subject to a 10% withholding tax (or 20% in the case of non-resident individual holders) unless an applicable income tax treaty provides otherwise. In addition, capital gains realized by non-resident enterprise shareholders (including our ADS holders) upon the disposition of our ordinary shares or ADSs may be treated as income derived from sources within PRC and therefore, subject to 10% income tax (or 20% in the case of non-resident individual shareholders or ADS holders) unless an applicable income tax treaty provides otherwise. It is unclear whether non-PRC shareholders of our company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that the Company is treated as a PRC resident enterprise. As the Company is unlikely to be deemed to be a PRC resident, holders of the ADSs and ordinary shares who are not PRC residents will unlikely be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares or ADSs. Therefore, no PRC income tax is likely to be payable by the holders of the ADSs and ordinary shares who are not PRC resident on above situations. SAT Public Notice 7 further clarifies that, if a non-resident enterprise derives income by acquiring and selling shares in an offshore listed enterprise in the public market, such income will not be subject to PRC tax. However, there is uncertainty as to the application of SAT Bulletin 37 and SAT Public Notice 7, the Company and its non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Bulletin 37 and SAT Public Notice 7 and the Company may be required to expend valuable resources to comply with SAT Bulletin 37 and SAT Public Notice 7 or to establish that the Company should not be taxed under SAT Bulletin 37 and SAT Public Notice 7. See “Risk Factors—Risks Related to Doing Business in China—If we are classified as a “resident enterprise” of China under the PRC Enterprise Income Tax Law, we and our non-PRC shareholders could be subject to unfavorable tax consequences, and our business, financial condition and results of operations could be materially and adversely affected.”

U.S. Federal Income Tax Consequences to U.S. Holders

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of the ADSs or ordinary shares by a U.S. Holder (as defined below) that holds the

ADSs or ordinary shares as “capital assets” (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service, or the IRS, with respect to any U.S. federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, Medicare, and alternative minimum tax considerations, or any state, local or non-U.S. tax considerations, relating to the ownership or disposition of the ADSs or ordinary shares. The following summary also does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- dealers or traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- governmental organizations;
- investors who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- investors required to accelerate the recognition of any item of gross income with respect to their ADSs or ordinary shares as a result of such income being recognized on an applicable financial statement;
- investors that actually or constructively own 10% or more of our stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or ordinary shares through such entities.

all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of the ADSs or ordinary shares.

General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of the ADSs or ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

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- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding the ADSs or ordinary shares and their partners are urged to consult their tax advisors regarding an investment in the ADSs or ordinary shares.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of the ADSs will be treated in this manner. Accordingly, deposits or withdrawals of ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

Dividends

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” distributions paid on the ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends received on the ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations. The amount of any dividend income paid in foreign currency will be the U.S. dollar amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the amount received. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Individuals and other non-corporate U.S. Holders may be subject to tax on dividend income from a “qualified foreign corporation” at a lower capital gains rate rather than the marginal tax rates generally applicable to ordinary income, provided that certain holding period and other requirements are met. A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the U.S. which the Secretary of the Treasury of the U.S. determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (ii) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the U.S. We expect the ADSs (but not our ordinary shares) will be readily tradeable on an established securities market in the United States. Since we do not expect that our ordinary shares will be listed on an established securities market, it is unclear whether dividends that we pay on our ordinary shares that are not represented by ADSs will meet the conditions required for the reduced tax rate. There can be no assurance that, the ADSs will continue to be considered readily tradeable on an established securities market in later years. Non-corporate U.S. Holders should consult their tax advisers regarding the availability of these reduced tax rates in their particular circumstances and in light of our possible PFIC status for any taxable year.

Dividends will generally be treated as income from foreign sources for United States foreign tax credit purposes and will generally constitute passive category income. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on the ADSs or ordinary shares (see “—People’s Republic of China Taxation”). For U.S. federal income tax purposes, the amount of the dividend income will include amounts withheld in respect of PRC withholding tax, if any. Depending on the U.S. Holder’s individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit not in excess of any applicable treaty rate in respect of any foreign withholding taxes imposed on dividends received on the ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder’s individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” a U.S. Holder will generally recognize gain or loss upon the sale or other disposition of the ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or ordinary shares. The gain or loss will generally be capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if the ADSs or ordinary shares have been held for more than one year. The deductibility of a capital loss is subject to limitations. Any such gain or loss that the U.S. Holder recognizes will generally be treated as U.S.-source income or loss for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits. However, we may be deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law. In such event, if PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares, a U.S. Holder that is eligible for the benefits of the United States-PRC income tax treaty may elect to treat such gain as PRC source income. If a U.S. Holder is not eligible for the benefits of the United States-PRC income tax treaty or fails to make the election to treat any gain as foreign source, then such U.S. Holder may not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or ordinary shares unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income derived from foreign sources in the same income category (generally, the passive category). Each U.S. Holder is advised to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of the ADSs or ordinary shares, including the availability of the foreign tax credit under its particular circumstances.

Passive Foreign Investment Company Rules

A non-U.S. corporation, such as our company, will be a PFIC if, in the case of any particular taxable year, either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s goodwill and other unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. For purposes of these rules, we will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Based on our operating history and the projected composition of our income and valuation of our assets, including goodwill, we do not expect to be a PFIC for the taxable year ending December 31, 2020. The determination of whether we are a PFIC is a fact-intensive determination made on an annual basis and the

applicable law is subject to varying interpretation. In particular, the characterization of our assets as active or passive may depend in part on our current and intended future business plans, which are subject to change. Our status as a PFIC will depend on the nature and composition of our income and the nature, composition and value of our assets (which may be determined based on the fair market value of each asset, with the value of goodwill and going concern value determined in large part by reference to the market value of our ADSs, which may be volatile). Therefore, declines in our market capitalization would adversely affect our PFIC status for any taxable year. Our status may also depend, in part, on how quickly we utilize our current cash balances and the cash proceeds from this offering in our business. Furthermore, prior to the commercialization of any of our product candidates, for any taxable year interest or other passive income may constitute 75% or more of our total gross income. Moreover, it is not entirely clear how the contractual arrangements between us, our VIE and its nominal shareholders will be treated for purposes of the PFIC rules, and we may be or become a PFIC if our VIE is treated as owned by us for these purposes. Even if we determine that we are not a PFIC for a taxable year, there can be no assurance that the Internal Revenue Service, or IRS, will agree with our conclusion and that the IRS would not successfully challenge our position. Accordingly, our U.S. counsel expresses no opinion with respect to our PFIC status for our taxable year ending December 31, 2019, and also expresses no opinion with regard to our expectations regarding our PFIC status for the current taxable year or any future taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds the ADSs or ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or ordinary shares), and (ii) any gain realized on the sale or other disposition of ADSs or ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each, a "pre-PFIC year"), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds the ADSs or ordinary shares and any of the entities in which we hold equity interests (including generally, our VIE or any of the entities in which our VIE holds equity interests) is also a PFIC (in each case, a "lower-tier PFIC"), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of the entities in which we hold equity interests, our VIE or any of the entities in which our VIE holds equity interests.

If we were a PFIC for any taxable year during which a U.S. Holder owned ADSs or ordinary shares, we would generally continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder owned the ADSs or ordinary shares, even if we ceased to meet the threshold requirements for PFIC status, unless the U.S. Holder made a timely "deemed sale" election, in which case any gain on the deemed sale would be taxed under the PFIC rules described above.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes this election with respect

to the ADSs, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss in each such taxable year the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of the ADSs and we cease to be classified as a PFIC, the U.S. Holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of the ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market as defined in applicable U.S. Treasury regulations. The ADSs will be treated as "regularly traded" for any calendar year in which more than a *de minimis* quantity of the ADSs are traded on a qualified exchange for at least 15 days during each calendar quarter. The Nasdaq Global Market, where our ADSs are listed, is a qualified exchange for this purpose.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

If we are a PFIC (or with respect to a particular U.S. Holder are treated as a PFIC) for a taxable year of ours in which we pay a dividend or the prior taxable year, the favorable tax rate described above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

At this time, we do not expect to provide U.S. shareholders with the information necessary for a U.S. shareholder to make a QEF election. Prospective investors should assume that a QEF election will not be available.

If a U.S. Holder owns the ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621 or such other form as is required by the U.S. Treasury Department. Each U.S. Holder is advised to consult its tax advisor regarding the potential tax consequences to such holder if we were, are or become a PFIC, including the possibility of making a mark-to-market election.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other "exempt recipient" and (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS. Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to their ownership of ADSs or ordinary shares, unless the ADSs or ordinary shares are held in accounts at financial institutions (in which case the accounts may be reportable if maintained by non-U.S. financial institutions). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the ADSs or ordinary shares.

UNDERWRITING

Citigroup Global Markets, Inc., Jefferies LLC, Piper Sandler & Co. and Wells Fargo Securities, LLC. are acting as joint book-running managers of this offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, the underwriters named below have severally agreed to purchase, and we have agreed to sell to them, the number of ADSs indicated below:

<u>Underwriter</u>	<u>Number of ADS</u>
Citigroup Global Markets Inc.	
Jefferies LLC	
Piper Sandler & Co.	
Wells Fargo Securities, LLC	
Total	

The underwriting agreement provides that the obligations of the underwriters to purchase the ADSs included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the ADSs (other than those covered by the over-allotment option described below) if they purchase any.

ADSs sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any ADSs sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed US\$ per ADS. After the initial public offering of the ADSs, if all the ADSs are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. The representatives have advised us that the underwriters do not intend to make sales to discretionary accounts.

The address of Citigroup Global Markets Inc. is 390 Greenwich Street, New York, New York 10013, the address of Jefferies LLC is 520 Madison Avenue, New York, NY 10022, the address of Piper Sandler & Co. is 800 Nicollet Mall, Minneapolis, MN 55402 and the address of Wells Fargo Securities, LLC is 500 West 33rd Street, New York, New York 10001.

If the underwriters sell more ADSs than the total number set forth in the table above, we have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional ADSs at the initial public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional ADSs approximately proportionate to that underwriter's initial purchase commitment set forth in the table above. Any ADSs issued or sold under the option will be issued and sold on the same terms and conditions as the other ADSs that are the subject of this offering.

We and our officers, directors, other stockholders and certain option holders have agreed that, subject to specified limited exceptions, for a period of 180 days from the date of this prospectus, or the Restricted Period, we and they will not, without the prior written consent of Citigroup Global Markets, Inc., Jefferies LLC, Piper Sandler & Co. and Wells Fargo Securities, LLC, offer, sell, contract to sell, pledge or otherwise dispose of, including the filing of a registration statement in respect of, or hedge any ordinary shares or ADSs or any securities convertible into, or exercisable or exchangeable for, our ordinary shares or ADSs, collectively referred to as lock-up securities. Citigroup Global Markets, Inc., Jefferies LLC, Piper Sandler & Co. and Wells Fargo Securities, LLC. in their sole discretion may release any of the securities subject to these lock-up agreements at any time, which, in the case of officers and directors, shall be with notice.

The lock-up restrictions relating to our officers, directors and other stockholders described in the immediately preceding paragraph are subject to specified exceptions, including the following:

- a. transactions relating to ordinary shares, ADSs or other securities acquired in the offering or in open market transactions after the completion of this offering, provided that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of ordinary shares, ADSs or other securities acquired in such open market transactions;
- b. transfers of ordinary shares to a depositary, solely for the purpose of converting such ordinary shares into restricted ADSs that are not freely tradeable in open market, whose restrictive legend shall not be removed prior to the end of the Restricted Period and whose holder shall have agreed to the same lock-up restrictions as those binding on the transferor;
- c. transfer of ordinary shares, ADSs or any security convertible into or exercisable or exchangeable for ordinary shares or ADSs as bona fide gifts, or through will or intestacy, or to “immediate family members” (as defined in Rule 16a-1(e) under the Exchange Act), to any trust for the direct or indirect benefit of the undersigned or any immediate family member of the undersigned, or to any entity beneficially owned and controlled by the undersigned, provided that any such transfer shall not involve a disposition of value;
- d. distributions of ordinary shares, ADSs or any security convertible into or exercisable or exchangeable for ordinary shares or ADSs to limited partners, stockholders or “affiliates” (as defined in Rule 12b-2 under the Exchange Act) of the undersigned; provided that any such transfer shall not involve a disposition of value;
- e. the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of ordinary shares or ADSs;
- f. transfers or dispositions of any securities to the Company in connection with the conversion of any convertible securities into ordinary shares or ADSs;
- g. ADSs or ordinary shares sold or tendered to the Company by the undersigned or withheld by the Company for tax withholding purposes in connection with the vesting of equity awards that are subject to a taxable event upon vesting, provided that such ADSs or ordinary shares will not be then offered or sold during the Restricted Period;
- h. sale, disposal or transfer of the undersigned’s securities pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction that is approved by the board of directors of the Company and made to all holders of the Company’s capital stock involving a change of control of the Company;

provided that:

- in the case of any transfer or distribution pursuant to clauses (c) and (d) above, each donee, transferee or distributee shall agree in writing to be bound by the same restrictions in place for the transferor for the duration that such restrictions remain in effect at the time of transfer;
- in the case of any transfer or distribution pursuant to clause (e) above, (i) such plan does not provide for the transfer of ordinary shares or ADSs during the Restricted Period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required of or voluntarily made by or on behalf of the undersigned or the Company regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of ordinary shares or ADSs may be made under such plan during the Restricted Period;
- in the case of any transfer or distribution pursuant to clause (h) above, if such tender offer, merger, consolidation or other similar transaction is not completed, the undersigned’s securities shall remain subject to the lock-up restrictions.

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Prior to this offering, there has been no public market for the ADSs in the United States. The initial public offering price for the ADSs will be determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price will be our stage of development, our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot assure you, however, that the price at which the ADSs will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our shares of ADSs will develop and continue after this offering.

We have applied for listing of the ADSs listed on the Nasdaq Global Market under the symbol “GRCL.”

The following table shows the per ADS and total underwriting discounts and commissions that we are to pay to the underwriters and proceeds to us, before estimated offering expenses, in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters’ over-allotment option:

	Per ADS	Total	
		No exercise	Full exercise
Public offering price	US\$	US\$	US\$
Underwriting discounts paid by us	US\$	US\$	US\$
Proceeds to us, before expenses	US\$	US\$	US\$

We estimate that expenses payable by us in connection with this offering, exclusive of underwriting discounts, will be approximately US\$. We have also agreed to reimburse the underwriters for expenses relating to clearance of this global offering with the Financial Industry Regulatory Authority in an amount up to US\$.

In connection with this offering, the underwriters may purchase and sell ADSs in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the underwriters’ over-allotment option, and other transactions that would stabilize, maintain or otherwise affect the price of the ADSs.

- Short sales involve secondary market sales by the underwriters of a greater number of ADSs than they are required to purchase in this offering:
 - “Covered” short sales are sales of ADSs in an amount up to the number of ADSs represented by the underwriters’ over-allotment option.
 - “Naked” short sales are sales of ADSs in an amount in excess of the number of ADSs represented by the underwriters’ over-allotment option.
- The underwriters can close out a short position by purchasing additional ADSs, either pursuant to the underwriters’ over-allotment option or in the open market.
 - To close a naked short position, the underwriters must purchase ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market after pricing that could adversely affect investors who purchase in this offering.
 - To close a covered short position, the underwriters must purchase ADSs in the open market or exercise their over-allotment option. In determining the source of ADSs to close the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase ADSs through their over-allotment option.

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- As an additional means of facilitating this offering, the underwriters may bid for, and purchase, ADSs on the Nasdaq Global Market, as long as such bids do not exceed a specified maximum, to stabilize the price of the ADSs.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the ADSs to be higher than the price that would otherwise prevail in the open market in the absence of these transactions. The underwriters may conduct these transactions on the Nasdaq Global Market, in the over-the-counter market or otherwise. The underwriters are not required to engage in any of these transactions and may discontinue them at any time.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

A prospectus in electronic format may be made available on websites maintained by one or more of the underwriters or their respective affiliates. The representatives may agree with us to allocate a number of ADSs to underwriters for sale to their online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' or their respective affiliates' websites and any information contained in any other website maintained by any of the underwriters or their respective affiliates is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors in this offering.

Other Relationships

The underwriters are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the European Economic Area and the United Kingdom

In relation to each member state of the European Economic Area and the United Kingdom that has implemented the Prospectus Directive (each, a relevant state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant state (the relevant implementation date), an offer of ADSs described in this prospectus may not be made to the public in that relevant state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the relevant state has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by us for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of ADSs shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an “offer of securities to the public” in any relevant state means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe for any ADSs, as the expression may be varied in that relevant state by any measure implementing the Prospectus Directive in that relevant state, and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant state) and includes any relevant implementing measure in the relevant state. The expression “2010 PD Amending Directive” means Directive 2010/73/EU.

The sellers of the ADSs have not authorized and do not authorize the making of any offer of ADSs through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the ADSs as contemplated in this prospectus. Accordingly, no purchaser of the ADSs, other than the underwriters, is authorized to make any further offer of the ADSs on behalf of the sellers or the underwriters.

Notice to Prospective Investors in the United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (1) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (2) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a relevant person).

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia, or Corporations Act) in relation to the ADSs has been or will be lodged with the Australian Securities & Investments Commission, or ASIC. This document has not been lodged with ASIC and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

- you confirm and warrant that you are either:
 - a “sophisticated investor” under Section 708(8)(a) or (b) of the Corporations Act;
 - a “sophisticated investor” under Section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant’s certificate to us which complies with the requirements of Section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;
 - a person associated with the company under Section 708(12) of the Corporations Act; or
 - a “professional investor” within the meaning of Section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance; and

- you warrant and agree that you will not offer any of the ADSs for resale in Australia within 12 months of that ADSs being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under Section 708 of the Corporations Act.

Notice to Prospective Investors in Canada

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to Section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in France

Neither this prospectus nor any other offering material relating to the ADSs described in this prospectus has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The ADSs have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

Neither this prospectus nor any other offering material relating to the ADSs has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the ADSs to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1° -or-2° -or 3° of the French Code *monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The ADSs may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Notice to Prospective Investors in People's Republic of China

This prospectus may not be circulated or distributed in the PRC and the ADSs may not be offered or sold, and will not offer or sell to any person for re-offering or resale directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph only, the PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

Notice to Prospective Investors in Hong Kong

The ADSs may not be offered or sold in Hong Kong by means of any document other than (1) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (2) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (3) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in the State of Israel

In the State of Israel, this prospectus shall not be regarded as an offer to the public to purchase shares of ADSs under the Israeli Securities Law, 5728—1968, which requires a prospectus to be published and authorized by the Israel Securities Authority, if it complies with certain provisions of Section 15 of the Israeli Securities Law, 5728—1968, including, inter alia, if: (1) the offer is made, distributed or directed to not more than 35 investors, subject to certain conditions, or the Addressed Investors; or (2) the offer is made, distributed or directed to certain qualified investors defined in the First Addendum of the Israeli Securities Law, 5728—1968, subject to certain conditions, or Qualified Investors. The Qualified Investors shall not be taken into account in the count of the Addressed Investors and may be offered to purchase securities in addition to the 35 Addressed Investors. We have not and will not take any action that would require us to publish a prospectus in accordance with and subject to the Israeli Securities Law, 5728—1968. We have not and will not distribute this prospectus or make, distribute or direct an offer to subscribe for the ADSs to any person within the State of Israel, other than to Qualified Investors and up to 35 Addressed Investors.

Qualified Investors may have to submit written evidence that they meet the definitions set out in of the First Addendum to the Israeli Securities Law, 5728—1968. In particular, we may request that Qualified Investors will each represent, warrant and certify to us and/or to anyone acting on our behalf: (1) that it is an investor falling within one of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968; (2) which of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968 regarding Qualified Investors is applicable to it; (3) that it will abide by all provisions set forth in the Israeli Securities Law, 5728—1968 and the regulations promulgated thereunder in connection with this offering; (4) that the shares of ADSs that it will be issued are, subject to exemptions available under the Israeli Securities Law, 5728 -1968: (a) for its own account; (b) for investment purposes only; and (c) not issued with a view to resale within the State of Israel, other than in accordance with the provisions of the Israeli Securities Law, 5728 -1968; and (5) that it is willing to provide further evidence of its Qualified Investor status. Addressed Investors may have to submit written evidence in respect of their identity and may have to sign and submit a declaration containing, inter alia, the Addressed Investor's name, address and passport number or Israeli identification number.

Notice to Prospective Investors in Japan

The ADSs offered in this prospectus have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The ADSs have not been offered or sold and will not be offered or sold,

directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (1) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (2) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (2) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the ADSs are subscribed or purchased under Section 275 of the SFA by a relevant party which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of ADSs and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs pursuant to an offer made under Section 275 of the SFA except:
 - to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of ADSs and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
 - where no consideration is or will be given for the transfer; or
 - where the transfer is by operation of law.

Notice to Prospective Investors in Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the ADSs described herein. The ADSs may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the ADSs constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this document nor any other offering or marketing material relating to the ADSs may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, nor the Company nor the ADSs have been or will be filed with or approved by any Swiss regulatory authority. The ADSs are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA (FINMA), and investors in the ADSs will not benefit from protection or supervision by such authority.

EXPENSES RELATED TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee, and The Nasdaq Global Market, or Nasdaq, entry and listing fee, all amounts are estimates.

SEC Registration Fee	US\$	*
FINRA Filing Fee		*
Nasdaq Global Market Entry and Listing Fee		*
Printing and Engraving Expenses		*
Legal Fees and Expenses		*
Accounting Fees and Expenses		*
Miscellaneous		*
Total	US\$	*

* To be completed by amendment

LEGAL MATTERS

We are being represented by Cooley LLP with respect to certain legal matters as to United States federal securities and New York State law. The underwriters are being represented by Davis Polk & Wardwell LLP with respect to certain legal matters as to United States federal securities and New York State law. The validity of the ordinary shares represented by the ADSs offered in this offering and legal matters as to Cayman Islands law will be passed upon for us by Harney Westwood & Riegels. Certain legal matters as to the People's Republic of China, or PRC, law will be passed upon for us by AllBright Law Offices and the underwriters by Zhong Lun Law Firm. Cooley LLP may rely upon Harney Westwood & Riegels with respect to matters governed by Cayman Islands law and AllBright Law Offices with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements as of December 31, 2018 and 2019 and for the years then ended included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The office of PricewaterhouseCoopers Zhong Tian LLP is located at 11/F PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai 200021, the People's Republic of China.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement, including relevant exhibits, with the SEC on Form F-1 under the Securities Act with respect to the underlying ordinary shares represented by the ADSs to be sold in this offering. We have also filed a related registration statement on Form F-6 with the SEC to register the ADSs. This prospectus, which constitutes a part of the registration statement on Form F-1, does not contain all of the information contained in the registration statement. You should read our registration statements and their exhibits and schedules for further information with respect to us and the ADSs. Statements made in this prospectus concerning the contents of any contract, agreement or other document are summaries of all material information about the documents summarized, but are not complete descriptions of all terms of these documents. If we file any of these documents as an exhibit to the registration statement, we refer you to the copy of the document that has been filed for a complete description of its terms. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit.

Immediately upon the effectiveness of the registration statement on Form F-1 of which this prospectus forms a part, we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC can be obtained over the internet at the SEC's website at www.sec.gov.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated combined financial statements prepared in conformity with IFRS, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, if we so request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

We maintain a corporate website at www.gracellbio.com. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus and our website address is included in this prospectus as an inactive textual reference only.

GRACELL BIOTECHNOLOGIES INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Gracell Biotechnologies Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Gracell Biotechnologies Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive loss, of changes in shareholders’ deficit and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People’s Republic of China
October 19, 2020

We have served as the Company’s auditor since 2020.

GRACELL BIOTECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Notes	As of December 31,		
		2018	2019	US\$
		RMB	RMB	(Note 2)
ASSETS				
Current assets:				
Cash and cash equivalents		11,890	312,058	45,961
Short-term investments		102,000	4,200	619
Prepayments and other current assets	3	14,072	24,095	3,549
Total current assets		127,962	340,353	50,129
Property, equipment and software	4	16,285	48,323	7,117
Other non-current assets	5	4,271	23,541	3,467
TOTAL ASSETS		148,518	412,217	60,713
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT				
Current liabilities:				
Accruals and other current liabilities (including accruals and other current liabilities of the consolidated VIEs without recourse to the Company of RMB6,369 and RMB7,886 as of December 31, 2018 and 2019, respectively)	6	7,440	18,166	2,675
Total current liabilities		7,440	18,166	2,675
Convertible loans (including convertible loans of the consolidated VIEs without recourse to the Company of Nil and Nil as of December 31, 2018 and 2019, respectively)	8	138,695	138,695	20,428
TOTAL LIABILITIES		146,135	156,861	23,103
Commitments and contingencies	14			
Mezzanine equity:				
Series A convertible redeemable preferred shares (US\$ 0.0001 par value; 36,567,165 and 31,343,284 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	8	83,404	82,334	12,126
Series B-2 convertible redeemable preferred shares (US\$ 0.0001 par value; Nil and 59,327,653 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	8	—	465,509	68,562
Total mezzanine equity		83,404	547,843	80,688
Shareholders' deficit:				
Ordinary shares(par value of US\$0.0001 per share; 500,000,000 and 500,000,000 shares authorized; 100,089,552 and 99,044,776 shares issued and outstanding as of December 31, 2018 and 2019, respectively; 189,715,711 shares issued and outstanding on a pro forma basis as of December 31, 2019 (unaudited))	7	69	68	10
Accumulated other comprehensive loss		—	(3,159)	(465)
Accumulated deficit		(81,090)	(289,396)	(42,623)
Total shareholders' deficit		(81,021)	(292,487)	(43,078)
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT		148,518	412,217	60,713

The accompanying notes are an integral part of these consolidated financial statements.

GRACELL BIOTECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Notes	For the years ended December 31,		
		2018	2019	US\$
		RMB	RMB	(Note 2)
Expenses				
Research and development expenses		(52,243)	(119,218)	(17,559)
Administrative expenses		(10,261)	(27,362)	(4,030)
Loss from operations		(62,504)	(146,580)	(21,589)
Interest income		1,435	3,932	579
Other income		256	1,449	213
Foreign exchange gain, net		—	2,556	376
Others, net		20	(21)	(3)
Loss before income tax		(60,793)	(138,664)	(20,424)
Income tax expense	10	—	—	—
Net loss		(60,793)	(138,664)	(20,424)
Deemed dividend to convertible redeemable preferred shareholders		—	(25,390)	(3,740)
Accretion of convertible redeemable preferred shares to redemption value	8	(12,199)	(36,802)	(5,420)
Net loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders		(72,992)	(200,856)	(29,584)
Other comprehensive loss				
Foreign currency translation adjustments, net of nil tax		—	(3,159)	(465)
Total comprehensive loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders		(72,992)	(204,015)	(30,049)
Weighted average number of ordinary shares used in per share calculation:				
—Basic	11	100,089,552	99,053,363	99,053,363
—Diluted	11	100,089,552	99,053,363	99,053,363
Net loss per share attributable to Gracell Biotechnologies Inc.'s ordinary shareholders				
—Basic	11	(0.73)	(2.03)	(0.30)
—Diluted	11	(0.73)	(2.03)	(0.30)

The accompanying notes are an integral part of these consolidated financial statements.

GRACELL BIOTECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' deficit
	Number of shares	Amount RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2018	100,089,552	69	876	—	(8,974)	(8,029)
Net loss	—	—	—	—	(60,793)	(60,793)
Accretion of convertible redeemable preferred shares to redemption value	—	—	(876)	—	(11,323)	(12,199)
Balance as of December 31, 2018	100,089,552	69	—	—	(81,090)	(81,021)
Net loss	—	—	—	—	(138,664)	(138,664)
Repurchase of ordinary shares (Note 7)	(1,044,776)	(1)	—	—	(7,450)	(7,451)
Repurchase of convertible redeemable preferred shares (Note 8)	—	—	—	—	(25,390)	(25,390)
Accretion of convertible redeemable preferred shares to redemption value	—	—	—	—	(36,802)	(36,802)
Foreign currency translation adjustment	—	—	—	(3,159)	—	(3,159)
Balance as of December 31, 2019	99,044,776	68	—	(3,159)	(289,396)	(292,487)

The accompanying notes are an integral part of these consolidated financial statements.

GRACELL BIOTECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	For the years ended December 31,		
	2018	2019	US\$
	RMB	RMB	(Note 2)
Cash flows from operating activities:			
Net loss	(60,793)	(138,664)	(20,424)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2,992	5,124	755
Foreign exchange gain, net	—	(2,556)	(376)
Changes in operating assets and liabilities:			
Prepayments and other current assets	(10,612)	(10,023)	(1,476)
Accrued liabilities and other current liabilities	6,557	10,726	1,580
Net cash used in operating activities	(61,856)	(135,393)	(19,941)
Cash flows from investing activities:			
Purchase of property, equipment and software	(11,357)	(56,432)	(8,312)
Investments in short-term investments	(335,000)	(80,200)	(11,812)
Proceeds from disposal of short-term investments	233,000	178,000	26,217
Net cash (used in) generated from investing activities	(113,357)	41,368	6,093
Cash flows from financing activities:			
Proceeds from issuance of convertible loans	138,695	—	—
Proceeds from issuance of convertible redeemable preferred shares	—	439,501	64,732
Repurchase of ordinary shares and preferred shares	—	(44,705)	(6,584)
Proceeds from bank borrowings	10,000	—	—
Repayments of bank borrowings	(10,000)	—	—
Net cash generated from financing activities	138,695	394,796	58,148
Effect of exchange rate on cash and cash equivalents	—	(603)	(90)
Net increase (decrease) in cash and cash equivalents	(36,518)	300,168	44,210
Cash and cash equivalents at the beginning of year	48,408	11,890	1,751
Cash and cash equivalents at the end of year	11,890	312,058	45,961
Supplemental cashflow disclosures:			
Non-cash activities:			
Deemed dividend to convertible redeemable preferred shareholders	—	25,390	3,740
Accretion of convertible redeemable preferred shares to redemption value	12,199	36,802	5,420

The accompanying notes are an integral part of these consolidated financial statements.

GRACELL BIOTECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

(a) Nature of operations

Gracell Biotechnologies Inc. (the “Company”), an exempted company with limited liability, was incorporated in Cayman Islands on May 22, 2018. The Company, through its consolidated subsidiaries and variable interest entity (“VIE”) (collectively referred to as the “Group”) engaged primarily in the business of discovering and developing cell therapies to resolve industry challenges and fulfill unmet medical needs in the treatment of cancer (collectively referred to as the “Gracell Business”). The Group’s principal operation and geographic market is in the People’s Republic of China (“PRC”).

(b) Reorganization

The Group carried out its principal business in the People’s Republic of China (the “PRC”) since May 22, 2017 mainly through Gracell Biotechnologies (Shanghai) Co., Ltd. (“Gracell Biotechnologies” or the “VIE”) in the PRC. In connection with the Company’s planned initial public offering on the overseas capital market and facilitate offshore financing, the Group underwent a reorganization through which Gracell Biotechnologies (HK) Limited and Gracell Bioscience (Shanghai) Co., Ltd., (the “WFOE”), were established. The Company then entered into a series of contractual arrangements among the WFOE, the VIE and the VIE’s shareholders in January 2019 and the VIE’s shareholders swapped their shares in the VIE for shares in the Company to establish the Company as the ultimate holding company and the VIE became the variable interest entity of the Group (“Reorganization”).

As of December 31, 2019, the Company’s principal subsidiaries are as follows:

	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Percentage of legal ownership by the Company</u>	<u>Principal activities</u>
<u>Subsidiaries</u>				
Gracell Biotechnologies Holdings Limited (“Gracell BVI”)	May 22, 2018	British Virgin Islands	100%	Investment holding
Gracell Biotechnologies (HK) Limited	June 7, 2018	Hong Kong	100%	Investment holding
Gracell Bioscience (Shanghai) Co., Ltd.	August 24, 2018	The PRC	100%	Research and development of innovative medicines
<u>VIE</u>				
Gracell Biotechnologies (Shanghai) Co., Ltd.	May 22, 2017	The PRC	—	Research and development of innovative medicines
<u>VIE’s subsidiary</u>				
Suzhou Gracell Biotechnologies Co., Ltd. (“Suzhou Gracell”)	April 23, 2018	The PRC	—	Research and development of innovative medicines

GRACELL BIOTECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019
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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(c) Basis of Presentation for the Reorganization

The Reorganization consists of transferring the Gracell Business to the Group, which is controlled by the founder immediately before and after the Reorganization. The Reorganization was a recapitalization with no substantial changes in the shareholding of the Company. Accordingly, the Reorganization is accounted for as a transaction under common control. Therefore, the accompanying consolidated financial statements include the assets, liabilities, revenue, expenses and cash flows of the Gracell Business for the periods presented and are prepared on a carryover basis as if the corporate structure of the Group after the Reorganization had been in existence throughout the periods presented. Accordingly, the effect of the ordinary shares and the preferred shares issued by the Company pursuant to the Reorganization have been presented retrospectively as of the beginning of the earliest period presented on the consolidated financial statements or the original issue date, whichever is later, as if such shares were issued by the Company when the Group issued such interests.

(d) Contractual agreements with the VIE

Due to restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in the development and application of human stem cell or gene diagnostic and therapeutic technologies, the Group operates its restricted businesses in the PRC through its VIE, whose equity interests are ultimately held by the founder and other shareholders of the Group through the VIE's nominee shareholder. The Company obtained control over the VIE by entering into a series of contractual arrangements with the VIE's legal shareholder who is also referred to as nominee shareholder. The nominee shareholder is the legal owner of the VIE. However, the rights of the nominee shareholder have been transferred to the Group through the contractual arrangements.

The contractual arrangements used to control the VIE are the voting rights proxy agreement, call option agreement, technology consultation and service agreement, business cooperation agreement and equity pledge agreement. The Company's management concluded that the Company, through the contractual arrangements, has the power to direct the activities that most significantly impact the VIE's economic performance and bears the risks of and enjoys the rewards normally associated with ownership of the VIE. Therefore, the Company is the ultimate primary beneficiary of the VIE. As such, the Company consolidates the financial statements of the VIE and its subsidiary, and the financial results of the VIE were included in the Group's consolidated financial statements in accordance with the basis of presentation as stated in Note 2 (a).

The following is a summary of the principal terms of the contractual agreements entered into by and among the WFOE, the VIE and the nominee shareholders of the VIE are described below:

Voting rights proxy agreement

The WFOE, the Group's VIE and the nominee shareholders of the VIE have entered into an voting rights proxy agreement, pursuant to which the nominee shareholders of the Group's VIE irrevocably appointed WFOE or its designated persons as their attorney-in-fact to exercise all of their rights as a shareholder of the VIE, including, but not limited to, propose to hold a shareholders' meeting, exercise all shareholder's voting rights with respect to all matters to be discussed and voted in the shareholders' meeting including but not limited to designate and appoint the director, the chief executive officer and other senior management members of the Company and exercise other voting rights the shareholders are entitled to.

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(d) Contractual agreements with the VIE (Continued)

Voting rights proxy agreement (Continued)

The agreement will remain in force for twenty (20) years and can be extended only if the WFOE gives its written notice of the extension of this agreement before the expiration of this agreement and the other parties shall agree with this extension without reserve.

On December 20, 2019, William Wei Cao entered into an amended voting rights proxy agreement and power of attorney with the WFOE and the VIE, which contain terms substantially similar to the voting rights proxy agreement and power of attorney described above.

Call option agreement

The WFOE, the Group's VIE and the nominee shareholders of the VIE have entered into a call option agreement, pursuant to which the shareholders of the VIE irrevocably granted the WFOE an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of their equity interests in the VIE and the purchase price shall be the lowest price permitted by applicable PRC law. The shareholders undertake that, without the prior written consent of the WFOE, they shall not sell, transfer, mortgage or otherwise dispose of its equity interests in the VIE or allow the encumbrance thereon of any security interest, increase or decrease the registered capital of the VIE, appoint or replace any directors of the VIE, sell, transfer, mortgage or dispose of the VIE's assets or beneficial interest in the business or revenues, conduct any merger, acquisition or investments, declare or distribution any dividend; change or amend articles of association or incur any debts or guarantee liabilities. The exclusive option agreement will remain effective until all equity interests in the VIE are transferred or assigned to the WFOE or its designated representative(s).

Technology consultation and service agreement

The WFOE and the VIE entered into a technology consultation and service agreement under which the WFOE engages the VIE as its exclusive consultant and provider of fund, human, technology and intellectual properties service and technical support, consulting services and other commercial services on exclusive basis in relation to the principal business. The WFOE has exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created during the performance of this agreement. During the term of the agreement, the VIE may not enter into any agreement with third parties for the provision of identical or similar service without prior consent of the WFOE. In exchange, WFOE agrees to pay an annual service fee to the VIE and such fee is determined by WFOE based on its services provided including various factors such as WFOE's incurred technology support and consulting services fees, performance data and the VIE's revenues. The agreement will remain in force for twenty (20) years and can be extended with WFOE's written notice of the extension before the expiration of this agreement and the VIE shall agree with this extension without reserve.

Business cooperation agreement

Under the business cooperation agreement entered between the VIE and WFOE, WFOE has the exclusive right to provide to the VIE technology support, consulting services and other commercial services including market analysis and consultation, products research and development, training and operation management consultation

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(d) Contractual agreements with the VIE (Continued)

Business cooperation agreement (Continued)

services. The VIE can't sell, dispose, pledge the intellectual property rights created by the performance of this agreement which should be exclusively owned by WFOE. In exchange, WFOE agrees to pay an annual service fee to VIE based on the services provided including various factors such as WFOE's incurred technology support and consulting services fees, performance data and VIE's profit. The agreement shall maintain effective unless terminated under applicable PRC laws and regulations.

Equity Pledge Agreement

Pursuant to the share pledge agreement entered between the VIE and its shareholders and WFOE, the shareholders of VIE have to pledge all of their equity interests in the VIE to WFOE to guarantee the performance by the VIE and its shareholders' performance of their respective obligations under the call option agreement, technology consultation and service agreement, and voting rights proxy agreement. If the VIE and/or its shareholders breach their contractual obligations under those agreements, WFOE, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. The shareholders of VIE also undertakes that, during the term of the equity pledge agreements, they shall not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. During the term of the equity pledge agreement, WFOE has the right to receive all of the dividends and profits distributed on the pledged equity interests. The pledge will remain binding until the VIE and their shareholders discharge all their obligations under the contractual arrangements.

Spouse Consent Letter

On January 3, 2019, the spouse of the founder, unconditionally and irrevocably agreed that the equity interest in the VIE held by the founder will be disposed of pursuant to the equity pledge agreement, the voting rights proxy agreement and the call option agreement. The spouse agreed not to make any assertions in connection with the equity interest in the VIE held by the founder.

Risks in relation to the VIE structure

A significant part of the Group's business is conducted through the VIE of the Group, of which the Company is the ultimate primary beneficiary. In the opinion of the management, the contractual arrangements with the VIE and the nominee shareholder are in compliance with PRC laws and regulations and is legally binding and enforceable. Nominee shareholders indicate that they will not act contrary to the contractual arrangements. However, there are substantial uncertainties regarding the interpretation and application of the PRC laws and regulations including those that govern the contractual arrangements, which could limit the Group's ability to enforce these contractual arrangements and if nominee shareholders of the VIE was to reduce their interests in the Group, their interest may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the contractual arrangements.

It is possible that the Group's operation of certain of its operations and businesses through the VIE could be found by PRC authorities to be in violation of PRC law and regulations prohibiting or restricting foreign

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(d) Contractual agreements with the VIE (Continued)

Risks in relation to the VIE structure (Continued)

ownership of companies that engage in such operations and businesses. While the Group's management considers the possibility of such a finding by PRC regulatory authorities under current law and regulations to be remote, on March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the PRC, which became effective on January 1, 2020 and replaces three laws regulating foreign investment in China, namely, the Wholly Foreign-Invested Enterprise Law of the PRC, the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC and the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC, together with their implementation rules and ancillary regulations. The Foreign Investment Law of the PRC embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For example, the Foreign Investment Law of the PRC adds a catch-all clause to the definition of "foreign investment" so that foreign investment, by its definition, includes "investments made by foreign investors in China through other means defined by other laws or administrative regulations or provisions promulgated by the State Council" without further elaboration on the meaning of "other means." It leaves leeway for the future legislations promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. It is therefore uncertain whether the Group's corporate structure will be seen as violating the foreign investment rules as the Group are currently leveraging the contractual arrangements to operate certain businesses in which foreign investors are prohibited from or restricted to investing. Furthermore, if future legislations prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangement, the Group may face substantial uncertainties as to whether the Group can complete such actions in a timely manner, or at all. If the Group fails to take appropriate and timely measures to comply with any of these or similar regulatory compliance requirements, the Group's current corporate structure, corporate governance and business operations could be materially and adversely affected.

If the Group's corporate structure or the contractual arrangements with the VIE were found to be in violation of any existing or future PRC laws and regulations, the PRC regulatory authorities could, within their respective jurisdictions:

- revoking the business licenses and/or operating licenses of such entities;
- discontinuing or placing restrictions or onerous conditions on the Group's operation through any transactions between the PRC subsidiary and the VIE;
- imposing fines, confiscating the income from the PRC subsidiary or the VIE, or imposing other requirements with which the VIE may not be able to comply;
- requiring the Group to restructure the ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledges of the VIE, which in turn would affect the Group's ability to consolidate, derive economic interests from, or exert effective control over the VIE;

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(d) Contractual agreements with the VIE (Continued)

Risks in relation to the VIE structure (Continued)

- restricting or prohibiting the Group's use of the proceeds of this offering to finance the Group's business and operations in China; or
- taking other regulatory or enforcement actions that could be harmful to the Group's business.

The imposition of any of these restrictions or actions could result in a material adverse effect on the Group's ability to conduct its business. In such case, the Group may not be able to operate or control the VIE, which may result in deconsolidation of the VIE in the Group's consolidated financial statements. In the opinion of the management, the likelihood for the Group to lose such ability is remote based on current facts and circumstances. The Group believes that the contractual arrangements among each of the VIE, their respective shareholders and relevant wholly foreign owned enterprise are in compliance with PRC law and are legally enforceable. The Group's operations depend on the VIE to honor their contractual arrangements with the Group. These contractual arrangements are governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in the PRC. The Company's management believes that each of the contractual arrangements constitutes valid and legally binding obligations of each party to such contractual arrangements under the PRC laws. However, the interpretation and implementation of the laws and regulations in the PRC and their application on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual arrangements. Meanwhile, since the PRC legal system continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group to enforce the contractual arrangements should the VIE or the nominee shareholders of the VIE fail to perform their obligations under those arrangements.

The contractual arrangements cannot be unilaterally terminated. Management concluded that the Company, through the WFOE and the contractual arrangements, has the power and control to direct the activities that most significantly impact the VIE's economic performance, bears the risks and enjoys the rewards normally associated with ownership of the VIE, receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks and expected losses from the VIE as if it was their sole shareholder and therefore the Company is the ultimate primary beneficiary of the VIE. As such, the Group consolidates the financial results of the VIE which are prepared in accordance with the basis of presentation as stated in Note 2 below.

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(d) Contractual agreements with the VIE (Continued)

Risks in relation to the VIE structure (Continued)

The following financial information of the Group's VIE and the VIE's subsidiary as of December 31, 2018 and 2019 and for the years ended December 31, 2018 and 2019 is included in the accompanying consolidated financial statements of the Group as follows:

	As of December 31,		
	2018 RMB	2019 RMB	US\$ (Note 2)
ASSETS			
Current assets:			
Cash and cash equivalents	11,890	42,153	6,208
Short-term investments	102,000	4,200	619
Amounts due from related parties	3,980	51,835	7,634
Prepayments and other current assets	10,230	17,912	2,638
Total current assets	128,100	116,100	17,099
Property, equipment and software	16,285	36,350	5,354
Other non-current assets	4,272	17,682	2,604
TOTAL ASSETS	148,657	170,132	25,057
LIABILITIES			
Current liabilities:			
Amounts due to related parties	138,695	218,719	32,214
Accruals and other current liabilities	6,369	7,886	1,161
Total current liabilities	145,064	226,605	33,375
Amounts due to related parties	—	23,000	3,388
TOTAL LIABILITIES	145,064	249,605	36,763

	For the years ended December 31,		
	2018 RMB	2019 RMB	US\$ (Note 2)
Total revenue from related parties	130	6,604	973
Net loss	(59,582)	(83,066)	(12,234)

	For the years ended December 31,		
	2018 RMB	2019 RMB	US\$ (Note 2)
Net cash used in operating activities	(61,856)	(87,277)	(12,855)
Net cash generated from (used in) investing activities	(113,358)	59,281	8,731
Net cash generated from financing activities	138,695	58,259	8,581

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(d) Contractual agreements with the VIE (Continued)

Risks in relation to the VIE structure (Continued)

The Company's involvement with the VIE is through the contractual arrangements disclosed in Note 1. All recognized assets held by the VIE are disclosed in the table above.

In accordance with various contractual agreements, the Company has the power to direct the activities of the VIE and can have assets transferred out of the VIE. Therefore, the Company considers that there are no assets in the respective VIE that can be used only to settle obligations of the respective VIE, except for the registered capital of the VIE. As the respective VIE is incorporated as limited liability company under the PRC Company Law, creditors do not have recourse to the general credit of the Company for the liabilities of the respective VIE. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIE. As the Group is conducting certain businesses in the PRC through the VIE, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss. There is no VIE in the Group where the Company or any subsidiary has a variable interest but is not the primary beneficiary.

The Group believes that the contractual arrangements among the VIE shareholders, the VIE and the WFOE comply with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of the VIE were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

The Company's ability to control the VIE also depends on the voting rights proxy and the effect of the share pledge under the Equity Pledge Agreement and the WFOE has to vote on all matters requiring shareholders' approval in the VIE. As noted above, the Company believes this voting right proxy is legally enforceable but may not be as effective as direct equity ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompany consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Principal accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

Principles of Consolidation

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries and the VIE for which the Company is the primary beneficiary. All transactions and balances among the Company, its subsidiaries, and the VIE have been eliminated upon consolidation.

A subsidiary is an entity in which the Company, directly or indirectly: (1) controls more than one half of the voting power; (2) has the power to appoint or remove the majority of the members of the board of directors;

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

(3) casts a majority of votes at the meeting of the board of directors; or (4) governs the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

The Company applies the guidance codified in Accounting Standard Codification (“ASC”) 810, Consolidations, which contains guidance of accounting for VIEs. The guidance requires certain variable interest entities to be consolidated by the primary beneficiary of the entity in which it has a controlling financial interest. A consolidated VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of expenses during the reporting periods. Significant estimates and assumptions reflected in the Group’s consolidated financial statements include, but are not limited to, the useful lives and impairment of long-lived assets, deferred tax valuation allowance, share-based compensation expenses. Management bases the estimates on historical experience and various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could materially differ from those estimates.

Foreign currency translation

The Group uses Chinese Renminbi (“RMB”) as its reporting currency. The United States Dollar (“US\$”) is the functional currency of the Group’s entities incorporated in the Cayman Islands, Hong Kong, the RMB is the functional currency of the Company’s PRC subsidiaries.

Transactions denominated in other than the functional currencies are translated into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in other than the functional currencies are translated at the balance sheet date exchange rate. The resulting exchange differences are recorded in the consolidated statements of comprehensive loss as foreign currency translation adjustments.

The consolidated financial statements of the Group are translated from the functional currency to the reporting currency, RMB. Assets and liabilities of the subsidiaries are translated into RMB using the exchange rate in effect at each balance sheet date. Income and expenses are translated at the average exchange rates prevailing during the fiscal year. Foreign currency translation adjustments arising from these are reflected in the accumulated other comprehensive income.

Translations of balances in the consolidated balance sheets, consolidated statements of comprehensive loss, consolidated statements of changes in shareholders’ deficit and consolidated statements of cash flows from RMB

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

into US\$ as of and for the year ended December 31, 2019 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.7896, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2019, or at any other rate. The US\$ convenience translation is not required under U.S. GAAP and all US\$ convenience translation amounts in the accompanying consolidated financial statements are unaudited.

Cash and cash equivalents

Cash and cash equivalents primarily consist of cash and demand deposits which are highly liquid. The Group considers highly liquid investments that are readily convertible to known amounts of cash and with original maturities from the date of purchase of three months or less to be cash equivalents. All cash and cash equivalents are unrestricted as to withdrawal and use.

Short-term investments

Short-term investments are deposits at bank with maturities of greater than three months, but less than twelve months. Short-term investments are stated at cost, which approximates fair value. Interest earned is included in interest income.

Fair value measurements

The Group applies ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided for fair value measurements. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements (Continued)

The carrying amounts of cash and cash equivalent, short-term investments, other current assets, accrued liabilities and other current liabilities and convertible loans approximate their fair values because of their generally short maturities.

Property, equipment and software

Property and equipment and software are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Estimated Useful Life
Machinery and laboratory equipment	5 years
Vehicles	4 years
Furniture and tools	3-5 years
Electronic equipment	3 years
Computer software	3-5 years
Leasehold improvements	Lesser of lease terms or estimated useful lives of the assets

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extend the useful lives of property, equipment and software are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation and amortization from the asset and accumulated depreciation and amortization accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

Impairment of long-lived assets

The Group evaluates the recoverability of its long-lived assets, including fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. When these events occur, the Group measures impairment by comparing the carrying amount of the assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss based on the excess of the carrying amount of the assets over their fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available. The adjusted carrying amount of the assets is the new cost basis and is depreciated over the assets' remaining useful lives. Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

No impairment loss was recorded for the years ended December 31, 2018 and 2019.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

In accordance with ASC 280, *Segment Reporting*, the Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer. The Group's CODM reviews the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group. The Group operates and manages its business as a single segment. The Group does not distinguish between markets for the purpose of making decisions about resources allocation and performance assessment. Hence, the Group has only one operating segment and one reportable segment. No geographical segments are presented as substantially all of the Group's long-lived assets are located in the PRC.

Research and development expenses

Elements of research and development expenses primarily include (1) payroll and other related costs of personnel engaged in research and development activities, (2) costs related to pre clinical testing of the Group's technologies under development and clinical trials such as payments to contract research organizations ("CRO") and contract manufacturing organizations ("CMO"), investigators and clinical trial sites that conduct the clinical studies; (3) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation and amortization, and facility related expenses, (4) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to the Group's research and development services and have no alternative future uses in accordance with ASC 730, *Research and Development*. As of December 31, 2019, the Group has several ongoing clinical studies in various clinical trial stages. The contracts with CRO and CMO are generally cancellable, with notice, at the Group's option. The Group did not record any accrued expenses related to cancellation of CRO or CMO contracts as of December 31, 2019 as the Group did not have any plan to cancel the existing CRO or CMO contracts.

Government subsidies

Government subsidies primarily consist of financial subsidies received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the governments. The Group's PRC based subsidiaries received government subsidies from certain local governments. The Group's government subsidies consist of specific subsidies and other subsidies. Specific subsidies are subsidies that the local government has set certain conditions for the subsidies. Other subsidies are the subsidies that the local government has not set any conditions and are not tied to future trends or performance of the Group, receipt of such subsidy income is not contingent upon any further actions or performance of the Group and the amounts do not have to be refunded under any circumstances. For the years ended December 31, 2018 and 2019, no specific subsidies were received by the Group. Other subsidies are recognized as other income upon receipt as further performance by the Group is not required.

Leases

Leases are classified at the inception date as either a capital lease or an operating lease. The Group assesses a lease to be a capital lease if any of the following conditions exists: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. The Group had no capital leases for the years ended December 31, 2018 and 2019.

All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis over their respective lease terms. The Group leases certain office space under non-cancelable operating lease agreements. Certain lease agreements contain rent holidays. Rent holidays are considered in determining the straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the leased property for purpose of recognizing lease expense on straight-line basis over the term of the lease.

Comprehensive loss

Comprehensive loss is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Accumulated other comprehensive loss of the Group includes foreign currency translation adjustments.

Income taxes

The Group follows the liability method of accounting for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in tax expense in the period that includes the enactment date of the change in tax rate.

The Group evaluates its uncertain tax positions using the provisions of ASC 740, which prescribes a recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements.

The Group recognizes in the consolidated financial statements the benefit of a tax position which is "more likely than not" to be sustained under examination based solely on the technical merits of the position assuming a review by tax authorities having all relevant information. Tax positions that meet the recognition threshold are measured using a cumulative probability approach, at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. It is the Group's policy to recognize interest and penalties related to unrecognized tax benefits, if any, as a component of income tax expense.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based compensation

The Company grants share options to eligible employees and consultants and accounts for share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*.

The Company follows ASC 718 to determine whether a share option should be classified and accounted for as a liability award or equity award. All grants of share-based awards to employees, management and nonemployees classified as equity awards are recognized in the financial statements based on their grant date fair values which are calculated using the binomial option pricing model.

Employees' share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses (a) immediately at the grant date if no vesting conditions are required; or (b) for share-based awards granted with only service conditions, using the straight-line method, over the vesting period; or (c) for share-based awards granted with service conditions and the occurrence of an initial public offering ("IPO") as performance condition, cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the IPO, using the graded vesting method.

The Company early adopted Accounting Standards Update ("ASU") 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* from the earliest period presented to recognize the effect of forfeiture in compensation cost when they occur.

Net loss per share

In accordance with ASC 260, *Earnings Per Share*, basic net loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of unrestricted ordinary shares outstanding during the year using the two-class method. Under the two-class method, net loss is allocated between ordinary shares and other participating securities based on dividends declared (or accumulated) and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed. The Company's convertible redeemable preferred shares are participating securities because they are entitled to receive dividends or distributions on an as converted basis. Diluted net loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares include ordinary shares issuable upon the conversion of the convertible redeemable preferred shares using the if-converted method, and ordinary shares issuable upon the exercise of share options, using the treasury stock method. Ordinary share equivalents are excluded from the computation of diluted earnings per share if their effects are anti-dilutive. For the periods presented herein, the computation of basic net loss per share using the two-class method is not applicable as the Group is in a net loss position and the participating securities do not have contractual rights and obligations to share in the losses of the Group.

Employee defined contribution plan

As stipulated by the regulations of the PRC, full-time employees of the Group are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee defined contribution plan (Continued)

government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the qualified employees' salaries. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed. The Group has no further payment obligations once the contributions have been paid. The Group recorded employee benefit expenses of RMB 19,967 and RMB 35,157 for the years ended December 31, 2018 and 2019, respectively.

Concentration of risks

Concentration of credit risk

As of December 31, 2018 and 2019, the aggregate amount of cash and cash equivalents and short-term investments of RMB 113,890 and RMB 221,568 respectively, were held at major financial institutions located in the PRC, and nil and RMB 94,690, respectively, were deposited with major financial institutions located outside the PRC. These financial institutions are of high credit quality and management continually monitors the credit worthiness of these financial institutions.

Business and economic risk

The Group believes that changes in any of the following areas could have a material adverse effect on the Group's future consolidated financial position, results of operations or cash flows: changes in the overall demand for services; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in certain strategic relationships; regulatory considerations and risks associated with the Group's ability to attract employees necessary to support its growth. The Group's operations could also be adversely affected by significant political, regulatory, economic and social uncertainties in the PRC.

Foreign currency exchange rate risk

A significant portion of the Group's businesses are transacted in RMB, which is not a freely convertible currency. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People's Bank of China (the "PBOC"). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into US\$ or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For U.S. dollar against RMB, there was appreciation of approximately 5.7% and 1.3% in the years ended December 31, 2018 and 2019, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02 (“ASU 2016-02”), Leases (Topic 842), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. In July 2018, the FASB issued ASU No. 2018-10 (“ASU 2018-10”), Codification Improvements to Topic 842, Leases, which clarifies certain aspects of the guidance issued in ASU 2016-02; and ASU No. 2018-11 (“ASU 2018-11”), Leases (Topic 842): Targeted Improvements, which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity’s reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, Leases). In November 2019, the FASB issued ASU No. 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), Effective Dates (“ASU 2019-10”), which extends the adoption date for certain registrants. The updated guidance is effective for the Group for annual reporting periods beginning January 1, 2021 and interim periods within annual periods beginning January 1, 2022. The Group will adopt ASU 2016-02 in its first quarter of 2021 utilizing the modified retrospective transition method. While the Group is currently evaluating the impact of adopting ASU 2016-02, based on the lease portfolio as of December 31, 2019, the Group anticipates recording lease assets and liabilities of approximately RMB 30 million to RMB 40 million on its consolidated balance sheets, with no material impact to its consolidated statements of comprehensive loss and consolidated statements of cash flows. However, the ultimate impact of adopting ASU 2016-02 will depend on the Group’s lease portfolio as of the adoption date.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Group’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In November 2019, the FASB issued ASU 2019-10, which extends the adoption date for certain registrants. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2023, including interim periods within fiscal years beginning after December 15, 2023 for the Group. The Group does not plan to early adopt ASU 2016-13 and is currently in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to nonemployee share based payment accounting (“ASU 2018-07”). The amendments in this update expand the scope of Topic 718 to include share based payment transactions for acquiring goods and services from nonemployees. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The Group adopted the ASU on January 1, 2018 and there was not a material impact on the consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting pronouncements (Continued)

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of ASU 2018-13. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. The Group does not plan to early adopt ASU 2018-13 and is currently in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements but anticipates the impact would be immaterial.

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606. This update clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer and precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The update is effective in fiscal years beginning after December 15, 2021, and interim periods therein, and early adoption is permitted for entities that have adopted ASC 606. This guidance should be applied retrospectively to the date of initial application of Topic 606. The Group elected to early adopt this ASU and the impact of this ASU to the consolidated financial statements is immaterial, as no revenue was recorded for the years ended December 31, 2019 and 2018.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This update simplifies the accounting for income taxes as part of the FASB’s overall initiative to reduce complexity in accounting standards. The amendments include removal of certain exceptions to the general principles of ASC 740, Income taxes, and simplification in several other areas such as accounting for a franchise tax (or similar tax) that is partially based on income. The update is effective in fiscal years beginning after December 15, 2022, and interim periods therein, and early adoption is permitted. Certain amendments in this update should be applied retrospectively or modified retrospectively, all other amendments should be applied prospectively. The Group does not plan to early adopt ASU 2019-12 and is currently evaluating the impact on its financial statements of adopting this guidance.

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3. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

	As of December 31,		
	2018	2019	US\$
	RMB	RMB	(Note 2)
Deductible value-added tax input	6,200	13,770	2,028
Prepayments for CRO and other services	4,521	5,427	799
Deposits	3,181	3,959	583
Others	170	939	139
	<u>14,072</u>	<u>24,095</u>	<u>3,549</u>

4. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consist of the following:

	As of December 31,		
	2018	2019	US\$
	RMB	RMB	(Note 2)
Machinery and laboratory equipment	11,956	20,281	2,987
Leasehold improvements	3,317	5,654	833
Construction in Progress	2,673	28,515	4,200
Vehicles	1,066	1,088	160
Others	485	1,121	165
Total property, equipment and software	19,497	56,659	8,345
Less: accumulated depreciation and amortization	(3,212)	(8,336)	(1,228)
Property, equipment and software, net	<u>16,285</u>	<u>48,323</u>	<u>7,117</u>

Depreciation and amortization expenses recognized for the years ended December 31, 2018 and 2019 were RMB2,992 and RMB5,124, respectively.

5. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	As of December 31,		
	2018	2019	US\$
	RMB	RMB	(Note 2)
Prepayment for property, equipment and software	<u>4,271</u>	<u>23,541</u>	<u>3,467</u>

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6. ACCRUALS AND OTHER CURRENT LIABILITIES

Accruals and other current liabilities consist of the following:

	2018	As of December 31, 2019	
	RMB	RMB	US\$ (Note 2)
Salary and welfare payables	3,885	6,720	990
Accrued external research and development related expenses	2,002	6,942	1,022
Professional service fees	3	2,092	308
Rental fees	1,072	2,072	305
Others	478	340	50
	<u>7,440</u>	<u>18,166</u>	<u>2,675</u>

7. ORDINARY SHARES

As at December 31, 2018 and 2019, 500,000,000 ordinary shares with a par value of \$0.0001 had been authorized by the Company. Each ordinary share is entitled to one vote. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors of the Company. In 2017, the VIE issued 9,800,000 ordinary shares to William Wei Cao with total consideration of RMB2,150 and 208,955 ordinary shares to Shanghai Guidance Capital Ltd. (“Shanghai Zhaoheng”) and Suzhou Tonghe Venture Investment Partnership II (L.P.) (“Tonghe II”) for a total consideration of RMB200. On January 3, 2019, the VIE repurchased 104,478 shares of ordinary shares held by Shanghai Zhaoheng. As part of the Reorganization in January 2019, the former ordinary shares were exchanged for ordinary shares of the Company on a 1:10 basis. As at December 31, 2019, 99,044,776 shares of ordinary shares were issued and outstanding.

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES

On August 8, 2017, the VIE issued 3,656,716 shares of Series A convertible redeemable preferred shares (“Series A Preferred Shares”) to certain investors at US\$3.032 per share for a total consideration of US\$11,087 (equivalent to approximately RMB69,800).

On August 14, 2018, the Company, the VIE and certain investors entered into a convertible loan agreement and a warrant agreement. Prior to the obtaining of requisite overseas direct investment approvals (“ODI approval”), the investors agreed to provide a convertible loan in an aggregate principal amount of US\$22,000 (equivalent to approximately RMB138,695) to the VIE, with no interest and acquire warrants to subscribe for a total number of 21,735,721 Series B1 Preferred Shares of the Company at US\$1.0122 per share.

On January 3, 2019, the VIE repurchased 104,478 shares of ordinary shares and 522,388 shares of Series A Preferred Shares for an aggregate price of US\$6,657 (equivalent to approximately RMB44,705). The consideration exceeded the carrying value of repurchased ordinary shares and Series A Preferred Shares by RMB32,840, which was recorded as deemed dividend to the ordinary and preferred shareholders.

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8. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

As part of the Reorganization in January 2019, the former Series A Preferred Shares were exchanged for 31,343,284 Series A Convertible Redeemable Preferred Shares of the Company (“Series A Preferred Shares”) on a 1:10 basis at US\$0.3032 per share.

On February 22, 2019, the Company issued 59,327,653 shares of Series B-2 convertible redeemable preferred shares (“Series B-2 Preferred Shares”) to certain investors at US\$1.0619 per share for total consideration of US\$63,000 (equivalent to approximately RMB439,501). Series B-1 Preferred Shares and Series B-2 Preferred Shares are collectively referred to as the Series B Preferred Shares.

As disclosed in Note 1(b), the Group had undergone the Reorganization and changed the issuer of the Series A Preferred Shares to be the reporting entity through share swaps. The major terms and number of shares of the Series A Preferred Shares have remained the same. Thus, there is no accounting impact as a result of the Reorganization at the consolidated level. As further discussed in Note 1(b), the Reorganization was a transaction by Group entities under common control. The equity section of the Company after the Reorganization is assumed to have existed from the earliest period presented in the consolidated financial statements.

The key features of the Series A and Series B Preferred Shares (collectively the “Preferred Shares”) are as follows:

Dividends right

Each Preferred Share shall have the right to receive non-cumulative dividends, *pari passu* with Ordinary Shares, on an as-converted basis, when, as and if declared by the Board.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, all assets and funds of the Company legally available for distribution (after satisfaction of all creditors’ claims and claims that may be preferred by law) shall be distributed in the following preference order:

- (i) Holders of the Series B Preferred Shares shall be entitled to receive a per share amount equal to 140% of the issue price of Series B Preferred Shares, respectively, plus all declared but unpaid dividends and minus all paid dividends.
- (ii) Holders of the Series A Preferred Shares shall be entitled to receive a per share amount equal to 150% of the issue price of Series A Preferred Shares, respectively, plus all declared but unpaid dividends and minus all paid dividends.

Conversion right

Each Preferred Share may be converted at any time into ordinary shares at the option of the preferred shareholders based on the then-effective conversion price. The initial conversion ratio is 1:1, subject to adjustment in the event of share splits and combinations, ordinary share dividends and distributions, reorganizations, mergers, consolidations, exchanges, substitutions, or dilutive issuance.

All Preferred Shares are converted automatically into ordinary shares at the then effective applicable conversion price upon a Qualified Public Offering (public offering of the Company’s shares with an offering price (exclusive

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8. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Conversion right (Continued)

of underwriting discounts and registration expenses) that reflects the minimum market capitalization and other conditions set forth in the Company's articles).

Redemption right

At any time following the first occurrence of any redemption event specified in the shareholders' agreement ("Redemption Events"), the outstanding preferred shareholders may request a redemption up to all of the outstanding shares held.

The Redemption Events shall mean:

- (i) the Company fails to complete a Qualified Public Offering within five (5) years from February 22, 2019;
- (ii) any material breach or violation by any Group Company, the Founder or the Founder Holding Company of any of its representations, warranties or covenants contained in the Transaction Documents made to any Investor alone or together with any other Person and such breach or violation is not curable or is not cured within thirty (30) days from the date of occurrence;
- (iii) the Founder ceases to hold the offices of Chairman and president of the Company or ceases to be in full-time employment by any Group Company in any other capacity within five (5) years from February 22, 2019 unless otherwise approved by the Board (including all Investor Directors);
- (iv) the exercise of redemption right by any holders with redemption right.

The price at which each Preferred Share shall be redeemed equals to:

- (i) in respect of each Series B Preferred Share, 140% of the original issue price on each preferred share, plus all declared but unpaid dividends on such Series B Preferred Share accrued as of the redemption payment date; and
- (ii) in respect of each Series A Preferred Share, 150% of the original issue price on each preferred share, plus the interest at an annual compound rate of eight percent (8%) on the original issue price on each preferred share accrued from August 8, 2017 to the redemption payment date minus all paid dividends on such Series A Preferred Share.

After the liquidation amounts of all series of the Preferred Shares have been paid in full, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed ratably among the holders of the Preferred Shares, on an as-converted basis, together with the holders of the ordinary shares.

Accounting of Preferred Shares

The Preferred Shares are classified as mezzanine equity in the consolidated balance sheets because they are contingently redeemable upon the occurrence of an event outside of the Company's control (e.g. the Company

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8. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Accounting of Preferred Shares (Continued)

not achieving a Qualified Public Offering or a deemed liquidation event before February 22, 2024 (“Target QIPO Date”). The Preferred Shares were determined to be mezzanine equity with no embedded feature to be bifurcated and no beneficial conversion features to be recognized. The Preferred Shares are initially recorded at their respective issuance date fair value, net of issuance cost. The Company did not incur material issuance cost for any Preferred Shares issued. The cumulative undeclared dividends are not recorded in the consolidated balance sheet as the Company does not have the obligation to pay the cumulative dividend before it is declared by the board of directors.

The Company concluded that the Preferred Shares are not currently redeemable, but are probable to become redeemable. The Company accreted changes in the redemption value over the period from the date of issuance to the earliest redemption date using the effective interest method. The accretion is recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in-capital, or in the absence of additional paid-in-capital, by charges to accumulated deficit. The accretion of the Preferred Shares was RMB 12,199 and RMB 36,802 for the years ended December 31, 2018 and 2019.

The convertible loans and warrants were issued contemporaneously and in contemplation of each other. The warrants cannot be separately exercised; hence, they are not freestanding financial instruments. The convertible loans are accounted for as liabilities recorded using amortized cost.

Modification of Preferred Shares

On January 3, 2019, the Target QIPO Date was extended from November 15, 2022 to February 22, 2024 upon issuance of Series B-2 Preferred Shares. The amendment is accounted for as a modification rather than extinguishment as the fair values of these Preferred Shares immediately after the amendment were not significantly different from their respective fair values immediately before the amendment. When Preferred Shares are modified and such modification results in value transfer between preferred shareholders and ordinary shareholders, the value transferred is treated as a deemed dividend to or deemed contribution from the preferred shareholders. The change in fair value of Series A Preferred Shares immediately before and after the modification was RMB625. The decrease in fair value of the ordinary shares is RMB625, in substance, a transfer of wealth from the ordinary shareholders to the Series A preferred shareholders.

The Company’s Preferred Shares activities for the periods presented are summarized below:

<u>Mezzanine equity</u>	<u>Series A</u> <u>RMB</u>	<u>Series B-2</u> <u>RMB</u>	<u>Total</u> <u>RMB</u>
Balance as of December 31, 2017	71,205	—	71,205
Accretion of Series A Preferred Shares to redemption value	12,199	—	12,199
Balance as of December 31, 2018	83,404	—	83,404
Issuance of Series B-2 Preferred Shares	—	439,501	439,501
Repurchase of Series A Preferred Shares	(11,864)	—	(11,864)
Accretion of Series A Preferred Shares to redemption value	10,794	—	10,794
Accretion of Series B-2 Preferred Shares to redemption value	—	26,008	26,008
Balance as of December 31, 2019	<u>82,334</u>	<u>465,509</u>	<u>547,843</u>

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9. SHARE-BASED COMPENSATION

On August 8, 2017, the Company adopted the 2017 Employee Stock Option Plan (“PRC Plan” or “2017 Plan”), which was replaced by the Amended and Restated 2017 Employee Stock Option Plan (“Global Plan”) on April 15, 2019 to reserve a pool of 4,388,060 shares of the Company’s ordinary shares to be granted to the officers, directors, employees and consultants of the Company as part of the Reorganization. The replacement of PRC Plan with Global Plan and revocation of the original 2017 Plan are viewed as having no accounting impacts as the 2017 Plan has remained effective throughout and there’s essentially no change but merely just to change the form of the plan due to the Reorganization.

Share options granted under the 2017 Plan or Global Plan will be exercisable upon the Company completes a listing and the grantee renders service to the Company in accordance with a stipulated service. Grantees are generally subject to a four-year vesting schedule, under which the shares vest in four equal instalments over the four years. The share option under 2017 Plan or Global Plan, to the extent then vested, shall become exercisable only upon the earlier of (i) a listing, and (ii) a sale of all or substantially all of the issued share capital of the Company, or (iii) a sale by the Company of all or substantially all of its assets (but excluding any internal reorganization).

Prior to the Company completes a listing, all share options granted to a grantee shall be forfeited at the time the grantee terminates his service with the Group. After the Company completes a listing, vested options not exercised by a grantee shall be exercised until later of: (i) 90 days after the date when the options become exercisable, or (ii) 3 months after the date of cessation of employment or directorship, or such longer period as the Board may determine. The share option awards shall expire no more than 10 years from their grant dates (“Option Period”). If a listing is not achieved, a share option will lapse automatically upon the expiry of the Option Period.

The Company granted 1,375,500 and 941,814 share options to grantees, with an exercise price of US\$0.30 and US\$1.06, for the years ended December 31, 2018 and 2019, respectively. No options are exercisable as of December 31, 2018 and 2019 and prior to the Group completing IPO.

The awards are equity classified. Cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the IPO, using the graded vesting method.

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9. SHARE-BASED COMPENSATION (CONTINUED)

The following table sets forth the share options activities for the years ended December 31, 2018 and 2019:

	Number of Options	Weighted- Average Exercise Price US\$ per option	Weighted- Average Grant Date Fair Value US\$ per option	Weighted- Average Grant Date Fair Value RMB per option	Weighted Average Remaining Contractual Term Years	Aggregate intrinsic value RMB
Outstanding at January 1, 2018	532,000	0.30	0.09	0.61	9.69	—
Granted	1,375,500	0.30	0.29	1.97	—	—
Outstanding at January 1, 2019	1,907,500	0.30	0.24	1.59	9.33	3,798
Granted	941,814	1.06	0.38	2.65	—	—
Forfeited	(92,190)	0.71	0.30	2.06	—	—
Outstanding at December 31, 2019	2,757,124	0.55	0.28	1.93	8.67	7,728
Vested and expected to vest at December 31, 2019	2,757,124	0.55	0.28	1.93	8.67	7,728
Exercisable at December 31, 2019	—	—	—	—	—	—

Share-based compensation related to the vested but not exercisable share options that will be recognized upon completion of the IPO for the years ended December 31, 2018 and 2019 were US\$98 and US\$380 (approximately RMB657 and RMB2,579), respectively. As of December 31, 2018 and 2019, there were US\$350 and US\$401 (approximately RMB2,375 and RMB2,756) of share-based compensation related to the unvested share options, which will be recognized over a weighted-average period of 3.47 and 2.85 years, respectively.

Fair value of share options

The fair value of options was determined using the binomial option valuation model, with the assistance from an independent third-party appraiser. The binomial model requires the input of highly subjective assumptions, including the expected volatility, the exercise multiple, the risk-free rate and the dividend yield. For expected volatility, the Group has made reference to historical volatility of several comparable companies in the same industry. The exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. The risk-free rate for periods within the contractual life of the options is based on the market yield of U.S. Treasury Strips plus China country risk premium with a maturity life equal to the remaining maturity life of the options as of the valuation date, sourced from Bloomberg. The dividend yield is based on our expected dividend policy over the contractual life of the options.

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9. SHARE-BASED COMPENSATION (CONTINUED)

The assumptions used to estimate the fair value of the share options granted are as follows:

	<u>For the year ended December 31, 2018</u>	<u>For the year ended December 31, 2019</u>
Risk-free interest rate	3.7%-4.0%	2.9%-3.1%
Dividend yield	0%	0%
Expected volatility range	55.0%-56.2%	53.7%-54.3%
Exercise multiple	2.20	2.20
Contractual life	10 years	10 years

Since the exercisability is dependent upon the listing, and it is not probable that this performance condition can be achieved until a listing, no share-based compensation expense relating to the 2017 Plan was recorded for the years ended December 31, 2018 and 2019. The Group will recognize compensation expenses relating to options vested cumulatively upon the completion of the Company's listing.

10. INCOME TAX EXPENSE

PRC

Effective from January 1, 2008, the PRC's statutory, Enterprise Income Tax ("EIT") rate is 25%. According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in R&D activities are entitled to claim an additional tax deduction amounting to 50% of the qualified R&D expenses incurred in determining its tax assessable profits for that year. The additional tax deduction amount of the qualified R&D expenses has been increased from 50% to 75%, effective from 2018 to 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018 ("Super Deduction").

Cayman Islands

Gracell Biotechnologies Inc. is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands Gracell Biotechnologies Inc. is not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Gracell BVI is incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands, Gracell Biotechnologies Inc. is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no British Virgin Islands withholding tax is imposed.

Hong Kong

Gracell HK is incorporated in Hong Kong. Companies registered in Hong Kong are subject to Hong Kong profits tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant Hong Kong tax laws. The applicable tax rate in Hong Kong is 16.5%. For the years ended December 31, 2019, Gracell HK did not make any provisions for Hong Kong profit tax as there were no

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10. INCOME TAX EXPENSE (CONTINUED)

Hong Kong (Continued)

assessable profits derived from or earnings in Hong Kong for any of the periods presented. Under the Hong Kong tax law, Gracell HK is exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

Reconciliation between the income tax expense computed by applying the statutory tax rate to loss before income tax and the actual provision for income tax is as follows:

	For the years ended December 31,		
	2018 RMB	2019 RMB	US\$ (Note 2)
Loss before income tax	(60,793)	(138,664)	(20,424)
Income tax computed at respective applicable tax rate	(15,198)	(32,091)	(4,727)
Research and development super-deduction	(6,862)	(16,996)	(2,503)
Non-deductible expenses	23	346	51
Changes in valuation allowance	22,037	48,741	7,179
Income tax expense	—	—	—

Deferred tax assets

Deferred taxes were measured using the enacted tax rates for the periods in which the temporary differences are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax balances as of December 31, 2018 and 2019 are as follows:

	For the years ended December 31,		
	2018 RMB	2019 RMB	US\$ (Note 2)
Deferred tax assets:			
Net operating loss carry forward	22,651	70,374	10,365
Depreciation and amortization of property, equipment and software	1,777	2,795	412
Gross deferred tax assets	24,428	73,169	10,777
Less: valuation allowance	(24,428)	(73,169)	(10,777)
Total deferred tax assets, net	—	—	—

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10. INCOME TAX EXPENSE (CONTINUED)

Deferred tax assets (Continued)

Movement of the valuation allowance is as follows:

	For the years ended December 31,		
	2018 RMB	2019 RMB	US\$ (Note 2)
Balance as of January 1	2,391	24,428	3,598
Addition	22,037	48,741	7,179
Balance as of December 31	<u>24,428</u>	<u>73,169</u>	<u>10,777</u>

A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion or all of the deferred tax assets will not be realized in the foreseeable future. In making such determination, the Group evaluates a variety of positive and negative factors including the Group's operating history, accumulated deficit, the existence of taxable temporary differences and reversal periods.

The Group has incurred net accumulated operating losses for income tax purposes since its inception. The Group believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future. Therefore, the Group has provided full valuation allowances for the deferred tax assets as of December 31, 2018 and 2019.

The Group evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of December 31, 2018 and 2019, the Group did not have any significant unrecognized uncertain tax positions.

11. NET LOSS PER SHARE

Basic and diluted net loss per share for the years ended December 31, 2018 and 2019 are calculated as follows:

	For the years ended December 31,		
	2018 RMB	2019 RMB	US\$ (Note 2)
Numerator:			
Net loss attributable to Gracell Biotechnologies Inc.'s shareholders	(60,793)	(138,664)	(20,424)
Deemed dividend to convertible redeemable preferred shareholders	—	(25,390)	(3,740)
Accretion of convertible redeemable preferred shares to redemption value	(12,199)	(36,802)	(5,420)
Net loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders	(72,992)	(200,856)	(29,584)
Denominator:			
Weighted-average number of ordinary shares outstanding—basic and diluted	100,089,552	99,053,363	99,053,363
Net loss per share attributable to Gracell Biotechnologies Inc.'s ordinary shareholders—basic and diluted	(0.73)	(2.03)	(0.30)

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11. NET LOSS PER SHARE (CONTINUED)

For the years ended December 31, 2018 and 2019, assumed conversion of the Preferred Shares has not been reflected in the dilutive calculations pursuant to ASC 260, "Earnings Per Share," due to the anti-dilutive effect.

For the years ended December 31, 2018 and 2019, the Company also has certain share options, which cannot be exercised until the Company completes IPO, that are not included in the computation of diluted losses per shares as such contingent event had not taken place.

The potentially dilutive securities that have not been included in the calculation of diluted net loss per share as their inclusion would be anti-dilutive are as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2019</u>
	<u>shares</u>	<u>shares</u>
Convertible redeemable preferred shares	36,567,165	85,779,363

12. LOSS PER SHARE FOR CONVERSION OF CONVERTIBLE REDEEMABLE PREFERRED SHARES

Immediately prior to the completion of IPO, the Preferred Shares of the Company will be automatically converted into ordinary shares on a one-for-one basis.

The unaudited pro forma net loss per ordinary share is computed using the weighted-average number of ordinary shares outstanding and the automatic conversion of all of the Group's outstanding mezzanine equity into ordinary shares upon the closing of the Group's Qualified Public Offering, as if it had occurred on January 1, 2019. The Group believes the unaudited pro forma net loss per share provides material information to investors, as the automatic conversion of the Group's outstanding mezzanine equity. The disclosure of pro forma net loss per ordinary share provides an indication of net loss per ordinary share that is comparable to what will be reported by the Group as a public company following the closing of the Qualified Public Offering.

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12. LOSS PER SHARE FOR CONVERSION OF CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

The unaudited basic and diluted pro forma net loss per share is calculated as follows:

	For the year ended December 31, 2019	
	RMB (Unaudited)	US\$ (Unaudited)
Numerator:		
Net loss attributable to ordinary shareholders in computing pro forma net loss per share—basic and diluted	(200,856)	(29,584)
Add back deemed dividend to convertible redeemable preferred shareholders	25,390	3,740
Add back accretion of convertible redeemable preferred shares to redemption value	36,802	5,420
Numerator for pro forma basic and diluted net loss per share	(138,664)	(20,424)
Denominator:		
Weighted-average number of ordinary shares outstanding—basic and diluted	99,053,363	99,053,363
Add: adjustment to reflect assumed effect of automatic conversion of convertible redeemable preferred shares	85,779,363	85,779,363
Pro forma weighted average number of shares outstanding—basic and diluted	184,832,726	184,832,726
Pro forma net loss per share—basic and diluted	(0.75)	(0.11)

The unaudited pro forma balance sheets and net loss per share excluded the impacts of the Company's share-based awards that are subject to IPO conditions.

13. RELATED PARTY TRANSACTIONS

a) Related Parties

Name of related parties	Relationship
William Wei Cao	Founder, CEO and a principal shareholder of the Company
Unitex Capital Ltd.	An entity controlled by Founder

b) The Group had the following related party transactions:

	For the years ended December 31,		
	2018 RMB	2019 RMB	US\$ (Note 2)
Rent Payment:			
William Wei Cao (a)	500	—	—
Payment for in-licensing arrangement			
Unitex Capital Ltd (b)	—	1,358	200

Note (a): For the year ended December 31, 2018, William Wei Cao paid rent expense of RMB 500 for the Company, which was reimbursed thereafter.

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13. RELATED PARTY TRANSACTIONS (CONTINUED)

Note (b): For the year ended December 31, 2019, the Group paid RMB1,358 to obtain an exclusive license from Unitex Capital Ltd.

14. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Future minimum payments under non-cancelable operating leases with initial terms in excess of one year consist of the following as of December 31, 2019:

	RMB	US\$ (Note 2)
For the years ending:		
2020	10,564	1,556
2021	10,564	1,556
2022	10,407	1,533
2023	6,098	898
2024	—	—
Total	37,633	5,543

Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases. The Group's lease arrangements have no renewal options, rent escalation clauses, restrictions or contingent rents and are all executed with third parties. For the years ended December 31, 2018 and 2019, total rental related expenses for all operating leases amounted to RMB3,145 and RMB11,104, respectively.

Contingencies

The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, financial position or results of operations.

15. RESTRICTED NET ASSETS

The Group's ability to pay dividends may depend on the Group receiving distributions of funds from its PRC subsidiary. Relevant PRC statutory laws and regulations permit payments of dividends by the Group's PRC subsidiary only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Group's PRC subsidiary.

In accordance with the Company law of the PRC, a domestic enterprise is required to provide statutory reserves of at least 10% of its annual after-tax profit until such reserve has reached 50% of its respective registered capital based on the enterprise's PRC statutory accounts. A domestic enterprise is also required to provide discretionary surplus reserve, at the discretion of the Board of Directors, from the profits determined in accordance with the enterprise's PRC statutory accounts. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. The Group's PRC subsidiary was established as domestic invested enterprise and therefore is subject to the above mentioned restrictions on distributable profits.

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15. RESTRICTED NET ASSETS (CONTINUED)

As a result of these PRC laws and regulations subject to the limit discussed above that require annual appropriations of 10% of after-tax income to be set aside, prior to payment of dividends, as general reserve fund, the Group's PRC subsidiary is restricted in their ability to transfer a portion of their net assets to the Group.

Foreign exchange and other regulations in the PRC further restrict the Company's PRC subsidiaries from transferring funds to the Company in the form of dividends, loans and advances.

Since the Group has a consolidated shareholders' deficit, its net asset base for purposes of calculating the proportionate share of restricted net assets of consolidated subsidiaries should be zero. Therefore, the restrictions placed on the net assets of the Company's PRC subsidiaries with positive equity would result in the 25 percent threshold being exceeded and a corresponding requirement to provide parent company financial information (Note 17).

16. SUBSEQUENT EVENTS

The Group evaluated subsequent events through October 19, 2020, the date these consolidated financial statements were issued.

Beginning in January 2020, the emergence and wide spread of the novel Coronavirus ("COVID-19") has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in China, US and elsewhere. Substantially all of the Group's operating and workforce are concentrated in China and US. Consequently, the COVID-19 outbreak could potentially delay patient's access to hospitals and the progress of clinical trials of the Group, which may adversely affect the Group's business operations, financial condition and operating results for 2020. The extent to which COVID-19 impacts the business and financial results of the Group in the longer term will depend on future developments, which are uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. The Group will continue to evaluate the impact on the results of operation, financial position and cash flows of the Group and react actively as the situation evolves.

In January 2020, Suzhou Gracell entered into a loan agreement with Bank of China, under which Suzhou Gracell borrowed an aggregate principal amount of RMB69.0 million in the form of a term loan with a term of 72 months commencing from the first drawdown date. Interest on the outstanding loan balance accrues at a variable annual rate equal to the five-year loan prime rate plus 0.2%. Suzhou Gracell is required to make interest payments on the loan on a quarterly basis and payments of principal according to the agreed repayment schedule which will commence from the end of the 42nd month after the first drawdown date.

In May 2020, Suzhou Gracell entered into a loan agreement with China Construction Bank, under which Suzhou Gracell borrowed an aggregate principal amount of RMB5.0 million in the form of a term loan for 12 months. Interest on the outstanding loan balance accrues at a fixed annual rate equal to the one-year loan prime rate plus 0.5%. Suzhou Gracell is required to make interest payments on the loan on a monthly basis and repay principal at the end of the loan term. In June 2020, Suzhou Gracell entered into another loan agreement with China Construction Bank, under which Suzhou Gracell borrowed additional RMB5.0 million for a term of 12 months at an interest rate equal to the one-year loan prime rate plus 0.15%. In July 2020, Suzhou Gracell entered into the third loan agreement with China Construction Bank, under which Suzhou Gracell borrowed additional RMB5.0

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16. SUBSEQUENT EVENTS (CONTINUED)

million for a term of 12 months at an interest rate equal to the one-year loan prime rate minus 0.2%. In September 2020, Suzhou Gracell entered into the fourth loan agreement with China Construction Bank, under which Suzhou Gracell borrowed additional RMB5.0 million for a term of 12 months at an interest rate equal to the one-year loan prime rate. Other than the interest rate, these loan agreements with China Construction Bank have substantially the same terms and conditions.

In July 2020, Suzhou Gracell entered into a loan agreement with China Merchants Bank, under which Suzhou Gracell obtained a term loan facility of RMB29.0 million for a term of 60 months commencing from June 2, 2020 and ending on June 1, 2025. During the term, Suzhou Gracell may make multiple drawdowns within the facility limit. Interest on the outstanding loan balance accrues quarterly at a variable annual rate equal to the one-year loan prime rate plus 1%. Suzhou Gracell is required to make payments of principal and interest on the loan on a semi-annual basis unless otherwise agreed by the parties.

From July 2, 2020 to September 9, 2020, after obtaining the ODI approval, the investors of Series B-1 Preferred Shares converted the warrants to preferred shares and the convertible loans to the VIE were cancelled accordingly.

In February 2020, Gracell BVI established another its wholly owned subsidiary, Gracell Biopharmaceuticals, Inc. (“Gracell US”). Further, in August 2020, the WFOE incorporated its wholly owned PRC subsidiary Gracell Biomedicine (Shanghai) Co., Ltd.

On March 6, 2020, William Wei Cao entered into an amended equity pledge agreement with the WFOE and the VIE, which contains terms substantially similar to the equity pledge agreement described in Note 1(d).

In October 2020, the Company entered into a Series C Preferred Share Subscription Agreement with certain investors that the number of Series C Preferred Shares to be issued by the Company and purchased by these investors is a maximum of 73,379,643 Series C Preferred Shares and the aggregate purchase price amounts to approximately US\$120,000,000 assuming the issuance and purchase with respect to all Series C Preferred Shares available for issuance.

17. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

The Company performed a test on the restricted net assets of consolidated subsidiaries in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 I(3), “General Notes to Financial Statements” and concluded that it was applicable for the Company to disclose the financial statements for the parent company.

The subsidiaries did not pay any dividends to the Company for the years presented. For the purpose of presenting parent company only financial information, the Company records its investments in its subsidiaries under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as “Investments (deficit) in subsidiaries” and the loss of the subsidiaries is presented as “share of losses of subsidiaries”. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

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17. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

The Company did not have significant capital and other commitments, long-term obligations, other long-term debt, or guarantees as of December 31, 2018 and 2019.

Balance sheets

	As of December 31,		
	2018	2019	
	RMB	RMB	US\$ (Note 2)
ASSETS			
Current assets:			
Cash and cash equivalents	—	236,263	34,798
Amounts due from related parties	138,695	138,695	20,427
Total current assets	138,695	374,958	55,225
Investments in subsidiaries	2,383	41,198	6,068
Amounts due from related parties	—	23,000	3,388
TOTAL ASSETS	141,078	439,156	64,681
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Amounts due to related parties	—	44,705	6,584
Accruals and other current liabilities	—	400	59
Total current liabilities	—	45,105	6,643
Convertible loans	138,695	138,695	20,428
TOTAL LIABILITIES	138,695	183,800	27,071

GRACELL BIOTECHNOLOGIES INC.
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17. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

	As of December 31,		
	2018	2019	US\$
	RMB	RMB	(Note 2)
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT (CONTINUED)			
Mezzanine equity:			
Series A convertible redeemable preferred shares (US\$ 0.0001 par value; 36,567,165 and 31,343,284 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	83,404	82,334	12,126
Series B-2 convertible redeemable preferred shares (US\$ 0.0001 par value; Nil and 59,327,653 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	—	465,509	68,562
Total mezzanine equity	83,404	547,843	80,688
Shareholders' deficit:			
Ordinary shares	69	68	10
Accumulated other comprehensive loss	—	(3,159)	(465)
Accumulated deficit	(81,090)	(289,396)	(42,623)
Total shareholders' deficit	(81,021)	(292,487)	(43,078)
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT	141,078	439,156	64,681

GRACELL BIOTECHNOLOGIES INC.
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FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019
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17. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Statements of comprehensive loss

	For the years ended December 31,		
	2018	2019	US\$
	RMB	RMB	(Note 2)
Expenses			
Research and development expenses	—	(2,289)	(337)
Administrative expenses	—	(3,334)	(492)
Loss from operations	—	(5,623)	(829)
Interest income	—	2,904	428
Other losses	—	(21)	(3)
Share of losses of subsidiaries	(60,793)	(135,924)	(20,020)
Loss before income tax	(60,793)	(138,664)	(20,424)
Income tax expenses	—	—	—
Net loss	(60,793)	(138,664)	(20,424)
Deemed dividend to convertible redeemable preferred shareholders	—	(25,390)	(3,740)
Accretion of convertible redeemable preferred shares to redemption value	(12,199)	(36,802)	(5,420)
Net loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders	(72,992)	(200,856)	(29,584)
Other comprehensive loss			
Foreign currency translation adjustments, net of nil tax	—	(3,159)	(465)
Total comprehensive loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders	(72,992)	(204,015)	(30,049)

Statements of cash flows

	For the years ended December 31,		
	2018	2019	US\$
	RMB	RMB	(Note 2)
Net cash used in operating activities	—	(5,499)	(810)
Net cash used in investing activities	—	(197,739)	(29,124)
Net cash generated from financing activities	—	439,501	64,732
Net increase in cash and cash equivalents	—	236,263	34,798
Cash and cash equivalents at the beginning of year	—	—	—
Cash and cash equivalents at the end of year	—	236,263	34,798

GRACELL BIOTECHNOLOGIES INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2019 AND SEPTEMBER 30, 2020
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Notes	As of December 31, 2019 RMB	As of September 30, 2020 RMB	US\$ (Note 2)	Pro forma as of September 30, 2020 RMB Unaudited (Note 12)	US\$ Unaudited (Note 12)
ASSETS						
Current assets:						
Cash and cash equivalents		312,058	156,781	23,091	156,781	23,091
Short-term investments		4,200	20,700	3,049	20,700	3,049
Prepayments and other current assets	3	24,095	38,220	5,629	38,220	5,629
Total current assets		340,353	215,701	31,769	215,701	31,769
Property, equipment and software	4	48,323	112,114	16,513	112,114	16,513
Other non-current assets	5	23,541	12,801	1,884	12,801	1,884
TOTAL ASSETS		412,217	340,616	50,166	340,616	50,166
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT						
Current liabilities:						
Accruals and other current liabilities (including accruals and other current liabilities of the consolidated VIEs without recourse to the Company of RMB 7,886 and RMB 6,897 as of December 31, 2019 and September 30, 2020, respectively)	6	18,166	11,949	1,760	11,949	1,760
Short-term borrowings (including short-term borrowings of the consolidated VIEs without recourse to the Company of Nil and RMB 20,000 as of December 31, 2019 and September 30, 2020, respectively)	7	—	20,000	2,946	20,000	2,946
Current portion of long-term borrowings (including current portion of long-term borrowings of the consolidated VIEs without recourse to the Company of Nil and RMB 244 as of December 31, 2019 and September 30, 2020, respectively)	7	—	244	36	244	36
Total current liabilities		18,166	32,193	4,742	32,193	4,742
Convertible loans (including convertible loans of the consolidated VIEs without recourse to the Company of Nil and Nil as of December 31, 2019 and September 30, 2020, respectively)	9	138,695	—	—	—	—
Long-term borrowings (including long-term borrowings of the consolidated VIEs without recourse to the Company of Nil and RMB 44,636 as of December 31, 2019 and September 30, 2020, respectively)	7	—	44,636	6,573	44,636	6,573
TOTAL LIABILITIES		156,861	76,829	11,315	76,829	11,315
Commitments and contingencies	15					

GRACELL BIOTECHNOLOGIES INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2019 AND SEPTEMBER 30, 2020 (CONTINUED)
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Notes	As of December 31, 2019 RMB	As of September 30, 2020 RMB	US\$ (Note 2)	Pro forma as of September 30, 2020 RMB Unaudited (Note 12)	US\$ Unaudited (Note 12)
Mezzanine equity:						
Series A convertible redeemable preferred shares (US\$ 0.0001 par value; 31,343,284 and 31,343,284 shares authorized, issued and outstanding as of December 31, 2019 and September 30, 2020 respectively; and none outstanding on a pro forma basis as of September 30, 2020)	9	82,334	103,373	15,225	—	—
Series B1 convertible redeemable preferred shares (US\$ 0.0001 par value; Nil and 21,735,721 shares authorized, issued and outstanding as of December 31, 2019 and September 30, 2020 respectively; and none outstanding on a pro forma basis as of September 30, 2020)	9	—	139,941	20,611	—	—
Series B2 convertible redeemable preferred shares (US\$ 0.0001 par value; 59,327,653 and 59,327,653 shares authorized, issued and outstanding as of December 31, 2019 and September 30, 2020 respectively; and none outstanding on a pro forma basis as of September 30, 2020)	9	465,509	489,616	72,113	—	—
Total mezzanine equity		547,843	732,930	107,949	—	—
Shareholders' deficit:						
Ordinary shares (par value of US\$0.0001 per share; 500,000,000 and 500,000,000 shares authorized; 99,044,776 and 99,044,776 shares issued and outstanding as of December 31, 2019 and September 30, 2020 respectively; 211,451,434 shares issued and outstanding on a pro-forma basis as of September 30, 2020 (unaudited))	8	68	68	10	144	21
Additional paid-in capital		—	—	—	732,854	107,938
Accumulated other comprehensive loss		(3,159)	(5,116)	(754)	(5,116)	(754)
Accumulated deficit		(289,396)	(464,095)	(68,354)	(464,095)	(68,354)
Total shareholders' deficit		(292,487)	(469,143)	(69,098)	263,787	38,851
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT		412,217	340,616	50,166	340,616	50,166

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

GRACELL BIOTECHNOLOGIES INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Notes	For the nine months ended September 30, 2019 RMB	2020 RMB	US\$ (Note 2)
Expenses				
Research and development expenses		(81,251)	(108,137)	(15,927)
Administrative expenses		(19,437)	(20,781)	(3,061)
Loss from operations		(100,688)	(128,918)	(18,988)
Interest income		2,494	2,416	356
Interest expense		—	(1,350)	(199)
Other income		170	1,794	265
Foreign exchange gain (loss), net		2,127	(2,237)	(329)
Others, net		38	(12)	(2)
Loss before income tax		(95,859)	(128,307)	(18,897)
Income tax expense	11	—	—	—
Net loss		(95,859)	(128,307)	(18,897)
Deemed dividend to convertible redeemable preferred shareholders		(25,390)	—	—
Accretion of convertible redeemable preferred shares to redemption value	9	(26,176)	(46,392)	(6,833)
Net loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders		(147,425)	(174,699)	(25,730)
Other comprehensive income (loss)				
Foreign currency translation adjustments, net of nil tax		1,042	(1,957)	(288)
Total comprehensive loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders		(146,383)	(176,656)	(26,018)
Weighted average number of ordinary shares used in per share calculation:				
—Basic	12	99,056,257	99,044,776	99,044,776
—Diluted	12	99,056,257	99,044,776	99,044,776
Net loss per share attributable to Gracell Biotechnologies Inc.'s ordinary shareholders				
—Basic	12	(1.49)	(1.76)	(0.26)
—Diluted	12	(1.49)	(1.76)	(0.26)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

GRACELL BIOTECHNOLOGIES INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020

(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Ordinary shares		Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' deficit
	Number of shares	Amount RMB	RMB	RMB	RMB
Balance as of January 1, 2019	100,089,552	69	—	(81,090)	(81,021)
Net loss	—	—	—	(95,859)	(95,859)
Repurchase of ordinary shares	(1,044,776)	(1)	—	(7,450)	(7,451)
Repurchase of convertible redeemable preferred shares	—	—	—	(25,390)	(25,390)
Accretion of convertible redeemable preferred shares to redemption value	—	—	—	(26,176)	(26,176)
Foreign currency translation adjustment	—	—	1,042	—	1,042
Balance as of September 30, 2019	99,044,776	68	1,042	(235,965)	(234,855)
Balance as of January 1, 2020	99,044,776	68	(3,159)	(289,396)	(292,487)
Net loss	—	—	—	(128,307)	(128,307)
Accretion of convertible redeemable preferred shares to redemption value	—	—	—	(46,392)	(46,392)
Foreign currency translation adjustment	—	—	(1,957)	—	(1,957)
Balance as of September 30, 2020	99,044,776	68	(5,116)	(464,095)	(469,143)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

GRACELL BIOTECHNOLOGIES INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	For the nine months ended September 30,		
	2019	2020	
	RMB	RMB	US\$ (Note 2)
Cash flows from operating activities:			
Net loss	(95,859)	(128,307)	(18,897)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	3,800	12,239	1,802
Foreign exchange gain (loss), net	(2,127)	2,237	329
Changes in operating assets and liabilities:			
Prepayments and other current assets	(10,449)	(14,125)	(2,080)
Accrued liabilities and other current liabilities	2,025	(6,239)	(919)
Net cash used in operating activities	(102,610)	(134,195)	(19,765)
Cash flows from investing activities:			
Purchase of property, equipment and software	(46,191)	(65,290)	(9,616)
Investments in short-term investments	(9,081)	(73,700)	(10,855)
Proceeds from disposal of short-term investments	98,000	57,200	8,425
Net cash generated from (used in) investing activities	42,728	(81,790)	(12,046)
Cash flows from financing activities:			
Repayment of convertible loans	—	(138,695)	(20,428)
Proceeds from issuance of convertible redeemable preferred shares	439,501	137,154	20,201
Repurchase of ordinary shares and preferred shares	(44,705)	—	—
Proceeds from bank borrowings	—	64,880	9,556
Net cash generated from (used in) financing activities	394,796	63,339	9,329
Effect of exchange rate on cash and cash equivalents	3,170	(2,631)	(388)
Net increase (decrease) in cash and cash equivalents	338,084	(155,277)	(22,870)
Cash and cash equivalents at the beginning of the period	11,890	312,058	45,961
Cash and cash equivalents at the end of the period	349,974	156,781	23,091
Supplemental cashflow disclosures:			
Non-cash activities:			
Deemed dividend to convertible redeemable preferred shareholders	25,390	—	—
Accretion of convertible redeemable preferred shares to redemption value	26,176	46,392	6,833

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

GRACELL BIOTECHNOLOGIES INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020
(All amounts in thousands, except for share and per share data, unless otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

(a) Nature of operations

Gracell Biotechnologies Inc. (the “Company”), an exempted company with limited liability, was incorporated in Cayman Islands on May 22, 2018. The Company, through its consolidated subsidiaries and variable interest entity (“VIE”) (collectively referred to as the “Group”) engaged primarily in the business of discovering and developing cell therapies to resolve industry challenges and fulfill unmet medical needs in the treatment of cancer (collectively referred to as the “Gracell Business”). The Group’s principal operation and geographic market is in the People’s Republic of China (“PRC”).

(b) Reorganization

The Group carried out its principle business in the PRC since May 22, 2017 mainly through Gracell Biotechnologies (Shanghai) Co., Ltd. (“Gracell Biotechnologies” or the “VIE”) in the PRC. In connection with the Company’s planned initial public offering on the overseas capital market and facilitate offshore financing, the Group underwent a reorganization through which Gracell Biotechnologies (HK) Limited and Gracell Bioscience (Shanghai) Co., Ltd., (the “WFOE”), were established. The Company then entered into a series of contractual arrangements among the WFOE, the VIE and the VIE’s shareholders in January 2019 and the VIE’s shareholders swapped their shares in the VIE for shares in the Company to establish the Company as the ultimate holding company and the VIE became the variable interest entity of the Group (“Reorganization”).

As of September 30, 2020, the Company’s principal subsidiaries are as follows:

	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
<u>Subsidiaries</u>				
Gracell Biotechnologies Holdings Limited (“Gracell BVI”)	May 22, 2018	British Virgin Islands	100%	Investment holding
Gracell Biotechnologies (HK) Limited	June 7, 2018	Hong Kong	100%	Investment holding
Gracell Bioscience (Shanghai) Co., Ltd.	August 24, 2018	The PRC	100%	Research and development of innovative medicines
Gracell Biopharmaceuticals, Inc.	February 11, 2020	The United States of America	100%	Research and development of innovative medicines
Genchang Biotechnologies (Shanghai) Co., Ltd.	August 19, 2020	The PRC	100%	Research and development of innovative medicines
<u>VIE</u>				
Gracell Biotechnologies (Shanghai) Co., Ltd.	May 22, 2017	The PRC	0%	Research and development of innovative medicines

GRACELL BIOTECHNOLOGIES INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020

(All amounts in thousands, except for share and per share data, unless otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
<u>VIE's subsidiary</u>				
Suzhou Gracell Biotechnologies Co., Ltd. ("Suzhou Gracell")	April 23, 2018	The PRC	0%	Research and development of innovative medicines

(c) Basis of Presentation for the Reorganization

The Reorganization consists of transferring the Gracell Business to the Group, which is controlled by the founder immediately before and after the Reorganization. The Reorganization was a recapitalization with no substantial changes in the shareholding of the Company. Accordingly, the Reorganization is accounted for as a transaction under common control. Therefore, the accompanying consolidated financial statements include the assets, liabilities, revenue, expenses and cash flows of the Gracell Business for the periods presented and are prepared on a carryover basis as if the corporate structure of the Group after the Reorganization had been in existence throughout the periods presented. Accordingly, the effect of the ordinary shares and the preferred shares issued by the Company pursuant to the Reorganization have been presented retrospectively as of the beginning of the earliest period presented on the consolidated financial statements or the original issue date, whichever is later, as if such shares were issued by the Company when the Group issued such interests.

(d) Contractual agreements with the VIE

Due to restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in the development and application of human stem cell or gene diagnostic and therapeutic technologies, the Group operates its restricted businesses in the PRC through its VIE, whose equity interests are ultimately held by the founder and other shareholders of the Group through the VIE's nominee shareholder. The Company obtained control over the VIE by entering into a series of contractual arrangements with the VIE's legal shareholder who is also referred to as nominee shareholder. The nominee shareholder is the legal owner of the VIE. However, the rights of the nominee shareholder have been transferred to the Group through the contractual arrangements.

The contractual arrangements used to control the VIE are the voting rights proxy agreement, call option agreement, technology consultation and service agreement, business cooperation agreement and equity pledge agreement. The Company's management concluded that the Company, through the contractual arrangements, has the power to direct the activities that most significantly impact the VIE's economic performance and bears the risks of and enjoys the rewards normally associated with ownership of the VIE. Therefore, the Company is the ultimate primary beneficiary of the VIE. As such, the Company consolidates the financial statements of the VIE and its subsidiary, and the financial results of the VIE were included in the Group's consolidated financial statements in accordance with the basis of presentation as stated in Note 2 (a).

GRACELL BIOTECHNOLOGIES INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020

(All amounts in thousands, except for share and per share data, unless otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(d) Contractual agreements with the VIE (Continued)

The following financial information of the Group's VIE and the VIE's subsidiary as of December 31, 2019 and September 30, 2020 and for the nine months ended September 30, 2019 and 2020 is included in the accompanying consolidated financial statements of the Group as follows:

	<u>As of December 31,</u> <u>2019</u> <u>RMB</u>	<u>As of September 30,</u> <u>2020</u> <u>RMB</u>	<u>US\$</u> <u>(Note 2)</u>
ASSETS			
Current assets:			
Cash and cash equivalents	42,153	43,677	6,433
Short-term investments	4,200	20,700	3,049
Amounts due from related parties	51,835	48,505	7,144
Prepayments and other current assets	17,912	27,977	4,121
Total current assets	116,100	140,859	20,747
Property, equipment and software	36,350	81,767	12,043
Other non-current assets	17,682	8,555	1,260
TOTAL ASSETS	170,132	231,181	34,050
LIABILITIES			
Current liabilities:			
Amounts due to related parties	218,719	269,349	39,671
Short-term borrowings	—	20,000	2,946
Current portion of long-term borrowings	—	244	36
Accruals and other current liabilities	7,886	6,897	1,018
Total current liabilities	226,605	296,490	43,671
Long-term borrowings	—	44,636	6,573
Amounts due to related parties	23,000	29,915	4,406
TOTAL LIABILITIES	249,605	371,041	54,650
	For the nine months ended September 30,		
	<u>2019</u> <u>RMB</u>	<u>2020</u> <u>RMB</u>	<u>US\$</u> <u>(Note 2)</u>
Total Revenue from related parties	—	16,906	2,490
Net loss	(68,662)	(60,387)	(8,893)

GRACELL BIOTECHNOLOGIES INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020

(All amounts in thousands, except for share and per share data, unless otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(d) Contractual agreements with the VIE (Continued)

	For the nine months ended September 30,		
	2019 RMB	2020 RMB	US\$ (Note 2)
Net cash used in operating activities	(76,184)	(47,452)	(6,988)
Net cash generated from (used in) investing activities	64,003	(73,449)	(10,818)
Net cash generated from financing activities	28,309	122,425	18,031

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information. Accordingly, these unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted consistent with Article 10 of Regulation S-X.

In the opinion of management, the Group’s unaudited interim condensed consolidated financial statements and accompanying notes include all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement of the Group’s financial position as of September 30, 2020, and results of operations and cash flows for the nine months ended September 30, 2019 and 2020. Interim results of operations are not necessarily indicative of the results for the full year or for any future period. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2019, and related notes included in the Group’s audited consolidated financial statements. The financial information as of December 31, 2019 presented in the unaudited interim condensed consolidated financial statements is derived from the audited consolidated financial statements as of December 31, 2019. Significant accounting policies followed by the Group in the preparation of the accompanying unaudited interim condensed consolidated financial statements are summarized below.

Foreign currency translation

The Group uses Chinese Renminbi (“RMB”) as its reporting currency. The United States Dollar (“US\$”) is the functional currency of the Group’s entities incorporated in the Cayman Islands, Hong Kong, the RMB is the functional currency of the Company’s PRC subsidiaries.

Transactions denominated in other than the functional currencies are translated into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in other than the functional currencies are translated at the balance sheet date exchange rate. The resulting exchange differences are recorded in the consolidated statements of comprehensive loss as foreign currency translation adjustments.

GRACELL BIOTECHNOLOGIES INC.**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020**

(All amounts in thousands, except for share and per share data, unless otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Foreign currency translation (Continued)***

The unaudited interim consolidated financial statements of the Group are translated from the functional currency to the reporting currency, RMB. Assets and liabilities of the subsidiaries are translated into RMB using the exchange rate in effect at each balance sheet date. Income and expenses are translated at the average exchange rates prevailing during the fiscal year. Foreign currency translation adjustments arising from these are reflected in the accumulated other comprehensive income.

Translations of balances in the consolidated balance sheets, consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' deficit and consolidated statements of cash flows from RMB into US\$ as of and for the nine months ended September 30, 2020 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.7896, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on September 30, 2020, or at any other rate. The US\$ convenience translation is not required under U.S. GAAP and all US\$ convenience translation amounts in the accompanying consolidated financial statements are unaudited.

Research and development expenses

Elements of research and development expenses primarily include (1) payroll and other related costs of personnel engaged in research and development activities, (2) costs related to pre clinical testing of the Group's technologies under development and clinical trials such as payments to contract research organizations ("CRO") and contract manufacturing organizations ("CMO"), investigators and clinical trial sites that conduct the clinical studies; (3) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation and amortization, and facility related expenses, (4) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to the Group's research and development services and have no alternative future uses in accordance with ASC 730, *Research and Development*. As of September 30, 2020, the Group has several ongoing clinical studies in various clinical trial stages. The contracts with CRO and CMO are generally cancellable, with notice, at the Group's option. The Group did not record any accrued expenses related to cancellation of CRO or CMO contracts as of September 30, 2020 as the Group did not have any plan to cancel the existing CRO or CMO contracts.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

Net loss per share

In accordance with ASC 260, *Earnings Per Share*, basic net loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of unrestricted ordinary shares outstanding

GRACELL BIOTECHNOLOGIES INC.**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020****(All amounts in thousands, except for share and per share data, unless otherwise noted)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Net loss per share (Continued)***

during the year using the two-class method. Under the two-class method, net loss is allocated between ordinary shares and other participating securities based on dividends declared (or accumulated) and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed. The Company's convertible redeemable preferred shares are participating securities because they are entitled to receive dividends or distributions on an as converted basis. Diluted net loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares include ordinary shares issuable upon the conversion of the convertible redeemable preferred shares using the if-converted method, and ordinary shares issuable upon the exercise of share options, using the treasury stock method. Ordinary share equivalents are excluded from the computation of diluted earnings per share if their effects are anti-dilutive. For the periods presented herein, the computation of basic net loss per share using the two-class method is not applicable as the Group is in a net loss position and the participating securities do not have contractual rights and obligations to share in the losses of the Group.

Employee defined contribution plan

As stipulated by the regulations of the PRC, full-time employees of the Group are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the qualified employees' salaries. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed. The Group has no further payment obligations once the contributions have been paid. The Group recorded employee benefit expenses of RMB 4,225 and RMB 3,963 for the nine months ended September 30, 2019 and 2020, respectively.

Recently issued accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02"), Leases (Topic 842), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. In July 2018, the FASB issued ASU No. 2018-10 ("ASU 2018-10"), Codification Improvements to Topic 842, Leases, which clarifies certain aspects of the guidance issued in ASU 2016-02; and ASU No. 2018-11 ("ASU 2018-11"), Leases (Topic 842): Targeted Improvements, which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, Leases). In November 2019, the FASB issued ASU No. 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), Effective Dates ("ASU 2019-10"), which extends the adoption date for certain registrants. The updated guidance is effective for the Group for annual reporting periods beginning January 1, 2021 and interim periods within annual periods

GRACELL BIOTECHNOLOGIES INC.**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020****(All amounts in thousands, except for share and per share data, unless otherwise noted)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Recently issued accounting pronouncements (Continued)***

beginning January 1, 2022. The Group will adopt ASU 2016-02 in its first quarter of 2021 utilizing the modified retrospective transition method. While the Group is currently evaluating the impact of adopting ASU 2016-02, based on the lease portfolio as of September 30, 2020, the Group anticipates recording lease assets and liabilities of approximately RMB 30 million to RMB 43 million on its consolidated balance sheets, with no material impact to its consolidated statements of comprehensive loss and consolidated statements of cash flows. However, the ultimate impact of adopting ASU 2016-02 will depend on the Group's lease portfolio as of the adoption date.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Group's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In November 2019, the FASB issued ASU 2019-10, which extends the adoption date for certain registrants. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2023, including interim periods within fiscal years beginning after December 15, 2023 for the Group. The Group does not plan to early adopt ASU 2016-13 and is currently in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to nonemployee share based payment accounting ("ASU 2018-07"). The amendments in this update expand the scope of Topic 718 to include share based payment transactions for acquiring goods and services from nonemployees. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Group adopted the ASU on January 1, 2018 and there was not a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of ASU 2018-13. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective

GRACELL BIOTECHNOLOGIES INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020

(All amounts in thousands, except for share and per share data, unless otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting pronouncements (Continued)

date. The Group does not plan to early adopt ASU 2018-13 and is currently in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements but anticipates the impact would be immaterial.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This update simplifies the accounting for income taxes as part of the FASB's overall initiative to reduce complexity in accounting standards. The amendments include removal of certain exceptions to the general principles of ASC 740, Income taxes, and simplification in several other areas such as accounting for a franchise tax (or similar tax) that is partially based on income. The update is effective in fiscal years beginning after December 15, 2022, and interim periods therein, and early adoption is permitted. Certain amendments in this update should be applied retrospectively or modified retrospectively, all other amendments should be applied prospectively. The Group does not plan to early adopt ASU 2019-12 and is currently evaluating the impact on its financial statements of adopting this guidance.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which simplifies the accounting for convertible instruments by removing certain separation models in Subtopic 470-20, Debt—Debt with Conversion and Other Options, for convertible instruments and also increases information transparency by making disclosure amendments. The standard is effective for private companies for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact of this accounting standard update on its condensed consolidated financial statements.

3. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

	<u>As of December 31,</u> <u>2019</u>	<u>As of September 30,</u> <u>2020</u>	
	RMB	RMB	US\$ (Note 2)
Deductible value-added tax input	13,770	26,584	3,915
Prepayments for CRO and other services	5,427	3,842	566
Deposits	3,959	4,161	613
Others	939	3,633	535
	<u>24,095</u>	<u>38,220</u>	<u>5,629</u>

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4. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consist of the following:

	<u>As of December 31,</u> <u>2019</u>	<u>As of September 30,</u> <u>2020</u>	
	<u>RMB</u>	<u>RMB</u>	<u>US\$</u> (Note 2)
Machinery and laboratory equipment	20,281	55,927	8,237
Leasehold improvements	5,654	51,072	7,522
Construction in progress	28,515	22,206	3,271
Vehicles	1,088	1,088	160
Others	1,121	2,396	353
Total property, equipment and software	56,659	132,689	19,543
Less: accumulated depreciation and amortization	(8,336)	(20,575)	(3,030)
Property, equipment and software, net	<u>48,323</u>	<u>112,114</u>	<u>16,513</u>

Depreciation and amortization expenses recognized for the nine months ended September 30, 2019 and 2020 were RMB 3,800 and RMB 12,239, respectively.

5. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	<u>As of December 31,</u> <u>2019</u>	<u>As of September 30,</u> <u>2020</u>	
	<u>RMB</u>	<u>RMB</u>	<u>US\$</u> (Note 2)
Prepayments for property, equipment and software	<u>23,541</u>	<u>12,801</u>	<u>1,884</u>

6. ACCRUALS AND OTHER CURRENT LIABILITIES

Accruals and other current liabilities consist of the following:

	<u>As of December 31,</u> <u>2019</u>	<u>As of September 30,</u> <u>2020</u>	
	<u>RMB</u>	<u>RMB</u>	<u>US\$</u> (Note 2)
Accrued external research and development related expenses	6,942	7,980	1,176
Salary and welfare payables	6,720	346	51
Professional service fees	2,092	400	59
Rental fees	2,072	3,200	471
Others	340	23	3
	<u>18,166</u>	<u>11,949</u>	<u>1,760</u>

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7. BORROWINGS

	<u>As of December 31,</u> <u>2019</u> <u>RMB</u>	<u>As of September 30,</u> <u>2020</u> <u>RMB</u>	<u>US\$</u> <u>(Note 2)</u>
Current			
Short-term borrowings:			
Bank loans	—	20,000	2,946
Current portion of long-term borrowings	—	244	36
Total current borrowings	—	20,244	2,982
Non-Current			
Long-term borrowings:			
Bank loans	—	44,636	6,573
Total non-current borrowings	—	44,636	6,573
Total borrowings	—	64,880	9,555

In January 2020, Suzhou Gracell entered into a loan agreement with Bank of China, under which Suzhou Gracell obtained a term loan facility of RMB69.0 million for a term of 72 months commencing from the first drawdown date. Interest on the outstanding loan balance accrues at a variable annual rate equal to the five-year loan prime rate plus 0.2%. Suzhou Gracell is required to make interest payments on the loan on a quarterly basis and payments of principal according to the agreed repayment schedule which will commence from the end of the 42nd month after the first drawdown date. Suzhou Gracell borrowed an aggregate principal amount of RMB40.0 million within the facility limit as of September 30, 2020. The effective interest rate of these borrowings is 4.85% to 5.00% per annum.

In May 2020, Suzhou Gracell entered into a loan agreement with China Construction Bank, under which Suzhou Gracell borrowed an aggregate principal amount of RMB5.0 million in the form of a term loan for 12 months. Interest on the outstanding loan balance accrues at a fixed annual rate equal to the one-year loan prime rate plus 0.5%. Suzhou Gracell is required to make interest payments on the loan on a monthly basis and repay principal at the end of the loan term. In June 2020, Suzhou Gracell entered into another loan agreement with China Construction Bank, under which Suzhou Gracell borrowed additional RMB5.0 million for a term of 12 months at an interest rate equal to the one-year loan prime rate plus 0.15%. In July 2020, Suzhou Gracell entered into the third loan agreement with China Construction Bank, under which Suzhou Gracell borrowed additional RMB5.0 million for a term of 12 months at an interest rate equal to the one-year loan prime rate minus 0.2%. In September 2020, Suzhou Gracell entered into the fourth loan agreement with China Construction Bank, under which Suzhou Gracell borrowed additional RMB5.0 million for a term of 12 months at an interest rate equal to the one-year loan prime rate. Other than the interest rate, these loan agreements with China Construction Bank have substantially the same terms and conditions. The effective interest rate of these borrowing is 4.79% per annum.

In July 2020, Suzhou Gracell entered into a loan agreement with China Merchants Bank, under which Suzhou Gracell obtained a term loan facility of RMB29.0 million for a term of 60 months commencing from June 2, 2020 and ending on June 1, 2025. During the term, Suzhou Gracell may make multiple drawdowns within the facility limit. Interest on the outstanding loan balance accrues quarterly at a variable annual rate equal to the

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one-year loan prime rate plus 1%. Suzhou Gracell is required to make payments of principal and interest on the loan on a semi-annual basis unless otherwise agreed by the parties. Suzhou Gracell borrowed an aggregate principal amount of RMB4.9 million within the facility limit as of September 30, 2020. The effective interest rate of these borrowing is 4.85% per annum.

8. ORDINARY SHARES

As at September 30, 2019 and 2020, 500,000,000 ordinary shares with a par value of US\$0.0001 had been authorized by the Company. Each ordinary share is entitled to one vote. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors of the Company. In 2017, the VIE issued 9,800,000 ordinary shares to William Wei Cao with total consideration of RMB2,150 and 208,955 ordinary shares to Shanghai Guidance Capital Ltd. (“Shanghai Zhaoheng”) and Suzhou Tonghe Venture Investment Partnership II (L.P.) (“Tonghe II”) for a total consideration of RMB200. On January 3, 2019, the VIE repurchased 104,478 shares of ordinary shares held by Shanghai Zhaoheng. As part of the Reorganization in January 2019, the former ordinary shares were exchanged for ordinary shares of the Company on a 1:10 basis. On March 6, 2020, 1,044,776 ordinary shares of the Company was transferred from Tonghe II to OrbiMed Asia Partners III, L.P., King Star Med LP, LAV Granite Limited, LAV Biosciences Fund V, L.P., Victory Treasure Limited and OrbiMed Asia Partners III, L.P.. As at September 30, 2020, 99,044,776 shares of ordinary shares were issued and outstanding.

9. CONVERTIBLE REDEEMABLE PREFERRED SHARES

On August 8, 2017, the VIE issued 3,656,716 shares of Series A convertible redeemable preferred shares (“Series A Preferred Shares”) to certain investors at US\$3.032 per share for a total consideration of US\$11,087 (equivalent to approximately RMB69,800).

On August 14, 2018, the Company, the VIE and certain investors entered into a convertible loan agreement and a warrant agreement. Prior to the obtaining of requisite overseas direct investment approvals (“ODI approval”), the investors agreed to provide a convertible loan in an aggregate principal amount of US\$22,000 (equivalent to approximately RMB138,695) to the VIE, with no interest and acquire warrants to subscribe for a total number of 21,735,721 Series B1 Preferred Shares of the Company at US\$1.0122 per share.

On January 3, 2019, the VIE repurchased 104,478 shares of ordinary shares and 522,388 shares of Series A Preferred Shares for an aggregate price of US\$6,657 (equivalent to approximately RMB44,705). The consideration exceeded the carrying value of repurchased ordinary shares and Series A Preferred Shares by RMB32,840, which was recorded as deemed dividend to the ordinary and preferred shareholders.

As part of the Reorganization in January 2019, the former Series A Preferred Shares were exchanged for 31,343,284 Series A Convertible Redeemable Preferred Shares of the Company (“Series A Preferred Shares”) on a 1:10 basis at US\$0.3032 per share.

On February 22, 2019, the Company issued 59,327,653 shares of Series B-2 convertible redeemable preferred shares (“Series B-2 Preferred Shares”) to certain investors at US\$1.0619 per share for total consideration of

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9. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

US\$63,000 (equivalent to approximately RMB439,501). Series B-1 Preferred Shares and Series B-2 Preferred Shares are collectively referred to as the Series B Preferred Shares.

As disclosed in Note 1(b), the Group had undergone the Reorganization and changed the issuer of the Series A Preferred Shares to be the reporting entity through share swaps. The major terms and number of shares of the Series A Preferred Shares have remained the same. Thus, there is no accounting impact as a result of the Reorganization at the consolidated level. As further discussed in Note 1(b), the Reorganization was a transaction by Group entities under common control. The equity section of the Company after the Reorganization is assumed to have existed from the earliest period presented in the consolidated financial statements.

During the period from July 2, 2020 to September 9, 2020, the Company issued 21,735,721 Series B-1 Preferred Shares upon conversion of convertible loan and exercise of the warrants.

The key features of the Series A and Series B Preferred Shares (collectively the “Preferred Shares”) are as follows:

Dividends right

Each Preferred Share shall have the right to receive non-cumulative dividends, *pari passu* with Ordinary Shares, on an as-converted basis, when, as and if declared by the Board.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, all assets and funds of the Company legally available for distribution (after satisfaction of all creditors’ claims and claims that may be preferred by law) shall be distributed in the following preference order:

- (i) Holders of the Series B Preferred Shares shall be entitled to receive a per share amount equal to 140% of the issue price of Series B Preferred Shares, respectively, plus all declared but unpaid dividends and minus all paid dividends.
- (ii) Holders of the Series A Preferred Shares shall be entitled to receive a per share amount equal to 150% of the issue price of Series A Preferred Shares, respectively, plus all declared but unpaid dividends and minus all paid dividends.

Conversion right

Each Preferred Share may be converted at any time into ordinary shares at the option of the preferred shareholders based on the then-effective conversion price. The initial conversion ratio is 1:1, subject to adjustment in the event of share splits and combinations, ordinary share dividends and distributions, reorganizations, mergers, consolidations, exchanges, substitutions, or dilutive issuance.

All Preferred Shares are converted automatically into ordinary shares at the then effective applicable conversion price upon a Qualified Public Offering (public offering of the Company’s shares with an offering price (exclusive

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9. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Conversion right (Continued)

of underwriting discounts and registration expenses) that reflects the minimum market capitalization and other conditions set forth in the Company's articles).

Redemption right

At any time following the first occurrence of any redemption event specified in the shareholders' agreement ("Redemption Events"), the outstanding preferred shareholders may request a redemption up to all of the outstanding shares held.

The Redemption Events shall mean:

- (i) the Company fails to complete a Qualified Public Offering within five (5) years from February 22, 2019;
- (ii) any material breach or violation by any Group Company, the Founder or the Founder Holding Company of any of its representations, warranties or covenants contained in the Transaction Documents made to any Investor alone or together with any other Person and such breach or violation is not curable or is not cured within thirty (30) days from the date of occurrence;
- (iii) the Founder ceases to hold the offices of Chairman and president of the Company or ceases to be in full-time employment by any Group Company in any other capacity within five (5) years from February 22, 2019 unless otherwise approved by the Board (including all Investor Directors);
- (iv) the exercise of redemption right by any holders with redemption right.

The price at which each Preferred Share shall be redeemed equals to:

- (i) in respect of each Series B Preferred Share, 140% of the original issue price on each preferred share, plus all declared but unpaid dividends on such Series B Preferred Share accrued as of the redemption payment date; and
- (ii) in respect of each Series A Preferred Share, 150% of the issue price on each Series B-2 Preferred, minus all paid dividends on such Series A Preferred Share.

After the liquidation amounts of all series of the Preferred Shares have been paid in full, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed ratably among the holders of the Preferred Shares, on an as-converted basis, together with the holders of the ordinary shares.

Accounting of Preferred Shares

The Preferred Shares are classified as mezzanine equity in the consolidated balance sheets because they are contingently redeemable upon the occurrence of an event outside of the Company's control (e.g. the Company not achieving a Qualified Public Offering or a deemed liquidation event before February 22, 2024 ("Target QIPO

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Date”)). The Preferred Shares were determined to be mezzanine equity with no embedded feature to be bifurcated and no beneficial conversion features to be recognized. The Preferred Shares are initially recorded at their respective issuance date fair value, net of issuance cost. The Company did not incur material issuance cost for any Preferred Shares issued. The cumulative undeclared dividends are not recorded in the consolidated balance sheet as the Company does not have the obligation to pay the cumulative dividend before it is declared by the board of directors.

The Company concluded that the Preferred Shares are not currently redeemable, but are probable to become redeemable. The Company accreted changes in the redemption value over the period from the date of issuance to the earliest redemption date using the effective interest method. The accretion is recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in-capital, or in the absence of additional paid-in-capital, by charges to accumulated deficit. The accretion of the Preferred Shares was RMB 26,176 and RMB 45,334 for the nine months ended September 30, 2019 and 2020.

The convertible loans and warrants were issued contemporaneously and in contemplation of each other. The warrants cannot be separately exercised; hence, they are not freestanding financial instruments. The convertible loans are accounted for as liabilities recorded using amortized cost. Upon the cancellation of convertible loans and exercise of the warrants, the convertible loans were debit with a corresponding entry to credit the issued preferred shares.

Modification of Preferred Shares

On January 3, 2019, the Target QIPO Date was extended from November 15, 2022 to February 22, 2024 upon issuance of Series B-2 Preferred Shares. The amendment is accounted for as modification rather than extinguishment as the fair values of these Preferred Shares immediately after the amendment were not significantly different from their respective fair values immediately before the amendment. When Preferred Shares are modified and such modification results in value transfer between preferred shareholders and ordinary shareholders, the value transferred is treated as a deemed dividend to or deemed contribution from the preferred shareholders. The change in fair value of Series A Preferred Shares immediately before and after the modification was RMB625. The decrease in fair value of the ordinary shares is RMB625, in substance, a transfer of wealth from the ordinary shareholders to the Series A preferred shareholders.

On March 6, 2020, the redemption price of Series A Preferred Shares was amended. Before modification, the redemption price of each share of Series A Preferred Shares equals to 150% of the original issue price on each preferred share, plus the interest at an annual compound rate of eight percent (8%) on the original issue price on each preferred share accrued from August 8, 2017 to the redemption payment date minus all paid dividends on such Series A Preferred Share. The amendment is accounted for as a modification rather than extinguishment as the fair values of these Preferred Shares immediately after the amendment were not significantly different from their respective fair values immediately before the amendment. When Preferred Shares are modified and such modification results in value transfer between preferred shareholders and ordinary shareholders, the value transferred is treated as a deemed dividend to or deemed contribution from the preferred shareholders. The

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9. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Modification of Preferred Shares (Continued)

change in fair value of Series A Preferred Shares immediately before and after the modification was RMB9,055. The decrease in fair value of the ordinary shares is RMB9,055, in substance, a transfer of wealth from the ordinary shareholders to the Series A preferred shareholders.

The Company's Preferred Shares activities for the periods presented are summarized below:

<u>Mezzanine equity</u>	<u>Series A</u> <u>RMB</u>	<u>Series B-1</u> <u>RMB</u>	<u>Series B-2</u> <u>RMB</u>	<u>Total</u> <u>RMB</u>
Balance as of December 31, 2018	83,404	—	—	83,404
Issuance of Series B-2 Preferred Shares	—	—	439,501	439,501
Repurchase of Series A Preferred Shares	(11,864)	—	—	(11,864)
Accretion of Series A Preferred Shares to redemption value	7,993	—	—	7,993
Accretion of Series B-2 Preferred Shares to redemption value	—	—	18,183	18,183
Balance as of September 30, 2019	<u>79,533</u>	<u>—</u>	<u>457,684</u>	<u>537,217</u>
Balance as of December 31, 2019	82,334	—	465,509	547,843
Issuance of Series B-1 Preferred Shares	—	138,695	—	138,695
Accretion of Series A Preferred Shares to redemption value	21,039	—	—	21,039
Accretion of Series B-1 Preferred Shares to redemption value	—	1,246	—	1,246
Accretion of Series B-2 Preferred Shares to redemption value	—	—	24,107	24,107
Balance as of September 30, 2020	<u>103,373</u>	<u>139,941</u>	<u>489,616</u>	<u>732,930</u>

10. SHARE-BASED COMPENSATION

On August 8, 2017, the Company adopted the 2017 Employee Stock Option Plan ("PRC Plan" or "2017 Plan"), which was replaced by the Amended and Restated 2017 Employee Stock Option Plan ("Global Plan") on April 15, 2019 to reserve a pool of 4,388,060 shares of the Company's ordinary shares to be granted to the officers, directors, employees and consultants of the Company as part of the Reorganization. The replacement of PRC Plan with Global Plan and revocation of the original 2017 Plan are viewed as having no accounting impacts as the 2017 Plan has remained effective throughout and there's essentially no change but merely just to change the form of the plan due to the Reorganization. In July 2020, the Company adopted the Second Amended and Restated Employee Stock Option Plan ("the Second Global Plan") and increased the maximum number of shares issuable to 7,388,060. The terms of Global Plan and the Second Global Plan are substantially the same other than the maximum aggregate number of shares the Company may issue under the respective plan.

Share options granted will be exercisable upon the Company completes a listing and the grantee renders service to the Company in accordance with a stipulated service. Grantees are generally subject to a four-year vesting schedule, under which the shares vest in four equal instalments over the four years. The share option, to the extent then vested, shall become exercisable only upon the earlier of (i) a listing, and (ii) a sale of all or substantially all of the issued share capital of the Company, or (iii) a sale by the Company of all or substantially all of its assets (but excluding any internal reorganization).

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10. SHARE-BASED COMPENSATION (CONTINUED)

Prior to the Company completes a listing, all share options granted to a grantee shall be forfeited at the time the grantee terminates his service with the Group. After the Company completes a listing, vested options not exercised by a grantee shall be exercised until later of: (i) 90 days after the date when the options become exercisable, or (ii) 3 months after the date of cessation of employment or directorship, or such longer period as the Board may determine. The share option awards shall expire no more than 10 years from their grant dates ("Option Period"). If a listing is not achieved, a share option will lapse automatically upon the expiry of the Option Period.

The Company granted 808,814 and 4,806,298 share options to grantees, with an exercise price of US\$1.06, for the nine months ended September 30, 2019 and 2020, respectively. No options are exercisable as of September 30, 2019 and 2020 and prior to the Group completing initial public offering ("IPO").

The awards are equity classified. Cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the IPO, using the graded vesting method.

The following table sets forth the share options activities for the nine months ended September 30, 2019 and 2020:

	<u>Number of Options</u>	<u>Weighted- Average Exercise Price</u> US\$ per option	<u>Weighted- Average Grant Date Fair Value</u> US\$ per option	<u>Weighted- Average Grant Date Fair Value</u> RMB per option	<u>Weighted Average Remaining Contractual Term</u> Years	<u>Aggregate intrinsic value</u> RMB
Outstanding at January 1, 2019	1,907,500	0.30	0.24	1.59	9.33	3,798
Granted	808,814	1.06	0.37	2.56	9.58	—
Forfeited	(13,179)	0.48	0.29	1.97	8.95	—
Outstanding at September 30, 2019	2,703,135	0.53	0.28	1.88	8.88	6,368
Outstanding at January 1, 2020	2,757,124	0.55	0.28	1.93	8.67	7,728
Granted	4,806,298	1.06	0.55	3.87	9.72	—
Forfeited	(545,823)	0.91	0.37	2.56	8.62	—
Outstanding at September 30, 2020	7,017,599	0.87	0.46	3.21	9.10	11,783
Vested and expected to vest at September 30, 2020	7,017,599	0.87	0.46	3.21	9.10	11,783
Exercisable at September 30, 2020	—	—	—	—	—	—

Share-based compensation related to the vested but not exercisable share options that will be recognized upon completion of the IPO for the nine months ended September 30, 2019 and 2020 were US\$315 and US\$823 (approximately RMB2,129 and RMB5,693), respectively. As of September 30, 2019 and 2020, there were US\$430 and US\$2,387 (approximately RMB2,945 and RMB16,866) of share-based compensation related to the unvested share options, which will be recognized over a weighted-average period of 3.04 and 3.35 years, respectively.

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The fair value of options was determined using the binomial option valuation model, with the assistance from an independent third-party appraiser. The binomial model requires the input of highly subjective assumptions, including the expected volatility, the exercise multiple, the risk-free rate and the dividend yield. For expected volatility, the Group has made reference to historical volatility of several comparable companies in the same industry. The exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. The risk-free rate for periods within the contractual life of the options is based on the market yield of U.S. Treasury Strips plus China country risk premium with a maturity life equal to the remaining maturity life of the options as of the valuation date, sourced from Bloomberg. The dividend yield is based on our expected dividend policy over the contractual life of the options.

The assumptions used to estimate the fair value of the share options granted are as follows:

	For the nine months ended September 30,	
	2019	2020
Risk-free interest rate	3.1%	1.6%-2.1%
Dividend yield	0%	0%
Expected volatility range	54.3%	54.9%-55.7%
Exercise multiple	2.20	2.20-2.80
Contractual life	10 years	10 years

Since the exercisability is dependent upon the listing, and it is not probable that this performance condition can be achieved until a listing, no share-based compensation expense was recorded for the nine months ended September 30, 2019 and 2020. The Group will recognize compensation expenses relating to options vested cumulatively upon the completion of the Company's listing.

11. INCOME TAX EXPENSE

The Group has incurred net accumulated operating losses for income tax purposes since its inception. The Group believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future. Therefore, the Group has provided full valuation allowances for the deferred tax assets as of December 31, 2019 and September 30, 2020.

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12. NET LOSS PER SHARE

Basic and diluted net loss per share for the nine months ended September 30, 2019 and 2020 are calculated as follows:

	For the nine months ended September 30,		
	2019	2020	
	RMB	RMB	US\$ (Note 2)
Numerator:			
Net loss attributable to Gracell Biotechnologies Inc.'s shareholders	(95,859)	(128,307)	(18,897)
Deemed dividend to convertible redeemable preferred shareholders	(25,390)	—	—
Accretion of convertible redeemable preferred shares to redemption value	(26,176)	(46,392)	(6,833)
Net loss attributable to Gracell Biotechnologies Inc.'s ordinary shareholders	(147,425)	(174,699)	(25,730)
Denominator:			
Weighted-average number of ordinary shares outstanding—basic and diluted	99,056,257	99,044,776	99,044,776
Net loss per share attributable to Gracell Biotechnologies Inc.'s ordinary shareholders—basic and diluted	(1.49)	(1.76)	(0.26)

For the nine months ended September 30, 2019 and 2020, assumed conversion of the Preferred Shares has not been reflected in the dilutive calculations pursuant to ASC 260, "Earnings Per Share," due to the anti-dilutive effect.

For the nine months ended September 30, 2019 and 2020, the Company also has certain share options, which cannot be exercised until the Company completes IPO, that are not included in the computation of diluted losses per shares as such contingent event had not taken place.

The potentially dilutive securities that have not been included in the calculation of diluted net loss per share as their inclusion would be anti-dilutive are as follows:

	For the nine months ended September 30,	
	2019	2020
	shares	shares
Convertible redeemable preferred shares	84,130,921	93,375,282

13. UNAUDITED PRO FORMA BALANCE SHEET AND LOSS PER SHARE FOR CONVERSION OF CONVERTIBLE REDEEMABLE PREFERRED SHARES

Immediately prior to the completion of IPO, the Preferred Shares of the Company will be automatically converted into ordinary shares on a one-for-one basis. The unaudited pro-forma balance sheet as of September 30, 2020 assumes a Qualified IPO has occurred and presents an adjusted financial position as if the Preferred Shares had been converted into ordinary shares on September 30, 2020 at the conversion ratio of one for one.

GRACELL BIOTECHNOLOGIES INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. UNAUDITED PRO FORMA BALANCE SHEET AND LOSS PER SHARE FOR CONVERSION OF CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

The unaudited pro forma net loss per ordinary share is computed using the weighted-average number of ordinary shares outstanding and the automatic conversion of all of the Group's outstanding mezzanine equity into ordinary shares upon the closing of the Group's Qualified Public Offering, as if it had occurred on January 1, 2020. The Group believes the unaudited pro forma net loss per share provides material information to investors, as the automatic conversion of the Group's outstanding mezzanine equity. The disclosure of pro forma net loss per ordinary share provides an indication of net loss per ordinary share that is comparable to what will be reported by the Group as a public company following the closing of the Qualified Public Offering.

The unaudited basic and diluted pro forma net loss per share is calculated as follows:

	For the nine months ended September 30, 2020	
	RMB (Unaudited)	US\$ (Unaudited)
Numerator:		
Net loss attributable to ordinary shareholders in computing pro forma net loss per share—basic and diluted	(174,699)	(25,730)
Add back accretion of convertible redeemable preferred shares to redemption value	46,392	6,833
Numerator for pro forma basic and diluted net loss per share	(128,307)	(18,897)
Denominator:		
Weighted-average number of ordinary shares outstanding—basic and diluted	99,044,776	99,044,776
Add: adjustment to reflect assumed effect of automatic conversion of convertible redeemable preferred shares	93,375,282	93,375,282
Pro forma weighted average number of shares outstanding—basic and diluted	192,420,058	192,420,058
Pro forma net loss per share—basic and diluted	(0.67)	(0.10)

The unaudited pro forma balance sheets and net loss per share excluded the impacts of the Company's share-based awards that are subject to IPO conditions.

14. RELATED PARTY TRANSACTIONS

a) Related Parties

Name of related parties

Unitex Capital Ltd.

Relationship

An entity controlled by Founder

GRACELL BIOTECHNOLOGIES INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020

(All amounts in thousands, except for share and per share data, unless otherwise noted)

14. RELATED PARTY TRANSACTIONS (CONTINUED)

b) The Group had the following related party transactions:

	For the nine months ended		
	September 30,		
	2019	2020	
	RMB	RMB	US\$
			(Note 2)
Purchase of license:			
Unitex Capital Ltd. (a)	1,358	—	—

Note (a): For the nine months ended September 30, 2019, the Group paid RMB1,358 to obtain an exclusive license from Unitex Capital Ltd.

15. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Future minimum payments under non-cancelable operating leases with initial terms in excess of one year consist of the following as of September 30, 2020:

	RMB	US\$
		(Note 2)
Remaining three months of 2020	4,334	638
2021	9,935	1,463
2022	2,789	411
2023	—	—
2024	—	—
Total	<u>17,058</u>	<u>2,512</u>

Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases. The Group's lease arrangements have no renewal options, rent escalation clauses, restrictions or contingent rents and are all executed with third parties. For the nine months ended September 30, 2019 and 2020, total rental related expenses for all operating leases amounted to RMB 16,458 and RMB 17,022, respectively.

Contingencies

The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, financial position or results of operations.

16. SUBSEQUENT EVENTS

The Group evaluated subsequent events through December 18, 2020, the date these unaudited interim condensed consolidated financial statements were available to be issued.

GRACELL BIOTECHNOLOGIES INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020

(All amounts in thousands, except for share and per share data, unless otherwise noted)

16. SUBSEQUENT EVENTS (CONTINUED)

On October 14, 2020, William Cao Wei transferred 5,910,000 ordinary shares of the Company to Michelia Figo Holding Limited with an aggregate consideration of US\$1.00 per share.

On October 20, 2020, the Company issued 61,364,562 shares of Series C convertible redeemable preferred shares ("Series C Preferred Shares") to certain investors at US\$ 1.635331 per share for total consideration of US\$100,351.

The key features of the Series C Preferred Shares are as follows:

Dividends right

Each Preferred Share shall have the right to receive non-cumulative dividends, *pari passu* with Ordinary Shares, on an as-converted basis, when, as and if declared by the Board.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, all assets and funds of the Company legally available for distribution (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed in the following preference order:

- (i) Holders of the Series C Preferred Shares shall be entitled to receive a per share amount equal to 100% of the issue price of Series C Preferred Shares, respectively, plus all declared but unpaid dividends and minus all paid dividends.
- (ii) Holders of the Series B Preferred Shares shall be entitled to receive a per share amount equal to 140% of the issue price of Series B Preferred Shares, respectively, plus all declared but unpaid dividends.
- (iii) Holders of the Series A Preferred Shares shall be entitled to receive a per share amount equal to 150% of the issue price of Series A Preferred Shares, respectively, plus all declared but unpaid dividends and minus all paid dividends.

Conversion right

Each Preferred Share may be converted at any time into ordinary shares at the option of the preferred shareholders based on the then-effective conversion price. The initial conversion ratio is 1:1, subject to adjustment in the event of share splits and combinations, ordinary share dividends and distributions, reorganizations, mergers, consolidations, exchanges, substitutions, or dilutive issuance.

All Preferred Shares are converted automatically into ordinary shares at the then effective applicable conversion price upon a Qualified Public Offering (public offering of the Company's shares with an offering price (exclusive of underwriting discounts and registration expenses) that reflects the minimum market capitalization and other conditions set forth in the Company's articles).

GRACELL BIOTECHNOLOGIES INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2020
(All amounts in thousands, except for share and per share data, unless otherwise noted)

16. SUBSEQUENT EVENTS (CONTINUED)

Redemption right

At any time following the first occurrence of any redemption event specified in the shareholders' agreement ("Redemption Events"), the outstanding preferred shareholders may request a redemption up to all of the outstanding shares held.

The Redemption Events shall mean:

- (i) the Company fails to complete a Qualified Public Offering within five (5) years from October 20, 2020;
- (ii) any material breach or violation by any Group Company, the Founder or the Founder Holding Company of any of its representations, warranties or covenants contained in the Transaction Documents made to any Investor alone or together with any other Person and such breach or violation is not curable or is not cured within thirty (30) days from the date of occurrence;
- (iii) the Founder ceases to hold the offices of Chairman and president of the Company or ceases to be in full-time employment by any Group Company in any other capacity within five (5) years from February 22, 2019 unless otherwise approved by the Board (including all Investor Directors);
- (iv) the exercise of redemption right by any holders with redemption right.

The price at which each Preferred Share shall be redeemed equals to:

- (i) in respect of each Series C Preferred Share, 100% of the original issue price on each preferred share, minus all paid dividends on such Series C Preferred Share.
- (ii) in respect of each Series B Preferred Share, 140% of the original issue price on each preferred share, plus all declared but unpaid dividends on such Series B Preferred Share accrued as of the redemption payment date; and
- (iii) in respect of each Series A Preferred Share, 150% of the issue price on each Series B-2 Preferred, minus all paid dividends on such Series A Preferred Share.

After the liquidation amounts of all series of the Preferred Shares have been paid in full, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed ratably among the holders of the Preferred Shares, on an as-converted basis, together with the holders of the ordinary shares.

In October 2020, the Company adopted the Third Amended and Restated Employee Stock Option Plan ("the Third Global Plan") and increased the maximum number of shares issuable to 10,216,234. The terms of the Second Global Plan and the Third Global Plan are substantially the same other than the maximum aggregate number of shares the Company may issue under the respective plan. In November 2020, the Company granted 366,000 share options to grantees with an exercise price of US\$1.65.

On November 10, 2020, William Wei Cao and another shareholder of the VIE, respectively, entered into amended call option agreement, voting rights proxy agreement and equity pledge agreement with the WFOE and the VIE, which contain terms substantially similar to those described in Note 1.

AMERICAN DEPOSITORY SHARES

GRACELL BIOTECHNOLOGIES INC.

Representing

Ordinary Shares



, 2021

Citigroup

Jefferies

Piper Sandler

Wells Fargo Securities

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 6. Indemnification of Directors and Officers.**

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

The memorandum and articles of association that we expect to adopt and to become effective immediately prior to the completion of this offering provide that we shall indemnify our directors and officers (each an indemnified person) against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such indemnified person, other than by reason of such person's own dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such indemnified person in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.

We intend to enter into indemnification agreements with each of our directors and executive officers prior to completion of this offering, the form of which is filed as Exhibit 10.2 to this registration statement. Under these agreements, we may agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

The underwriting agreement, the form of which will be filed as Exhibit 1.1 to this registration statement, will also provide indemnification for us and our officers and directors for certain liabilities.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 7. Recent Sales of Unregistered Securities.

During the past three years, we have issued the following securities. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act or pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering. No underwriters were involved in these issuances of securities.

Securities/Purchaser	Date of Issuance	Number of Securities	Consideration
Series C Preferred Shares			
Morningside Venture (I) Investments Limited	October 20, 2020	11,312,694	US\$18,499,999
Wellington Biomedical Innovation Master Investors (Cayman) I L.P.	October 20, 2020	9,172,455	US\$15,000,000
OrbiMed Partners Master Fund Limited	October 20, 2020	5,503,473	US\$9,000,000
The Biotech Growth Trust Plc	October 20, 2020	2,751,736	US\$4,499,999
OrbiMed Genesis Master Fund, L.P.	October 20, 2020	1,528,742	US\$2,499,999
OrbiMed New Horizons Master Fund, L.P.	October 20, 2020	1,528,742	US\$2,499,999
TLS Beta Pte. Ltd.	October 20, 2020	10,525,561	US\$17,212,776
LAV Biosciences Fund V, L.P.	October 20, 2020	7,624,511	US\$12,468,599
King Star Med LP	October 20, 2020	3,668,982	US\$6,000,000

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Securities/Purchaser	Date of Issuance	Number of Securities	Consideration
WINFAIR GLOBAL LIMITED	October 20, 2020	1,222,994	US\$2,000,000
Vivo Panda Fund, L.P.	October 20, 2020	4,280,479	US\$7,000,000
Vivo Opportunity Fund, L.P.	October 20, 2020	1,834,491	US\$3,000,000
Executive officers of our company	October 20, 2020	226,253	US\$369,998
Parkway Limited	October 20, 2020	183,449	US\$300,000
Series B-1 Preferred Shares			
Suzhou Lirui Equity Investment Center (Limited Partnership)			RMB63,043,000 in equivalent U.S. dollars
	September 9, 2020	9,879,873	
Suzhou Kington Capital Holdings Co., Ltd.			RMB63,043,000 in equivalent U.S. dollars
	August 25, 2020	9,879,873	
Chengdu Miaoji Medical Technology Co., Ltd.			RMB12,608,600 in equivalent U.S. dollars
	July 2, 2020	1,975,975	
Series B-2 Preferred Shares			
King Star Med LP	February 22, 2019	7,533,670	US\$ 8,000,000
LAV Granite Limited	February 22, 2019	14,125,632	US\$15,000,000
TLS Beta Pte. Ltd.	February 22, 2019	37,668,351	US\$40,000,000
Series A Preferred Shares			
Suzhou Tonghe Yucheng Investment Partnership (L.P.)	March 6, 2020	13,059,700	US\$ 1,305.97
Suzhou Tonghe Venture Investment Partnership II (L.P.)	March 6, 2020	18,283,584	US\$1,828.3584
Voyager Biosciences IV Limited	February 22, 2019	31,343,284	US\$3,134.3284
Ordinary shares			
Suzhou Tonghe Venture Investment Partnership II (L.P.)	March 6, 2020	1,044,776	US\$ 104.4776
Voyager Biosciences IV Limited	February 22, 2019	1,044,776	US\$ 104.4776
Gracell Venture Holdings Limited	February 22, 2019	97,990,000	US\$ 9,799
Gracell Venture Holdings Limited	May 10, 2018	9,999	US\$ 0.9999
Sertus Nominees (Cayman) Limited	May 10, 2018	1	US\$ 0.0001
Options			
Directors, executive officers, employees and consultants of our company	Various dates	Options to purchase 7,383,599 ordinary shares	Past and future services to our company

Item 8. Exhibits and Financial Statement Schedules.

(a) Exhibits

See the Exhibit Index.

The agreements included as exhibits to this registration statement contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosure that was made to the other party in

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connection with the negotiation of the applicable agreement; (iii) may apply contract standards of “materiality” that are different from “materiality” under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosure of material information regarding material contractual provisions is required to make the statements in this registration statement not misleading.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

Item 9. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1*	Form of Underwriting Agreement
3.1	Third Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect
3.2	Form of Fourth Amended and Restated Memorandum and Articles of Association of the Registrant, as effective immediately prior to the completion of this offering
4.1*	Specimen American Depositary Receipt (included in Exhibit 4.3)
4.2	Registrant's Specimen Certificate for ordinary shares
4.3*	Deposit Agreement, dated as of _____, 2020, among the Registrant, the depositary and owners and holders of American Depositary Shares
4.4	Second Amended and Restated Shareholders Agreement, dated as of October 20, 2020, among the Registrant, the holders of the Registrant's ordinary and preferred shares and certain parties thereto
5.1	Opinion of Harney Westwood & Riegels regarding the validity of the ordinary shares being registered
8.1	Opinion of Harney Westwood & Riegels regarding certain Cayman Islands tax matters (included in Exhibit 5.1)
8.2	Opinion of AllBright Law Offices regarding certain PRC tax matters (included in Exhibit 99.2)
10.1	Third Amended and Restated 2017 Employee Stock Option Plan
10.2	2020 Share Incentive Plan
10.3	Form of Indemnification Agreement between the Registrant and each its executive officers and directors
10.4	Form of Director Agreement between the Registrant and a director of the Registrant
10.5	Form of Employment Agreement between the Registrant and an executive officer of the Registrant
10.6	Spouse Consent Letter from the spouse of a shareholder of Shanghai Gracell Biotech dated November 10, 2020
10.7	Technical Consultation and Service Agreement between Gracell Bioscience and Shanghai Gracell Biotech dated January 3, 2019
10.8	Business Cooperation Agreement between Gracell Bioscience and Shanghai Gracell Biotech dated January 3, 2019
10.9	Amendment to Voting Rights Proxy Agreement and Power of Attorney among Shanghai Gracell Biotech, Gracell Bioscience and Dr. William Wei Cao dated November 10, 2020
10.10	Voting Rights Proxy Agreement and Power of Attorney among Shanghai Gracell Biotech, Gracell Bioscience and Xiaomi Hua dated November 10, 2020
10.11	Equity Pledge Supplementary Agreement among Gracell Bioscience, Shanghai Gracell Biotech and Dr. William Wei Cao dated November 10, 2020
10.12	Equity Pledge Agreement among Gracell Bioscience, Shanghai Gracell Biotech and Xiaomi Hua dated November 10, 2020
10.13	Amendment to Call Option Agreement among Gracell Bioscience, Shanghai Gracell Biotech and Dr. William Wei Cao dated November 10, 2020
10.14	Call Option Agreement among Gracell Bioscience, Shanghai Gracell Biotech and Xiaomi Hua dated November 10, 2020

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.15	<u>Translation of Loan Agreement between Suzhou Gracell Biotech and Bank of China dated January 15, 2020</u>
10.16	<u>Translation of Loan Agreement between Suzhou Gracell Biotech and Suzhou Industrial Park Sub-branch of China Construction Bank dated May 11, 2020</u>
10.17	<u>Translation of Loan Agreement between Suzhou Gracell Biotech and Suzhou Industrial Park Sub-branch of China Construction Bank dated June 4, 2020</u>
10.18	<u>Translation of Loan Agreement between Suzhou Gracell Biotech and Suzhou Industrial Park Sub-branch of China Construction Bank dated July 16, 2020</u>
10.19	<u>Translation of Loan Agreement between Suzhou Gracell Biotech and Suzhou Industrial Park Sub-branch of China Construction Bank dated September 10, 2020</u>
10.20	<u>Translation of Loan Agreement between Suzhou Gracell Biotech and China Merchants Bank Co., Ltd Suzhou Branch dated July 24, 2020</u>
10.21 [^]	<u>Exclusive License Agreement between Unitex Capital, Ltd and Promab Biotechnologies, Inc. dated April 19, 2017</u>
10.22 [^]	<u>Amended and Restated No. 1 to Exclusive License Agreement with Sublicensing Terms among Shanghai Gracell Biotech, Unitex Capital, Ltd and Promab Biotechnologies, Inc. dated November 29, 2017</u>
21.1	<u>Principal subsidiaries of the Registrant</u>
23.1	<u>Consent of PricewaterhouseCoopers Zhong Tian LLP, Independent Registered Public Accounting Firm</u>
23.2	<u>Consent of Harney Westwood & Riegels (included in Exhibit 5.1)</u>
23.3	<u>Consent of AllBright Law Offices (included in Exhibit 99.2)</u>
23.4	<u>Consent of Wendy Hayes</u>
24.1	<u>Powers of Attorney (included on signature page)</u>
99.1	<u>Code of Business Conduct and Ethics of the Registrant</u>
99.2	<u>Opinion of AllBright Law Offices regarding certain PRC law matters</u>

* To be filed by amendment

[^] Pursuant to Item 601(b)(10)(iv) of Regulation S-K promulgated by the Securities and Exchange Commission, certain portions of this exhibit have been redacted because they are both not material and would be competitively harmful if publicly disclosed. The Registrant hereby agrees to furnish supplementally to the Securities and Exchange Commission, upon its request, an unredacted copy of this exhibit

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Suzhou, China, on December 18, 2020.

Gracell Biotechnologies Inc.

By: /s/ William Wei Cao

Name: William Wei Cao

Title: Chairman of the Board of Directors and
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints William Wei Cao and Yili Kevin Xie and each of them, his or her true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for and in his or her name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments (including post-effective amendments) to this Registration Statement together with all schedules and exhibits thereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) act on and file any supplement to any prospectus included in this Registration Statement or any such amendment or any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and (iv) take any and all actions which may be necessary or appropriate to be done, as fully for all intents and purposes as he or she might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his or her substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William Wei Cao</u> William Wei Cao	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	December 18, 2020
<u>/s/ Yili Kevin Xie</u> Yili Kevin Xie	Chief Financial Officer (Principal Financial and Accounting Officer)	December 18, 2020
<u>/s/ Guotong Xu</u> Guotong Xu	Director	December 18, 2020
<u>/s/ David Guowei Wang</u> David Guowei Wang	Director	December 18, 2020
<u>/s/ Lili Shen</u> Lili Shen	Director	December 18, 2020

SIGNATURE OF AUTHORIZED U.S. REPRESENTATIVE OF THE REGISTRANT

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of Gracell Biotechnologies Inc., has signed this registration statement on Form F-1 in New York, on December 18, 2020.

Authorized U.S. Representative

By: /s/ Colleen A. De Vries

Name: Colleen A. De Vries

Title: Senior Vice President

Company: Cogency Global Inc.

THE COMPANIES LAW (AS AMENDED)
OF THE CAYMAN ISLANDS
THIRD AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION
OF
GRACELL BIOTECHNOLOGIES INC.

THE COMPANIES LAW (AS AMENDED)
OF THE CAYMAN ISLANDS
THIRD AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION
OF
GRACELL BIOTECHONOLOGIES INC.

(adopted by a special resolution passed on October 14, 2020)

1. The name of the Company is Gracell Biotechnologies Inc.
2. The first registered office of the Company is at Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands, or at such other place within the Cayman Islands as the Directors may from time to time decide.
3. The objects for which the Company is established are unrestricted, and the Company shall have full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.
4. In the interpretation of this Memorandum in general and of Clause 3 and Clause 5 in particular, no object, business or power specified or mentioned shall be limited or restricted by reference to or inference from any other object, business or power, or the name of the Company, or by the juxtaposition of two or more objects, businesses or powers, and in the event of any ambiguity in Clause 3, Clause 5 or elsewhere in this Memorandum, the ambiguity shall be resolved by such interpretation and construction as will widen and enlarge and not restrict the objects, businesses and powers of and exercisable by the Company.

5. Except as prohibited or limited by the Statute, the Company shall have full power and authority to carry out any object and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate in doing in any part of the world whether as principal, agent, contractor or otherwise whatever may be considered by it necessary for the attainment of its objects and whatever else may be considered by it as incidental or conducive thereto or consequential thereon, including the power to make any alterations or amendments to this Memorandum and the Articles of Association of the Company considered necessary or convenient in the manner set out in the Articles of Association of the Company, and the power to do any of the following acts or things, viz: to pay all expenses of and incidental to the promotion, formation and incorporation of the Company; to register the Company to do business in any other jurisdiction; to sell, lease or dispose of any property of the Company; to draw, make, accept, endorse, discount, execute and issue promissory notes, debentures, bills of exchange, bills of lading, warrants and other negotiable or transferable instruments; to lend money or other assets and to act as guarantors; to borrow or raise money on the security of the undertaking or on all or any of the assets of the Company including uncalled capital or without security; to invest monies of the Company in such manner as the Directors determine; to promote other companies; to sell the undertaking of the Company for cash or any other consideration; to distribute assets in specie to Members; to make charitable or benevolent donations; to pay pensions or gratuities or provide other benefits in cash or kind to Directors, officers, employees, past or present, and their families; to purchase directors and officers liability insurance and to carry on any trade or business and generally to do all acts and things which, in the opinion of the Company or the Directors, may be conveniently or profitably or usefully acquired and dealt with, carried on, executed or done by the Company in connection with the business aforesaid; provided that the Company shall only carry on the businesses for which a license is required under the laws of the Cayman Islands when so licensed under the terms of such laws.
6. The liability of each Member is limited to the amount from time to time unpaid on such Member's Shares.
7. The authorized share capital of the Company is US\$50,000 divided into 314,213,699 Ordinary Shares of a par value of US\$0.0001 each, 31,343,284 Series A Preferred Shares of a par value of US\$0.0001 each, 21,735,721 Series B-1 Preferred Shares of a par value of US\$0.0001 each, 59,327,653 Series B-2 Preferred Shares of a par value of US\$0.0001 each, and 73,379,643 Series C Preferred Shares of a par value of US\$0.0001 each, with power for the Company insofar as is permitted by law to redeem or purchase any of the Shares and to increase or reduce the said capital subject to the provisions of the Statute and the Articles of Association of the Company and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of Shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained; provided that notwithstanding any provision to the contrary contained in this Memorandum or the Articles of Association of the Company, the Company shall have no power to issue bearer shares, bearer warrants, bearer coupons or bearer certificates.
8. If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 174 of the Statute and, subject to the provisions of the Statute and the Articles of Association of the Company, it shall have the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

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9. The Company may amend this Memorandum by a resolution of Members in accordance with the relevant provisions of the Articles of Association of the Company.
 10. Capitalized terms that are not defined in this Memorandum shall bear the same meanings as those given in the Articles of Association of the Company.

THE COMPANIES LAW (AS AMENDED)
OF THE CAYMAN ISLANDS
THIRD AMENDED AND RESTATED ARTICLES OF ASSOCIATION
OF
GRACELL BIOTECHNOLOGIES INC.

(adopted by a special resolution passed on October 14, 2020)

1. In these Articles, Table A in the Schedule to the Act does not apply and, unless there is something in the subject or context inconsistent therewith,

“Additional Number”

has the meaning ascribed to it in Section 1.3(b) of Exhibit A.

“Affiliate”

of a Person (the **“Subject Person”**) means, (a) in the case of a Person other than a natural person, any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with the Subject Person; (b) in the case of an natural person, any other Person that, directly or indirectly, is Controlled by the Subject Person or is an Immediate Family Member of the Subject Person. In the case of any Preferred Holder, the term **“Affiliate”** also includes (i) any shareholder of the Preferred Holder, (ii) any entity or individual who has a direct or indirect interest in the Preferred Holder (including, if applicable, any general partner or limited partner) or any fund manager or investment adviser thereof, (iii) any Person that directly or indirectly Controls, is Controlled by, under common Control with, or is managed by the Preferred Holder or its fund manager or investment adviser, and (iv) any trust Controlled by or held for the benefit of any natural person referred to in (i), (ii) or (iii) above. For purposes of these Articles, (a) none of the Preferred Holders shall be deemed as an Affiliate of any Group Company, and vice versa, and (b) Kington USD Entity shall be deemed as an Affiliate of Kington RMB Entity, and vice versa.

“Applicable Conversion Price”	has the meaning ascribed to it in Section 7.1 of Exhibit A.
“Applicable Issue Price”	means, (i) with respect to the Series A Preferred Shares, the Deemed Series A Issue Price; (ii) with respect to the Series B-1 Preferred Shares, the Series B-1 Issue Price; (iii) with respect to the Series B-2 Preferred Shares, the Series B-2 Issue Price; and (iv) with respect to the Series C Preferred Shares, the Series C Issue Price.
“Applicable Redemption Price”	has the meaning ascribed to it in Section 6.4 of Exhibit A.
“Applicable Series B Issue Price”	means, (i) with respect to the Series B-1 Preferred Shares, the Series B-1 Issue Price; and (ii) with respect to the Series B-2 Preferred Shares, the Series B-2 Issue Price.
“Articles”	means these third amended and restated articles of association of the Company, as may be amended from time to time.
“Automatic Conversion”	has the meaning ascribed to it in Section 7.3 of Exhibit A.
“Board”	means the board of directors of the Company.
“Business Day”	means any day that is not a Saturday, Sunday or other day on which commercial banks are required or authorized by applicable laws or executive order to be closed in the PRC, Hong Kong, Singapore or the Cayman Islands or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., Hong Kong time.
“Chairman”	means the chairman of the Board.
“Closing”	has the meaning ascribed to it in the Series C Share Subscription Agreement.
“Company”	means Gracell Biotechnologies Inc.
“Company’s Competitor”	means any entity other than any Group Company that primarily conducts the business of researching and developing immune cell therapy and stem cell therapy and the production and sale of pharmaceutical products in connection with such therapies or similar businesses, without prejudice to the foregoing, for the avoidance of doubt, no financial investor or fund investor that only holds a minority stake in such entity (regardless of whether such investor holds any board seat in the aforesaid entity) shall qualify as a Company’s Competitor.

“Company Secretary”	means the company secretary of the Company.
“Co-Sale Holder”	has the meaning ascribed to it in Section 2.4 of Exhibit A.
“Co-Sale Notice”	has the meaning ascribed to it in Section 2.4 of Exhibit A.
“Co-Sale Pro Rata Portion”	has the meaning ascribed to it in Section 2.4(a) of Exhibit A.
“Co-Sale Right Period”	has the meaning ascribed to it in Section 2.4 of Exhibit A.
“Control” of a given Person	means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, or by effective control whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or Members of such Person or power to control the composition of more than fifty percent (50%) of the board of directors of such Person; the term <u>“Controlled”</u> has the meaning correlative to the foregoing.
“Control Documents”	has the meaning ascribed to it in the Shareholders Agreement.
“Conversion Share”	means the Ordinary Shares issued or issuable pursuant to conversion of the Preferred Shares.
“Director”	means any director of the Board.

“Deemed Liquidation Event”	shall mean, (i) any consolidation, reorganization, amalgamation or merger of the Company or one or more Group Companies that collectively operate all or substantially all of the Group’s business taken as a whole, with or into any Person, or any other corporate reorganization or scheme of arrangement, in each case in which the Shareholders of the Company immediately before such transaction own less than fifty percent (50%) of the direct or indirect voting power of the surviving company immediately after such transaction (excluding any transaction effected solely for tax purposes or to change the Company’s domicile); (ii) any voluntary or involuntary liquidation, dissolution or winding up of one or more Group Companies that collectively operate all or substantially all of the Group’s business taken as a whole; (iii) a sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of transactions, by any Group Company of all or substantially all of the assets of such Group Company, the effect of which is the disposition of all or substantially all of the Group Companies’ assets taken as a whole; (iv) any termination or amendment of Control Documents for any reason (unless approved pursuant to these Articles and the Shareholders Agreement) or (v) any Drag-Along Sale.
“Deemed Series A Issue Price”	means the per share price of US\$0.30324.
“Drag-Along Sale”	has the meaning ascribed to it in Section 3.1 of Exhibit A.
“Drag-Along Sale Notice”	has the meaning ascribed to it in Section 3.1 of Exhibit A.
“Drag Holders”	has the meaning ascribed to it in Section 3.1 of Exhibit A.
“Equity Securities”	means, with respect to a Person, (a) any shares, share capital, registered capital, equity interests, membership interests, partnership interests, joint venture or other ownership interests in such Person, (b) any options, warrants or rights to subscribe for, acquire or purchase, or any other securities or instruments convertible into or exercisable or exchangeable for, any of the foregoing and (c) any equity appreciation, phantom equity, equity plans or similar rights with respect to such Person.
“ESOP”	that the Company’s employee share option plan, under which 10,216,234 Ordinary Shares in the aggregate, shall be reserved as of the Initial Closing for issuance from time to time to the employees, officers, directors, contractors, advisors or consultants of the Group Companies, PROVIDED HOWEVER, any issuance or transfer of Shares under the ESOP shall be in compliance with the Laws of applicable jurisdiction including without limitation the PRC, the British Virgin Islands and the Cayman Islands, as applicable.

“Excepted Issuances”	has the meaning ascribed to it in Section 1.2 of Exhibit A.
“Exercising Holder”	has the meaning ascribed to it in Section 2.3(a)(iii) of Exhibit A.
“Excess Exercising Holder”	has the meaning ascribed to it in Section 2.3(a)(iii) of Exhibit A.
“Excess Number”	has the meaning ascribed to it in Section 2.3(a)(iii) of Exhibit A.
“Excess Offered Shares”	has the meaning ascribed to it in Section 2.3(a)(iii) of Exhibit A.
“First Participation Notice”	has the meaning ascribed to it in Section 1.3(a) of Exhibit A.
“First Participation Period”	has the meaning ascribed to it in Section 1.3(a) of Exhibit A.
“First Refusal Allotment”	has the meaning ascribed to it in Section 2.3(a)(ii) of Exhibit A.
“First Refusal Expiration Notice”	has the meaning ascribed to it in Section 2.3(e) of Exhibit A.
“Founder”	means Mr. CAO Wei, a citizen of the PRC.
“Founder First Offer Right”	has the meaning ascribed to it in Section 2.9(b) of Exhibit A.
“Founder Holding Company”	means Gracell Venture Holdings Limited.
“Founder Offer”	has the meaning ascribed to it in Section 2.9(b) of Exhibit A.
“Governmental Authority”	means any nation or government, or any federation, province or state or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or any political subdivision thereof, including any government authority, agency, department, board, commission or instrumentality of the PRC, the Cayman Islands, Hong Kong or any other country, any public international organization, any court, tribunal or arbitrator or the governing body of any securities exchange or other self-regulatory organization (including any ethics committee of any hospital).

“Governmental Order”	means any order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction (whether temporary or permanent) or other similar determination or finding by, before or under the supervision of any Governmental Authority.
“Gracell Shanghai”	means Gracell Biotechnologies (Shanghai) Co., Ltd. (上海格赛尔生物科技有限公司), a limited liability company incorporated under the Laws of the PRC.
“Group” or “Group Companies”	has the meaning ascribed to it in the Shareholders Agreement.
“HK Company”	means Gracell Biotechnologies (HK) Limited.
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China.
“Immediate Family Member”	of a natural person means the spouse of such person and any parent, step-parent, grandparent, child, step-child, grandchild, sibling or step-sibling of such person or such person’s spouse.
“Initial Closing”	has the meaning ascribed to it in the Series C Share Subscription Agreement.
“Initial Redemption Notice”	has the meaning ascribed to it in Section 6.4(a) of Exhibit A.
“Initial Redemption Notice Date”	has the meaning ascribed to it in Section 6.4(a) of Exhibit A.
“Initial Redemption Requesting Holder”	has the meaning ascribed to it in Section 6.4(a) of Exhibit A.
“Investor Directors”	has the meaning ascribed to it in Article 63.

“IPO”	means an initial public offering and listing of the Ordinary Shares (or depositary receipts or depositary shares therefor) or the ordinary shares in another listing vehicle holding all or any part of the assets or business of the Group in the United States pursuant to an effective registration statement under the Securities Act or on an internationally recognized stock exchange.
“Kington Entities”	means Kington RMB Entity and Kington USD Entity.
“Kington RMB Entity”	means Suzhou Kington Capital Holdings Co., Ltd. (苏州金控资本控股有限公司), a limited liability company organized and existing under the Laws of PRC.
“Kington USD Entity”	means King Star Med LP.
“LAV RMB Entity”	means Suzhou Lirui Equity Investment Center (Limited Partnership) (苏州睿瑞股权投资中心(有限合伙)), a limited partnership organized and existing under the Laws of PRC.
“LAV USD Entities”	means LAV Granite Limited and LAV Biosciences Fund V, L.P.
“Law” or “Laws”	means any constitutional provision, statute, ordinance, code, treaty, decree or judgment or other law, legislative measure, rule, regulation, official policy or interpretation of any Governmental Authority, any common or customary law and any Governmental Order.
“Liquidation Event”	means the voluntary or involuntary liquidation, dissolution or winding up of the Company.
“Member”	shall bear the meaning as set forth in the Statute.
“Memorandum”	means the third amended and restated memorandum of association of the Company, as may be amended from time to time.
“Morningside”	means Morningside Venture (I) Investments Limited.

“New Securities”	has the meaning ascribed to it in Section 1.2 of Exhibit A.
“Observer”	has the meaning ascribed to it in Article 63.
“Offer Notice”	has the meaning ascribed to it in Section 2.9(b) of Exhibit A.
“Offer Period”	has the meaning ascribed to it in Section 2.9(b) of Exhibit A.
“Offer Price”	has the meaning ascribed to it in Section 2.9(b) of Exhibit A.
“Offered Shares”	has the meaning ascribed to it in Section 2.9(a) of Exhibit A.
“Overallotment New Securities”	has the meaning ascribed to it in Section 1.3(b) of Exhibit A.
“Oversubscribing Participating Holder”	has the meaning ascribed to it in Section 1.3(b) of Exhibit A.
“Ordinary Holder”	has the meaning ascribed to it in Section 2.1 of Exhibit A.
“Ordinary Shares”	means the ordinary shares in the authorized share capital of the Company, each with a par value US\$0.0001, with the rights and privileges as set forth in the Memorandum and Articles.
“paid-up”	means paid-up and/or credited as paid-up.
“Participating Holder”	has the meaning ascribed to it in Section 1.3(b) of Exhibit A.
“Participation Rights Holder”	has the meaning ascribed to it in Section 1 of Exhibit A.

“Person” or “person”	means an any individual, sole proprietorship, partnership, limited partnership, limited liability company, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or governmental or regulatory authority or other enterprise or entity of any kind or nature.
“Permitted Transferee”	has the meaning ascribed to it in Section 2.6 of Exhibit A.
“Permitted Transfer”	has the meaning ascribed to it in Section 2.6 of Exhibit A.
“PRC” or “China”	means the People’s Republic of China but, solely for purposes of these Articles, excluding Hong Kong, the Special Administrative Region of Macau and the territory of Taiwan.
“Preferred Holder”	has the meaning ascribed to it in Section 2.1 of Exhibit A.
“Preferred Holders’ Refusal Period”	has the meaning ascribed to it in Section 2.3 of Exhibit A.
“Preferred Holder Transfer Notice”	has the meaning ascribed to it in Section 2.9(a) of Exhibit A.
“Preferred Holder Offered Shares”	has the meaning ascribed to it in Section 2.9(a) of Exhibit A.
“Preferred Majority”	means the holders of at least a majority of the then outstanding Preferred Shares voting together as a single class and on an as-converted basis.
“Preferred Shares”	means, the Series A Preferred Shares, the Series B-1 Preferred Shares, the Series B-2 Preferred Shares, and the Series C Preferred Shares.
“Pro Rata Share”	has the meaning ascribed to it in Section 1.1 of Exhibit A.

“Qualified IPO”	means an initial public offering and listing of the Ordinary Shares (or depositary receipts or depositary shares therefor) or the ordinary shares in another listing vehicle holding all or any part of the assets or business of the Group in the United States pursuant to an effective registration statement under the Securities Act or on an internationally recognized stock exchange as consented to in writing by the Preferred Majority pursuant to Section 8.1 of the Shareholders Agreement, at a price per share to the public of not less than 1.25 times the Series C Issue Price, and that will bring net offering proceeds to the Company, after deduction of underwriting discounts and registration expenses, of at least US\$75,000,000.
“Redemption Payment Date”	has the meaning ascribed to it in Section 6.4(e) of Exhibit A.
“Redemption Requesting Holders”	has the meaning ascribed to it in Section 6.4(a) of Exhibit A.
“Redemption Right”	has the meaning ascribed to it in Section 6.3 of Exhibit A.
“Redemption Shares”	has the meaning ascribed to it in Section 6.4(a) of Exhibit A.
“Register of Members”	shall mean, the register maintained in accordance with the Statute and includes (except where otherwise stated) any duplicate register of members.
“Requisite Series C Holders”	means the holders of at least two-thirds (2/3) of the then outstanding Series C Preferred Shares voting together as a single class and on an as-converted basis.
“Restricted Shares”	has the meaning ascribed to it in Section 2.1 of Exhibit A.
“Right of Participation”	has the meaning ascribed to it in Section 1 of Exhibit A.
“Seal”	means the common seal of the Company and includes every duplicate seal.

“Second Participation Notice”	has the meaning ascribed to it in Section 1.3(b) of Exhibit A.
“Selling Preferred Holder”	has the meaning ascribed to it in Section 2.9(a) of Exhibit A.
“Selling Shareholder”	has the meaning ascribed to it in Section 2.2 of Exhibit A.
“Second Participation Period”	has the meaning ascribed to it in Section 1.3(b) of Exhibit A.
“Second Refusal Period”	has the meaning ascribed to it in Section 2.3(a)(iii) of Exhibit A.
“Series A Director”	has the meaning ascribed to it in Article 63.
“Series A Preference Amount”	has the meaning ascribed to it in Section 5.1(c) of Exhibit A.
“Series A Preferred Shares”	means the series A convertible redeemable preferred shares in the authorized share capital of the Company, each with a par value of US\$0.0001, with the rights and privileges as set forth in the Memorandum and Articles.
“Series A Redemption Right”	has the meaning ascribed to it in Section 6.3 of Exhibit A.
“Series A Subscription Agreement”	has the meaning ascribed to it in the Shareholders Agreement.
“Series B Preference Amount”	has the meaning ascribed to it in Section 5.1(b) of Exhibit A.
“Series B Preferred Shares”	means the Series B-1 Preferred Shares and the Series B-2 Preferred Shares.
“Series B Redemption Right”	has the meaning ascribed to it in Section 6.2 of Exhibit A.
“Series B-1 Director”	has the meaning ascribed to it in Article 63.

“Series B-1 Investor”	has the meaning ascribed to it in the Shareholders Agreement.
“Series B-1 Issue Price”	means the per share price of US\$1.0122.
“Series B-1 Preferred Shares”	means the series B-1 convertible redeemable preferred shares in the authorized share capital of the Company, each with a par value of US\$0.0001, with the rights and privileges as set forth in the Memorandum and Articles.
“Series B-2 Director”	has the meaning ascribed to it in Article 63.
“Series B-2 Issue Date”	means February 22, 2019.
“Series B-2 Issue Price”	means the per share price of US\$1.0619.
“Series B-2 Preferred Shares”	means the series B-2 convertible redeemable preferred shares in the authorized share capital of the Company, each with a par value of US\$0.0001, with the rights and privileges as set forth in the Memorandum and Articles.
“Series C Issue Price”	means the per share price of US\$1.635331.
“Series C Preference Amount”	has the meaning ascribed to it in Section 5.1(a) of Exhibit A.
“Series C Preferred Shares”	means the series C convertible redeemable preferred shares in the authorized share capital of the Company, each with a par value of US\$0.0001, with the rights and privileges as set forth in the Memorandum and Articles.
“Series C Redemption Right”	has the meaning ascribed to it in Section 6.1 of Exhibit A.
“Series C Share Subscription Agreement”	has the meaning ascribed to it in the Shareholders Agreement.
“Shares”	means, the Ordinary Shares, the Preferred Shares and shares of any other class or series in the share capital of the Company.

“Shareholders”	means the holders of any Shares.
“Shareholders Agreement”	means the Second Amended and Restated Shareholders Agreement entered into by and among the Company, the HK Company, the WFOE, Gracell Shanghai, the Founder, the Founder Holding Company and certain other parties thereto on or about October 20, 2020.
“Statute”	shall mean, the Companies Law of the Cayman Islands (2020 Revision) as further amended and every statutory modification or re-enactment thereof for the time being in effect.
“Special Resolution”	has the same meaning as in the Statute, and includes a unanimous written resolution.
“Subsidiary”	means with respect to any specified Person, any Person of which the specified Person, directly or indirectly, owns or Controls more than fifty percent (50%) of the issued and outstanding share capital, voting interests or registered capital.
“Supplemental Transfer Notice”	has the meaning ascribed to it in Section 2.3(a)(iii) of Exhibit A.
“Temasek”	means TLS Beta Pte. Ltd. and its successor, permitted assigns and transferees.
“Transaction Document”	has the meaning ascribed to it in the Shareholders Agreement.
“Transfer”	has the meaning ascribed to it in Section 2.2 of Exhibit A.
“Transfer Notice”	has the meaning ascribed to it in Section 2.2 of Exhibit A.
“Transferee”	has the meaning ascribed to it in Section 2.2 of Exhibit A.
“US\$” or “\$”	means the lawful currency of the United States of America.
“WFOE”	means Gracell Bioscience (Shanghai) Co., Ltd. (格赛尔生物科学(上海)有限公司).

In these Articles, except to the extent otherwise provided or that the context otherwise requires:

- (a) when a reference is made in these Articles to an Article or Exhibit, such reference is to an Article of or an Exhibit to, these Articles; where a reference is made in these Articles to a Section, such reference is to a Section of Exhibit A to, these Articles;
- (b) the table of contents and headings for these Articles are for reference purposes only and do not affect in any way the meaning or interpretation of these Articles;
- (c) whenever the words “include,” “includes” or “including” are used in these Articles, they are deemed to be followed by the words “without limitation”;
- (d) the words “hereof,” “herein” and “hereunder” and words of similar import, when used in these Articles, refer to these Articles as a whole and not to any particular provision of these Articles;
- (e) all terms defined in these Articles have the defined meanings when used in any certificate or other document made or delivered pursuant hereto;
- (f) the definitions contained in these Articles are applicable to the singular as well as the plural forms of such terms;
- (g) words in the singular include the plural, and words in the plural include the singular;
- (h) references to a Person are also to its successors in title and permitted assigns;
- (i) the use of “or” is not intended to be exclusive;
- (j) the terms “shall”, “will”, and “agrees” are mandatory, and the term “may” is permissive;
- (k) the term “day” means “calendar day”, and “month” means calendar month;
- (l) the phrase “directly or indirectly” means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements, and “direct or indirect” has the correlative meaning;
- (m) all words (whether gender-specific or gender neutral) shall be deemed to include each of the masculine, feminine and neuter genders;

(n) in calculations of share numbers, (i) references to a “fully diluted and as-converted basis” mean that the calculation is to be made assuming that all outstanding options, warrants and other Equity Securities convertible into or exercisable or exchangeable for Ordinary Shares (whether or not by their terms then currently convertible, exercisable or exchangeable) have been so converted, exercised or exchanged, (ii) references to a “non-diluted basis” mean that the calculation is to be made taking into account only Ordinary Shares then in issue and (iii) references to an “as-converted basis” mean that the calculation is to be made assuming that all Preferred Shares in issue have been converted into Ordinary Shares. All calculations shall be deemed to be on as-converted basis unless otherwise specified. Any share number or per share amount referred to in these Articles shall be appropriately adjusted to take into account any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event affecting the shares after the date of these Articles. Any reference to or calculation of shares of the Company in issue shall exclude treasury shares;

(o) references to these Articles include the Schedules and Exhibits, which form an integral part hereof;

(p) references to laws include any such law modifying, re-enacting, extending or made pursuant to the same or which is modified, re-enacted, or extended by the same or pursuant to which the same is made; and

(q) a reference to any document (including these Articles) is to that document as amended, consolidated, supplemented, novated or replaced from time to time.

2. The business of the Company may be commenced as soon after incorporation as the Directors shall see fit, notwithstanding that part only of the Shares may have been allotted.
3. The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company including the expenses of registration.

CERTIFICATES FOR SHARES

4. Subject to Article 5, certificates representing Shares shall be in such form as shall be determined by the Directors. Such certificates may be under Seal. Share certificates shall be signed by one or more Directors or other persons authorized by the Directors. The Company shall not be bound to issue more than one certificate for Shares held jointly by more than one Person and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. The name and address of the Person to whom the Shares represented thereby are issued, with the number of Shares and date of issue, shall be entered in the Register of Members. All Share certificates surrendered to the Company for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of Shares shall have been surrendered and cancelled. The Directors may authorize certificates to be issued with the Seal and authorized signature(s) to be affixed by some method or system of mechanical process.

5. Notwithstanding Article 4, each certificate representing the Shares shall bear a legend substantially in the following form:
- THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT
- OF 1933 (AS AMENDED, THE “ACT”) OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR (B) AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT.
- THE SALE, GIFTING, ASSIGNMENT, TRANSFER, PLEDGE, HYPOTHECATION, MORTGAGE, ENCUMBRANCE, GRANTING OF A SECURITY INTEREST IN OR OTHERWISE DISPOSAL OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN A SHAREHOLDERS AGREEMENT, A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.
6. If a Share certificate is defaced, lost or destroyed, it may be renewed on payment of a fee of such sum and on such terms (if any) as the Directors may prescribe.

ISSUE OF SHARES

7. Subject to the Memorandum, the other provisions of these Articles (including Sections 1 and 4 of Exhibit A) and without prejudice to any special rights previously conferred on the holders of existing Shares, the Directors may allot, issue, grant options over or otherwise dispose of Shares (including fractions of a Share) with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such Persons, at such times and on such other terms as they think proper.
8. Subject to Article 4 and Article 6, the Company shall maintain a register of its Members, and every Person whose name is entered as a Member in the Register of Members shall be entitled without payment to receive within one (1) month after allotment or lodgment of transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares or several certificates each for one or more of his Shares.

TRANSFER OF SHARES

9. The instrument of transfer in respect of any Share shall be in writing and shall be executed by or on behalf of the transferor (and, if the Directors so require, signed by the transferee), and the transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members.
10. The Directors may not decline to register any transfer of Shares unless such registration of transfer would be contrary to the provisions of the Shareholders Agreement, the Memorandum, the other provisions of these Articles (including Section 2 of Exhibit A) or the Statute. If the Directors refuse to register a transfer, they shall notify the transferee of such refusal within five (5) Business Days after receipt of a request for such transfer, providing a detailed explanation of the reason therefor.

REDEEMABLE SHARES

11. Subject to the Statute, the Memorandum and the other provisions of these Articles (including Exhibit A), Shares may be issued on the terms that they are, or at the option of the Company or the holder are, to be redeemed on such terms and in such manner as the Company, before the issue of such Shares, may by Special Resolution determine. Subject to the Statute, the Memorandum and the other provisions of these Articles (including Exhibit A), the Company shall have the power to purchase or otherwise acquire its own shares on such terms and in such manner as the Board may determine and agree with a Member and any such determination by the Board shall be deemed authorized by these Articles for purposes of the Statute. The Company is hereby authorized to make payments in respect of the purchase of its shares out of capital or out of any other account or fund which can be authorized for this purpose in accordance with the Statute.

VARIATION OF RIGHTS OF SHARES

12. Subject to the Statute, the Memorandum and these Articles (including Section 4 of Exhibit A), if at any time the share capital of the Company is divided into different classes or series of Shares, the rights attached to any class or series (unless otherwise provided by the terms of issue of the Shares of that class or series) may, whether or not the Company is being wound up, only be varied with the consent in writing of the holders of at least a majority of the issued Shares of that class or series or with the sanction of a resolution of such holders of at least a majority of the issued Shares of that class or series, so long as such proposed variation would not adversely affect the rights of any other classes or series of Shares. The provisions of these Articles relating to general meetings of the Company shall apply to every general meeting of the holders of one class or series of Shares, except that, without prejudice to Article 43, the necessary quorum shall be Persons holding or representing in person or by proxy, at least a majority of the issued Shares of that class or series.
13. The rights conferred upon the holders of the Shares of any class or series issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class or series, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

COMMISSION ON SALE OF SHARES

14. The Company may in so far as the Statute from time to time permits pay a commercially reasonable commission to any Person in consideration of such Person subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares. Such commissions may be satisfied by the payment of cash or the lodgment of fully or partly paid-up Shares or partly in one way and partly in the other. The Company may also on any issue of Shares pay such brokerage as may be lawful and commercially reasonable.

NON-RECOGNITION OF TRUSTS

15. No person shall be recognized by the Company as holding any Share upon any trust and the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any Share, or any interest in any fractional part of a Share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any Share except an absolute right to the entirety thereof in the registered holder.

LIEN ON SHARES

16. The Company shall have a first and paramount lien on all Shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or other obligations owed (whether presently or not) by the Member or his estate, either alone or jointly with any other Person, whether a Member or not, to the Company, but the Directors may, at any time, declare any Share to be wholly or in part exempt from this Article 16. The Company's lien, if any, on a Share shall extend to all dividends or other amounts payable in respect of that share. Any registration of the transfer of a Share shall operate to waive the Company's lien (if any) thereon.
17. The Company may sell, in such manner as the Directors think fit, any Shares in which the Company has a lien, but no sale shall be made unless some amount in respect of which the lien exists is presently payable and the period of fourteen days has elapsed after the Company has given a notice in writing, stating and demanding payment of such part of the presently payable amount, to the relevant Member.
18. The Directors may authorize any person to execute an instrument of transfer of the Shares sold in accordance with this Article 18 to the purchaser of such Shares. The purchaser shall be registered as the holder of the Shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the sale of the Shares in accordance with these Articles.
19. The net proceeds of such sale after payment of costs shall be applied by the Company in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the Shares at the date of the sale.

CALL ON SHARES

20. The Directors may, from time to time, make calls upon the Members in respect of some or all of any monies unpaid on their Shares (whether in respect of their par value or the premium payable on those Shares), and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable by installments. The Directors may revoke or postpone a call at any time as a majority of the Directors may determine. A Person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect of which the call was made.

21. The joint holders of a Share shall be jointly and severally liable to pay calls in respect thereof and the holder or joint holders of a Share at the time of a call shall remain liable to pay the call on that Share, notwithstanding any subsequent transfer of the Share being registered by the Company.
22. If a sum called in respect of a Share remains unpaid after it has become due and payable, the Person from whom such amount is due shall pay interest on the sum at such rate as a majority of the Directors may determine from the day it became due and payable until it is paid. The Directors shall have the discretion to waive payment of any such interest in full or in part.
23. The provisions contained in these Articles in respect of calls shall apply to payments, whether on account of the amount of the Share, or by way of premium, to be made on the allotment of a Share or any date fixed on the issue of the Share as if the same had become payable by virtue of a call duly made and notified.

FORFEITURE OF SHARES

24. If a Member fails to pay any call or installment of a call in respect of Shares after it has become due and payable, the Directors may serve a notice on such Member naming a further date not earlier than the expiration of fourteen days from the date of service on or before which the payment required by the notice is to be. The notice shall specify where payment is to be made and shall state that if the notice is not complied with, the Shares in respect of which the call was made will be liable to be forfeited.
25. If the requirements of the notice referenced in Article 24 are not complied with, the Company may forfeit the Shares together with all dividends or other monies declared payable in respect of the forfeited Shares and not paid at any time before the payment required by the notice has been made.
26. The Company is under no obligation to refund any monies to the Member whose Shares have been forfeited.
27. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Directors think fit. The proceeds of any sale or disposition of the forfeited Share may be received and used by the Company as the Directors determine.
28. A person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the Shares together with interest.

29. A certificate in writing under the hand of a Director or Officer stating that a Share has been duly forfeited on the date stated in the certificate shall be conclusive evidence of the facts stated in the certificate as against all persons claiming to be entitled to the Share. The certificate shall (subject to the execution of an instrument of transfer) constitute good title to the Share and the Person to whom the Share is sold or disposed of shall thereupon be registered as the holder of the Share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.
30. The provisions of these Articles as to forfeiture for failure to pay any call or installment of a call shall apply to the failure to make payments, whether on account of the amount of the Share, or by way of premium, to be made on the allotment of a Share or any date fixed on the issue of the Share as if the same had become payable by virtue of a call duly made and notified.

REGISTRATION OF EMPOWERING INSTRUMENTS

31. The Company shall be entitled to charge a fee not exceeding one dollar (US\$1.00) on the registration of every probate, letter of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas or other instrument.

TRANSMISSION OF SHARES

32. In case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only Persons recognized by the Company as having any title to his interest in the Shares, but nothing herein contained shall release the estate of any such deceased holder from any liability in respect of any Shares which had been held by him solely or jointly with other Persons.
33. (a) Any Person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors and subject as hereinafter provided, elect either to be registered itself as holder of the Share or to make such transfer of the Share to such other Person nominated by it as the deceased or bankrupt person could have made and to have such Person registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by that Member before his death or bankruptcy or its liquidation or dissolution, as the case may be.
- (b) If the Person so becoming entitled shall elect to be registered itself as holder, it shall deliver or send to the Company a notice in writing signed by it stating that it so elects.

34. A Person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of the holder (or in any other case than by transfer) shall be entitled to the same dividends and other advantages to which it would be entitled if it were the registered holder of the Share, except that it shall not, before being registered as a Member in respect of the Share, be entitled in respect of the Share to exercise any right conferred by membership in relation to meetings of the Company; provided that the Directors may at any time give notice requiring any such Person to elect either to be registered itself or to transfer the Share and if the notice is not complied with within ninety (90) days the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

AMENDMENT OF MEMORANDUM, CHANGE OF LOCATION OF REGISTERED OFFICE AND ALTERATION OF CAPITAL

35. (a) Subject to the provisions of the Statute and these Articles (including Section 4 of Exhibit A), the Company may from time to time by Special Resolution alter or amend the Memorandum and may, without restricting the generality of the foregoing:
- (i) increase the share capital by such sum to be divided into Shares of such amount or without par value as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto as the Company in general meeting may determine.
 - (ii) consolidate and divide all or any of its share capital into Shares of a larger amount than the existing Shares;
 - (iii) subdivide the existing Shares or any of them, or divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum; and
 - (iv) cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any Person.
- (b) All new Shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the Shares in the original share capital.
- (c) Subject to the provisions of the Statute and these Articles (including Section 4 of Exhibit A) the Company may by Special Resolution change its name or alter its objects.
- (d) Subject to the provisions of the Statute and these Articles (including Section 4 of Exhibit A), the Company may by Special Resolution reduce its share capital and any capital redemption reserve fund.
- (e) Subject to the provisions of the Statute and these Articles (including Section 4 of Exhibit A), the Company may by resolution of the Directors change the location of its registered office.

CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

36. For purposes of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any dividend, or in order to make a determination of Members for any other proper purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period but not to exceed in any case forty (40) days. If the Register of Members shall be so closed for the purpose of determining Members entitled to notice of or to vote at a meeting of Members such register shall be so closed for at least ten (10) days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members.
37. In lieu of or apart from closing the Register of Members, the Directors may fix in advance a date as the record date for any such determination of Members entitled to notice of or to vote at a meeting of the Members and for the purpose of determining the Members entitled to receive payment of any dividend the Directors may, at or within ninety (90) days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination.
38. If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of or to vote at a meeting of Members or Members entitled to receive payment of a dividend, the date on which the notice of the meeting is mailed or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in Article 36 to Article 37, such determination shall apply to any adjournment thereof.

GENERAL MEETING

39. (a) Subject to Article 39(b), the Company shall within one year of its incorporation and in each year of its existence thereafter hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as the Directors shall appoint. At these meetings the report of the Directors (if any) shall be presented.
- (b) If the Company is exempted as defined in the Statute it may but shall not be obliged to hold an annual general meeting.
40. (a) The Directors may whenever they think fit, and they shall on the requisition of Members holding at the date of the deposit of the requisition not less than ten percent (10%) of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, proceed to convene a general meeting of the Company.
- (b) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company and may consist of several documents in like form each signed by one or more requisitionists.

- (c) If the Directors do not within twenty-one (21) days from the date of the deposit of the requisition duly proceed to convene a general meeting, the requisitionists, or any of them representing more than one-half (1/2) of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three (3) months after the expiration of the said twenty-one (21) days.
- (d) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

NOTICE OF GENERAL MEETINGS

- 41. At least ten (10) Business Days' notice shall be given by the Board of an annual general meeting or any other general meeting to the Members whose names on the date of the notice appear as a Member in the Register of Members and are entitled to vote at the meeting; provided that a general meeting of the Company shall, whether or not the notice specified in this Article has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed by the holders of at least ninety-three percent (93%) of the outstanding Shares. Every notice shall be exclusive of the day on which it is given or deemed to be given and shall specify the place, the day and the hour of the meeting and the general nature of the business. No resolution may be tabled, voted on or passed in a general meeting to the extent its subject matter has not been included in the notice of such meeting.
- 42. The accidental omission and inadvertent failure to give notice of a general meeting to, or the non-receipt of notice of a meeting by any Person entitled to receive notice provided that the notice has been delivered in accordance with these Articles, shall not invalidate the proceedings of that meeting.

PROCEEDINGS AT GENERAL MEETINGS

- 43. A general meeting shall be deemed duly constituted if, at the commencement of and throughout the meeting, there are present in person or by proxy (a) the Preferred Majority, and (b) the holder(s) holding at least fifty percent (50%) of the voting power of the issued Ordinary Shares; provided that if the Company has one Member the quorum shall be that one Member present in person or by proxy. No business shall be transacted at any general meeting unless the aforesaid quorum of Members is present at the time when the meeting proceeds to business.
- 44. Subject to Section 4 of Exhibit A and the Shareholders Agreement, a resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. The expressions "written" and "signed" include writings or signatures transmitted by email.

45. If, within one (1) hour from the time appointed for the meeting, a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved and in any other case it shall stand adjourned to the same time and place ten (10) Business Days later or such other place as the Directors may determine, provided that the written notice of the adjourned meeting shall be given to all Members at least five (5) Business Days before such meeting, and if at the adjourned meeting or next duly noticed meeting a quorum is not present within one (1) hour from the time appointed for the meeting, the Members present shall be deemed to constitute a quorum for all purposes. Other than the business as outlined in the notice to Members, no other business shall be determined at the adjourned meeting.
46. A general meeting may be held and any Member may participate in such meeting by telephone, video conference or other communications equipment by means of which all the Persons participating in the meeting can communicate with each other, and such participation shall constitute presence for purposes of the quorum provisions of Article 43.
47. The Chairman shall preside as chairman at every general meeting of the Company, or if there is no Chairman or if he shall not be present within thirty (30) minutes after the time appointed for the holding of the meeting or is unwilling to act, the Directors present shall elect one of their numbers to be chairman of the meeting. If at any general meeting no Director is willing to act as chairman of the meeting or if no Director is present within fifteen (15) minutes after the time appointed for holding the meeting, the Members present shall choose one of their numbers to be chairman of the meeting.
48. The chairman of the general meeting may, with the consent of any general meeting duly constituted hereunder, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
49. At any general meeting a resolution put to the vote of the meeting shall be decided through a poll.
A poll shall be taken in such manner as the chairman of the general meeting directs and the result of the poll shall be deemed to be the resolution of the general meeting. In the case of an equality of votes, the chairman of the general meeting shall not be entitled to a second or casting vote, and such resolution shall fail.
50. [reserved.]

VOTES OF MEMBERS

51. Subject to the rights and restrictions attached to any Shares and the provisions of these Articles, each Member shall have one (1) vote for each Ordinary Share it holds on an as-converted basis.

52. In the case of joint holders of record the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
53. Subject to Section 4 of Exhibit A and the Shareholders Agreement, no Person shall be entitled to vote at any general meeting unless it is registered as a Member of the Company (or is acting by proxy for a Member) on the record date for such meeting nor unless all calls or other sums presently payable by him in respect of Shares have been paid.
54. No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at such general meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the general meeting whose decision shall be final and conclusive.
55. Votes may be cast either in person or by proxy. A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote by his committee, receiver, curator bonis, or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis, or other person may vote by proxy.
56. If any Member fails to attend or vote (unless it has expressly stated its view to abstain from voting) at a quorate general meeting, it shall be deemed to have voted in favor of each of the subject matters expressly included in the notice duly issued and received by such Member in accordance with these Articles for such general meeting; provided that such notice expressly sets forth such deemed voting mechanism. If any Member fails to provide consent to (unless it has expressly objected against or stated its view to abstain from giving consent on) any written resolution of the Members or any other matter to be approved by such Member in writing following an at least ten (10) Business Days' prior notice seeking such consent in advance, such Member shall be deemed to have given its consent to such written resolution or such other matter (as the case may be); provided that such notice expressly sets forth such deemed consent mechanism.

PROXIES

57. The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorized in writing, or, if the appointor is a corporation, under the hand of an officer or attorney duly authorized on that behalf. A proxy need not be a Member.
58. The instrument appointing a proxy shall be deposited at the registered office of the Company or at such other place as is specified for that purpose in the notice convening the meeting no later than the time for holding the meeting or adjourned meeting; provided that the chairman of the general meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company.

59. The instrument appointing a proxy may be in any usual or common form and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.
60. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given; provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the registered office before the commencement of the general meeting or adjourned meeting at which it is sought to use the proxy.
61. Any corporation which is a Member of record may in accordance with its constitutional documents or in the absence of such provision by resolution of its directors or other governing body authorize such Person as it thinks fit to act as its representative at any general meeting of the Company or of any class of Members, and the Person so authorized shall be entitled to exercise the same powers on behalf of the corporation which it represents as the corporation could exercise if it were an individual Member of record.
62. Shares belonging to the Company or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any general meeting and shall not be counted in determining the total number of outstanding Shares at any given time.

DIRECTORS

63. The Board shall consist of seven (7) members, which number of members shall not be changed except as in compliance with Section 4 of Exhibit A. The Founder shall be entitled to nominate, appoint and remove two (2) Directors of the Board. One (1) director of the Board shall be an independent director not Affiliated with any Group Company or any Investor who shall be approved by a majority of the Board, including the Founder and at least three (3) Investor Directors, which shall remain vacant until filled by the Board. So long as OrbiMed continues to hold at least 5% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), OrbiMed shall be exclusively entitled to nominate, appoint and remove one (1) director of the Board (the “Series A Director”). So long as LAV USD Entities and LAV RMB Entity continue to collectively hold at least 5% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), LAV USD Entities and LAV RMB Entity shall be exclusively entitled to nominate, appoint and remove one (1) directors of the Board (the “Series B-1 Director”). So long as Temasek continues to hold at least 5% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), Temasek shall be exclusively entitled to nominate, appoint and remove one (1) director of the Board (the “Series B-2 Director”). So long as the holders of Series C Preferred Shares in the aggregate continues to hold at least 5% of the Ordinary Shares then outstanding (calculated on a fully diluted and as- converted basis), Morningside shall be exclusively entitled to nominate, appoint and remove one (1) director of the Board (together with the Series A Director, the Series B-1 Director and the Series B-2 Director, the “Investor Directors” and each an “Investor Director”). So long as Kington Entities continue to collectively hold at least 3% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), Kington Entities shall be exclusively entitled to nominate a representative (the “Kington Observer”) to attend, at its own expense, at all meetings of the Board. So long as OrbiMed continues to hold at least 3% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), OrbiMed shall be exclusively entitled to nominate a representative (the “Series C Observer”, together with the Kington Observer, the “Observers” and each an “Observer”) to attend, at its own expense, all meetings of the Board. The Observers shall have full rights of audience and may speak at all meetings of the Board, but shall not be entitled to vote or be counted towards the quorum at any such meetings.

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64. In the event any director of the Board resigns, is removed in accordance with Article 63 or otherwise ceases to hold office, the Person that nominated such director will have the right to nominate such director's successor or replacement, and such successor or replacement director shall be nominated and appointed within 10 days after the date of such resignation or removal. If it is any Investor Director that resigns, is removed or otherwise ceases to hold office, neither the Members nor the Board shall transact any business until the successor or replacement Director has been nominated and appointed by the Person that is entitled to nominate and appoint such successor or replacement Director.
 65. Each Director of the Board shall be entitled to examine the books, accounts and records of the Company and any other Group Company and shall have free access, at all times, to any and all properties, facilities, personnel and advisors of any Group Company. The Company shall provide such information relating to the business affairs and financial position of any Group Company as any director may request. Any director may provide such information to the Person that nominated such Director.
 66. The remuneration to be paid to the Directors shall be such remuneration as the Directors shall determine. Such remuneration shall be deemed to accrue from day to day. The Directors shall also be entitled to be paid their travelling and other reasonable expenses incurred by them in going to, attending and returning from meetings of the Board or any committee thereof or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors from time to time.
 67. A Director or alternate Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.
 68. A shareholding qualification for Directors may be fixed by the Company in general meeting, but unless and until so fixed no qualification shall be required.

69. In addition to any further restrictions set forth in these Articles, no person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. Unless otherwise provided in these Articles or the Shareholders Agreement, a Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is so interested as aforesaid; provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him or the alternate Director appointed by him at or prior to its consideration and any vote thereon.
70. Unless otherwise provided in these Articles, a general notice or disclosure to the Directors or otherwise contained in the minutes of a meeting or a written resolution of the Directors or any committee thereof that a Director is a Member, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

ALTERNATE DIRECTORS

71. A Director who expects to be unable to attend any Board meeting may appoint any person to be an alternate Director to act in his stead and such appointee whilst he holds office as an alternate Director shall, in the event of absence therefrom of his appointor, be entitled to attend Board meetings and to vote thereat and to do, in the place and stead of his appointor, any other act or thing that his appointor is permitted or required to do by virtue of his being a Director as if the alternate Director were the appointor, other than appointment of an alternate to himself, and he shall ipso facto vacate office if and when his appointor ceases to be a Director or removes him from office. Any appointment or removal under this Article 71 shall be effected by notice to the Company in writing under the hand of the Director making the same.

POWERS AND DUTIES OF DIRECTORS

72. Subject to the provisions of the Memorandum, these Articles and any directions given by Special Resolution, the business of the Company shall be managed in the best interests of the Company by the Directors who may pay all expenses incurred in promoting, registering and setting up the Company, and may exercise all such powers of the Company as are not, from time to time by the Statute, or by these Articles, or such regulations, being not inconsistent with the aforesaid, as may be prescribed by the Company in general meeting required to be exercised by the Company in general meeting; provided that no regulations made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made. Subject to Section 4 of Exhibit A, all matters in relation to the operation and management of the Group shall be decided by the Board at a quorate Board meeting or by a written resolution signed by all Directors.

73. The Directors may from time to time and at any time by powers of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of Persons dealing with any such attorneys as the Directors may think fit and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.
74. All checks, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall from time to time by resolution determine.
75. The Directors shall cause minutes to be made in books provided for the purpose:
- (a) of all appointments of officers made by the Directors;
 - (b) of the names of the Directors (including those represented thereat by an alternate or by proxy) present at each meeting of the Board and of any committee thereof; and
 - (c) of all resolutions and proceedings at all general meetings and all meetings of the Board and any committee thereof.

MANAGEMENT

76. Subject to these Articles:
- (a) The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the three (3) next following paragraphs shall be without prejudice to the general powers conferred by this paragraph.
 - (b) The Directors from time to time and at any time may establish any committees (of the Board or otherwise), local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards or any managers or agents and may fix their remuneration.
 - (c) The Directors from time to time and at any time may delegate to any such committee (of the Board or otherwise), local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorize the members for the time being of any such local board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

- (d) Any such delegates as aforesaid may be authorized by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.

PROCEEDINGS OF DIRECTORS

77. Meetings of the Board shall take place at least once every quarter. Meetings may be held either in a physical location or telephonically or by other communications equipment by means of which all the Directors participating in the meeting can communicate with each other at the same time. A meeting of the Board may be called by any Director giving notice in writing to the Company Secretary specifying the date, time and agenda for such meeting. The Company Secretary shall upon receipt of such notice give a copy of such notice to all Directors of such meeting, accompanied by a written agenda specifying the business of such meeting and copies of all papers relevant for such meeting. Not less than ten (10) Business Days' notice shall be given to all Directors in writing; provided that such notice period may be reduced with the written consent of all of the Directors, or waived by any Director who does not receive timely notice with the written consent of that Director or by his presence at the meeting.
78. All meetings of the Board shall require a quorum, being a majority of the Directors (including at least three (3) Investor Directors) then in office. If notice of the Board meeting has been duly delivered to all Directors prior to the scheduled meeting, or if such notice is duly waived, in each case in accordance with the notice procedure under these Articles, and the quorum of the Board is not present within one (1) hour of the time appointed for a meeting due to the absence of any Investor Director, the meeting shall be adjourned to the same place and time five (5) Business Days after the original date set for such meeting, provided that written notice of the adjourned meeting shall be given to all directors of the Board at least three (3) Business Day before such meeting. If a quorum of the Board is not present within one (1) hour of the time appointed for such adjourned meeting due to the absence of any Investor Director, the presence of a majority of the Directors, regardless of the presence or absence of any Investor Director, shall constitute a quorum.
79. At any Board meeting, each Director may exercise one vote. Any Director may, by written notice to the Company Secretary, authorize another Person to attend and vote by proxy for such Director at any Board meeting. Subject to Section 4 of Exhibit A and Article 81, the adoption of any resolution of the Board shall require the affirmative vote of a majority of the Directors present at a duly convened meeting of the Board at which a quorum is present. The Board shall not at any meeting adopt any resolution in respect of any matter that is not specified on the agenda for such meeting unless all Directors then in office are present at such meeting and vote in favor of such resolution.

80. Any Director may participate in Board meetings by telephone or video conference or other communications equipment by means of which all the Directors participating in the meeting can communicate with each other at the same time, and such participation shall constitute presence for purposes of the quorum provisions of Article 78.
81. Any action that may be taken by the Directors at a meeting may be taken by a written resolution signed by all of the Directors. The expressions “written” and “signed” include writings or signatures transmitted by email.
82. If any Director fails to attend or vote (unless he/she has expressly stated his/her view to abstain from voting) at a quorate Board meeting, he/she shall be deemed to have voted in favor of each of the subject matters expressly included in the notice duly issued and received by such Director in accordance with these Articles for such Board meeting; provided that such notice expressly sets forth such deemed voting mechanism. If any Director fails to provide consent to (unless he/she has expressly objected against or stated his/her view to abstain from giving consent on) any written resolution of the Director or any other matter to be approved by such Director in writing following an at least ten (10) Business Days’ prior notice seeking such consent in advance, such Director shall be deemed to have given his/her consent to such written resolution or such other matter (as the case may be); provided that such notice expressly sets forth such deemed consent mechanism.

VACATION OF OFFICE OF DIRECTOR

83. The office of a Director shall be vacated:
- (a) if he gives notice in writing to the Company that he resigns the office of Director;
 - (b) if he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
 - (c) if he is found a lunatic or becomes of unsound mind; or
 - (d) if he is removed by the Member who nominated or appointed him pursuant to Article 63.

SEAL

84. (a) The Company may, if the Directors so determine, have a Seal which shall only be used by the authority of the Directors or of a committee of the Board authorized by the Directors on that behalf and every instrument to which the Seal has been affixed shall be signed by one person who shall be a Director, the Company Secretary or other person appointed by the Directors for the purpose.

- (b) The Company may have for use in any place or places outside the Cayman Islands a duplicate seal or seals each of which shall be a facsimile of the Seal and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.
- (c) A Director, the Company Secretary or other person appointed by the Directors for the relevant purpose may without further authority of the Directors affix the Seal over his signature alone to any document of the Company required to be authenticated by him under Seal or to be filed with the Registrar of companies in the Cayman Islands or elsewhere wheresoever.

OFFICERS

85. Subject to Section 4 of Exhibit A, the Company may have a president, a Company Secretary or secretary-treasurer appointed by the Directors who may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal, as the Directors from time to time prescribe.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

86. (a) Subject to the Statute and these Articles (including Exhibit A), the Board in its sole discretion, decides whether, when and the amount in which a dividend will be declared on the shares of the Company. Dividends will be payable out of funds or assets of the Company when and as such funds or assets become legally available therefor. Each Preferred Share shall have the right to receive non-cumulative dividends, *pari passu* with Ordinary Shares, on an as-converted basis, when, as and if declared by the Board.
- (b) Subject to the Statute, no dividend or distribution, whether in cash, property or any other Shares, shall be paid with respect to the Ordinary Shares at any time unless all accrued but unpaid dividends on the Preferred Shares pursuant to Article 86(a), have been paid in full or will be paid in full concurrently with such payment to the Ordinary Shares.
87. Subject to the Statute and these Articles (including Exhibit A), the Directors may, before declaring any dividends or distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business of the Company.
88. The Directors may deduct from any dividend or distribution payable to any Member all sums of money (if any) presently payable by it to the Company on account of calls according to Article 20 to Article 23 or otherwise.
89. Subject to the rights of Persons, if any, entitled to Shares with special rights as to dividends or distributions, if dividends or distributions are to be declared on a class of Shares they shall be declared and paid according to the amounts paid or credited as paid on the Shares of such class outstanding on the record date for such dividend or distribution as determined in accordance with these Articles but no amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article 89 as paid on the Share.

90. Subject to the Statute and these Articles (including Exhibit A), the Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.
91. Any dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by check or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the holder who is first named on the Register of Members or to such Person and to such address as such holder or joint holders may in writing direct. Every such check or warrant shall be made payable to the order of the Person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses or other monies payable in respect of the Shares held by them as joint holders.
92. No dividend or distribution shall bear interest against the Company.

CAPITALIZATION

93. Subject to these Articles, the Company may upon the recommendation of the Directors by ordinary resolution authorize the Directors to capitalize any sum standing to the credit of any of the Company's reserve accounts (including the share premium account and the capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalization, with full power to the Directors to make such provisions as they think fit for the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned).

BOOKS OF ACCOUNT

94. The Directors shall cause proper books of account to be kept with respect to:
- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place;

- (b) all sales and purchases of goods by the Company; and
- (c) the assets and liabilities of the Company.

Proper books shall be deemed to not be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

- 95. Subject to the provisions of the Shareholders Agreement, the Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Statute, authorized by the Directors or by the Company in general meeting or in accordance with the Shareholders Agreement.
- 96. The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

AUDIT

- 97. Subject to Section 4 of Exhibit A, the Company may at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting and may fix his or their remuneration.
- 98. Subject to Section 4 of Exhibit A, (a) the Directors may before the first annual general meeting appoint an auditor or auditors of the Company who shall hold office until the first annual general meeting unless previously removed by an ordinary resolution of the Members in general meeting in which case the Members at that meeting may appoint auditors, (b) the Directors may fill any casual vacancy in the office of auditor but while any such vacancy continues the surviving or continuing auditor or auditors, if any, may act and (c) the remuneration of any auditor appointed by the Directors under this Article 98 may be fixed by the Directors.
- 99. Every auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanations as may be necessary for the performance of the duties of the auditors.
- 100. Auditors shall at the next annual general meeting following their appointment and at any other time during their term of office, upon request of the Directors or any general meeting of the Members, make a report on the accounts of the Company in general meeting during their tenure of office.

NOTICES

101. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to these Articles to any Member shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the relevant Person, upon delivery; (b) when sent by facsimile, upon receipt of confirmation of error-free transmission; (c) seven (7) Business Days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid and addressed to the Member; or (d) three (3) Business Days after deposit with an international overnight delivery service, postage prepaid, addressed to the Member with next Business Day delivery guaranteed, provided that the sender receives a confirmation of delivery from the delivery service provider.
102. A notice may be given by the Company to the joint holders of record of a Share by giving the notice to the joint holder first named on the Register of Members in respect of the Share.
103. A notice may be given by the Company to the Person or Persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member by sending it through the post as aforesaid in a pre-paid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the Persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.
104. Notice of every general meeting shall be given in any manner hereinbefore authorized to:
 - (a) every Person shown as a Member in the Register of Members as of the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the Register of Members; and
 - (b) every Person upon whom the ownership of a Share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

WINDING UP

105. Subject to Section 5 of Exhibit A, if the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any Shares or other securities whereon there is any liability.

INDEMNITY

106. To the maximum extent permitted by applicable law, the Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duty in their respective offices or trusts, except such (if any) as they shall incur or sustain by or through their own willful neglect or willful default respectively and no such Director, officer or trustee shall be answerable for the acts, receipts, neglects or defaults of any other Director, officer or trustee or for joining in any receipt for the sake of conformity or for the solvency or honesty of any banker or other Persons with whom any monies or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency of any security upon which any monies of the Company may be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through the willful neglect or default of such Director, officer or trustee.
107. To the maximum extent permitted by applicable law, the Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall not be personally liable to the Company or the Members for monetary damages for breach of their duty in their respective offices, except such (if any) as they shall incur or sustain by or through their own willful neglect or willful default respectively.

FISCAL YEAR

108. Unless the Directors otherwise prescribe and subject to the other provisions of these Articles, the fiscal year of the Company shall end on December 31 in each year and, following the year of incorporation, shall begin on January 1 in each year.

AMENDMENTS OF ARTICLES

109. Subject to the Statute and these Articles (including Section 4 of Exhibit A), the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part.

TRANSFER BY WAY OF CONTINUATION

110. If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

1. RIGHT OF PARTICIPATION.

Each holder of any Preferred Shares or Conversion Shares (each a “Participation Rights Holder”) shall have the right to purchase up to such Participation Rights Holder’s Pro Rata Share (as defined below) (and any oversubscription, as provided in Section 1.3) of any New Securities (as defined below) that the Company may from time to time issue (the “Right of Participation”). Each Participation Rights Holder may apportion, at its sole discretion, its Pro Rata Share (and any oversubscription, as provided in Section 1.3) of any New Securities among its Affiliates in any proportion.

1.1 Pro Rata Share.

A Participation Rights Holder’s “Pro Rata Share” for the purpose of the Right of Participation is a fraction, the numerator of which is the number of Ordinary Shares (calculated on a fully diluted and as-converted basis held by such Participation Rights Holder and the denominator of which is the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by all Participation Rights Holders, in each case (for both the numerator and the denominator) immediately prior to the issuance of the New Securities giving rise to the Right of Participation.

1.2 New Securities.

“New Securities” shall mean any Equity Securities in the Company issued after the date hereof, provided, however, that the term “New Securities” shall not include the following issuances (collectively, the “Excepted Issuances”):

- (a) any Equity Securities of the Company issued pursuant to the Series C Share Subscription Agreement;
- (b) any Equity Securities of the Company issued from time to time to the employees, officers, directors, contractors, advisors or consultants of the Group Companies pursuant to the ESOP or any employee incentive plan consented to or approved in compliance with Section 4 and the Shareholders Agreement;
- (c) any Ordinary Shares issued pursuant to the conversion of any Preferred Shares;
- (d) any Equity Securities of the Company issued in connection with any share split, share dividend or any subdivision of Ordinary Shares or other similar event in which all the Participation Rights Holders are entitled to participate on a pro rata basis;
- (e) any Equity Securities of the Company issued as a dividend or distribution on the Preferred Shares in compliance with Section 4 and the Shareholders Agreement;
- (f) any Equity Securities of the Company issued pursuant to a Qualified IPO;

- (g) any Equity Securities issued as a result of any share split or share subdivision or the like which does not affect the shareholding percentages of the Members in the Company; and
- (h) any Equity Securities of the Company issued pursuant to the acquisition of another corporation or entity by the Company by consolidation, merger, purchase of assets, or other reorganization in which the Company acquires, in a single transaction or a series of related transactions, all or substantially all assets of such other corporation or entity, or fifty percent (50%) or more of the equity ownership or voting power of such other corporation or entity, provided that such acquisition has been approved in compliance with Section 4 and the Shareholders Agreement;
- (i) any Equity Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a bona fide debt financing, equipment leasing or real property leasing transaction approved in compliance with Section 4 and the Shareholders Agreement; provided that such issuances are approved by the Board, including the approval of at least two (2) Investor Directors; and
- (j) any Equity Securities issued in connection with bona fide sponsored research, collaboration, license, development, or other similar agreements or strategic partnerships approved in compliance with Section 4 and the Shareholders Agreement; provided that such issuances are approved by the Board, including the approval of at least two (2) Investor Directors.

1.3 Procedures.

- (a) First Participation Notice. In the event that the Company proposes to undertake an issuance of any New Securities (in a single transaction or a series of related transactions), it shall give to each Participation Rights Holder written notice of its intention to issue such New Securities (the “First Participation Notice”), describing the amount and class of the New Securities, the name and address of each proposed subscriber, the price per New Security and other material terms and conditions upon which the Company proposes to issue such New Securities. Each Participation Rights Holder shall have ten (10) Business Days after the date of receipt of any such First Participation Notice (the “First Participation Period”) to elect on behalf of itself or its Affiliates in writing to purchase up to such Participation Rights Holder’s Pro Rata Share of such New Securities for the price per New Security and upon the other terms and conditions specified in the First Participation Notice by giving written notice to the Company and stating therein the quantity of the New Securities to be purchased (not to exceed such Participation Rights Holder’s Pro Rata Share). If any Participation Rights Holder fails to elect in writing within the First Participation Period to purchase such Participation Rights Holder’s full Pro Rata Share of such New Securities, then such Participation Rights Holder shall forfeit the right hereunder to purchase that part of its Pro Rata Share of such New Securities that it did not elect to purchase.

- (b) Second Participation Notice; Oversubscription. If any Participation Rights Holder fails or declines to fully exercise its Right of Participation in accordance with Section 1.3(a) above, the Company shall promptly give notice (the “Second Participation Notice”) to other Participation Rights Holders who have fully exercised their Right of Participation in accordance with Section 1.3(a) (each, a “Participating Holder”), which notice shall set forth the number of New Securities that were not subscribed for by the Participation Rights Holders pursuant to Section 1.3(a) above (such shares, the “Overallotment New Securities”). Each Participating Holder shall have ten (10) Business Days after the date of receipt of the Second Participation Notice (the “Second Participation Period”) to notify the Company in writing of its desire to purchase more than its Pro Rata Share of the New Securities, stating the number of additional New Securities it proposes to buy (with respect to each Participating Holder, the “Additional Number”). Such notice may be made by telephone if confirmed in writing within two (2) Business Days thereafter. If the total number of additional New Securities the Participating Holders propose to buy exceeds the total number of Overallotment New Securities, each Participating Holder proposing to purchase additional New Securities in accordance with this Section 1.3(a) (each, an “Oversubscribing Participating Holder”) will be cut back by the Company with respect to its oversubscription to a number of Overallotment New Securities which is equal to (i) at least the lesser of (1) its Additional Number and (2) the product obtained by multiplying (x) the total number of Overallotment New Securities available for subscription by (y) a fraction, the numerator of which is the number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by such Oversubscribing Participating Holder and the denominator of which is the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by all the Oversubscribing Participating Holders, in each case (for both the numerator and the denominator) immediately prior to the issuance of the New Securities and (ii) at most its Additional Number. Each Oversubscribing Participating Holder shall be obligated to buy such number of New Securities as determined by the Company pursuant to this Section 1.3(a) and the Company shall so notify the Participating Holder within twenty (20) Business Days following the date of the Second Participation Notice.

1.4 Failure to Exercise.

Upon the expiration of the Second Participation Period, or, in the event no Participation Rights Holder exercises its Right of Participation in accordance with Section 1.3(a), upon the expiration of the First Participation Period, the Company shall have one hundred and twenty (120) days thereafter to sell any New Securities described in the First Participation Notice (with respect to which the Right of Participation hereunder was not exercised) to the subscribers specified in the First Participation Notice at the same or a higher price per New Security and upon other non-price terms and conditions not more favorable to the subscribers thereof than specified in the First Participation Notice. In the event that the Company has not issued and sold such New Securities within such one hundred and twenty (120) day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Participation Rights Holders pursuant to this Section 1.

2. TRANSFER RESTRICTIONS.

2.1 Certain Definitions.

For purposes of this Section 2 and other provisions of the Memorandum and Articles, “Ordinary Holder” means the Founder and the Founder Holding Company, and any Permitted Transferee (as defined below) of the foregoing; “Preferred Holder” means a holder of any Preferred Shares or Conversion Shares; and “Restricted Shares” means any Equity Securities or other securities in the Company now held or subsequently acquired by an Ordinary Holder.

2.2 Sale by Ordinary Holder; Notice of Sale.

Subject to Section 2.7, if any Ordinary Holder (the “Selling Shareholder”) proposes to, directly or indirectly, sell, give, assign, transfer, pledge, hypothecate, mortgage, encumber, grant a security interest in or otherwise dispose of, or reduce the economic benefit or voting power of owning, or suffer to exist (whether by operation of law or otherwise) any Lien on (“Transfer”), any Restricted Share, then the Selling Shareholder shall promptly give written notice (the “Transfer Notice”) to each Preferred Holder and the Company prior to such Transfer. The Transfer Notice shall describe in reasonable detail the proposed Transfer, including the number and class of Restricted Shares to be Transferred (the “Offered Shares”), the nature of such Transfer, the price to be paid per Offered Share, the other material terms and conditions of such Transfer and the name and address of the prospective transferee (the “Transferee”).

2.3 Right of First Refusal.

(a) Preferred Holder’s Right of First Refusal.

- i. Each Preferred Holder shall have the right, exercisable upon written notice to the Selling Shareholder and the Company within ten (10) Business Days after receipt of the Transfer Notice (the “Preferred Holders’ Refusal Period”), to elect to purchase all or any part of its pro rata share of the Offered Shares on the same material terms and conditions as described in the Transfer Notice.
- ii. For the purpose of this Section 2.3, each Preferred Holder’s pro rata share of the Offered Shares equals the product obtained by multiplying (1) the aggregate number of Offered Shares by (2) a fraction, the numerator of which shall be the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) owned by such Preferred Holder at the time of the transaction and the denominator of which shall be the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by all the Preferred Holders at the time of the transaction (the “First Refusal Allotment”).

- iii. To the extent that any Preferred Holder does not exercise its right of first refusal in accordance with Section 2.3(a)(i) to the full extent of its First Refusal Allotment, the Selling Shareholder shall promptly give notice (the “Supplemental Transfer Notice”) to each Preferred Holder who has exercised its right of first refusal in accordance with Section 2.3(a)(i) to the full extent of its First Refusal Allotment (each, an “Exercising Holder”), which notice shall set forth the number of Offered Shares that were not subscribed for by the Preferred Holders pursuant to Section 2.3(a)(i) (such shares, the “Excess Offered Shares”). Each Exercising Holder shall have ten (10) Business Days after the date of receipt of the Supplemental Transfer Notice (the “Second Refusal Period”) to notify the Selling Shareholder in writing of its desire to purchase more than its pro rata share of the Offered Shares, stating the number of additional Offered Shares it proposes to buy (with respect to each Exercising Holder, the “Excess Number”). If the total number of additional Offered Shares the Excess Holders propose to buy exceeds the total number of Excess Offered Shares, each Exercising Holder proposing to purchase additional Offered Shares in accordance with this Section 2.3(a)(iii) (each, an “Excess Exercising Holder”) will be cut back by the Selling Shareholder with respect to its purchase to a number of Excess Offered Shares which is equal to (i) at least the lesser of (1) its Excess Number and (2) the product obtained by multiplying (x) the total number of Excess Offered Shares available for purchase by (y) a fraction, the numerator of which is the number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by such Excess Exercising Holder and the denominator of which is the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by all the Excess Exercising Holders, in each case (for both the numerator and the denominator) at the time of the transaction and (ii) at most its Excess Number. Each Excess Exercising Holder shall be obligated to buy such number of Offered Shares as determined by the Selling Shareholder pursuant to this Section 2.3(a)(iii) and the Selling Shareholder shall so notify the Excess Exercising Holder within twenty (20) Business Days following the date of the Supplemental Transfer Notice.
- iv. Subject to applicable securities Laws, each Preferred Holder shall be entitled to apportion the Offered Shares to be purchased by it through the exercise of its right of first refusal provided in this Section 2.3(a) among its Affiliates, upon written notice to the Company and the Selling Shareholder.
- (b) Payment. Payment for the Offered Shares to be purchased by a Preferred Holder exercising its right of refusal pursuant to Section 2.3(a), shall be made by check or wire transfer of immediately available funds of the appropriate currency, against delivery by the Selling Shareholder of certificates representing such Offered Shares, accompanied by duly executed instruments of transfer and half of the requisite stamp duty or transfer taxes or fees payable on such Transfer, if any, at a place agreed by the Selling Shareholder and such Preferred Holder, and at the time of the scheduled closing therefor, which shall be no later than forty-five (45) days (or such longer period as necessary to obtain any Regulatory Approvals required for such purchase and payment) after the Preferred Holder’s Refusal Period or, if a Supplemental Transfer Notice was delivered by the Selling Shareholder pursuant to Section 2.3(a)(iii), after the Second Refusal Period. At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of such Offered Shares to such Preferred Holder. Any stamp duty or transfer taxes or fees payable on the transfer of Offered Shares shall be borne and paid in accordance with applicable Laws.

- (c) **Purchase Price.** The purchase price for each Offered Share to be purchased by a Preferred Holder exercising its right of first refusal in accordance with Section 2.3(a) will be the price per Offered Share set forth in the Transfer Notice. If the purchase price in the Transfer Notice includes consideration other than cash, the cash equivalent value of the non-cash consideration will be as previously determined by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors) in good faith, which determination will be binding upon the Preferred Holders, absent fraud or error.
- (d) **Rights of Selling Shareholder.** If any Preferred Holder exercises its right of first refusal to purchase any Offered Shares in accordance with Section 2.3(a), then, upon the date the notice of such exercise is given by such Preferred Holder, the Selling Shareholder will have no further rights as a holder of such Offered Shares except the right to receive payment for such Offered Shares from such Preferred Holder in accordance with Section 2.3(b) and Section 2.3(c), and the Selling Shareholder will forthwith cause all certificate(s) representing such Offered Shares to be surrendered to such Preferred Holder at the time of the scheduled closing for such purchase.
- (e) **Application of Co-Sale Right.** If the Preferred Holders have not elected to purchase in aggregate all of the Offered Shares in accordance with this Section 2.3, then the sale of the outstanding Offered Shares will become subject to the co-sale rights set forth in Section 2.4 below. Within ten (10) days after expiration of the Preferred Holders' Refusal Period or, if a Supplemental Transfer Notice was delivered by the Selling Shareholder pursuant to Section 2.3(a)(iii), the expiration of the Second Refusal Period, the Selling Shareholder shall give the Company and each Preferred Holder a written notice (the "First Refusal Expiration Notice") specifying either that (i) all of the Offered Shares were purchased by the Preferred Holders by their exercise of their rights of first refusal pursuant to this Section 2.3 or (ii) the Preferred Holders have not purchased all of the Offered Shares, such outstanding Offered Shares shall be subject to the co-sale right of each Co-Sale Holder (as defined in Section 2.4 below) described in Section 2.4 below and the Co-Sale Pro Rata Portion (as defined in Section 2.4 below) of the outstanding Offered Shares for the purpose of the co-sale rights provided in Section 2.4 below.

2.4 Co-Sale Right.

To the extent the Preferred Holders have not exercised their rights of first refusal with respect to all of the Offered Shares pursuant to Section 2.3, each of the Preferred Holders that did not exercise its right of first refusal with respect to the Offered Shares pursuant to Section 2.3 above (each, a “Co-Sale Holder”) shall have the right, exercisable upon written notice to the Selling Shareholder and the Company (the “Co-Sale Notice”) within twenty (20) days after receipt of the First Refusal Expiration Notice (the “Co-Sale Right Period”), to participate in the Transfer of the outstanding Offered Shares to the Transferee at the same price and on the same material terms and conditions as set forth in the Transfer Notice; PROVIDED HOWEVER, that no Co-Sale Holder shall be obligated in connection with such Transfer (a) to pay any amount with respect to any liabilities arising from the representations and warranties made by it in excess of its share of the total consideration paid by the Transferee (b) to make any representations or warranties concerning the business or assets of the Group or any Group Company or (c) enter into any non-competition or non-solicitation covenant or agreement. The Co-Sale Notice shall set forth the number of Ordinary Shares (on an as-converted but otherwise non-diluted basis at the time of the transaction) that such Co-Sale Holder wishes to include in such Transfer, which amount shall not exceed the Co-Sale Pro Rata Portion (as defined below) of such Co-Sale Holder. To the extent the Co-Sale Holder exercises such right of co-sale in accordance with the terms and conditions set forth below, the number of Offered Shares that the Selling Shareholder may sell in such Transfer shall be correspondingly reduced. The co-sale right of each Co-Sale Holder shall be subject to the following terms and conditions:

- (a) Co-Sale Pro Rata Portion. A Co-Sale Holder may sell all or any part of that number of Ordinary Shares held by it (on an as-converted but otherwise non-diluted basis) that is equal to the product (the “Co-Sale Pro Rata Portion”) obtained by multiplying (i) the number of Ordinary Shares (on an as-converted but otherwise non-diluted basis) owned by such Co-Sale Holder at the time of the transaction by (ii) a fraction, the numerator of which is the aggregate number of Offered Shares and the denominator of which is the aggregate number of Ordinary Shares (calculated on an as-converted but otherwise non-diluted basis) held by all the exercising Co-Sale Holders and the Selling Shareholder at the time of the transaction. For the avoidance of doubt, the co-sale right under this Section 2.4 shall not apply with respect to any Offered Shares Transferred or to be Transferred to the Preferred Holders pursuant to any right of first refusal under Section 2.3.
- (b) Transferred Shares. A Co-Sale Holder shall effect its participation in the Transfer to the Transferee by promptly delivering to the Selling Shareholder for transfer to the Transferee one or more certificates, properly endorsed for transfer, which represent the Equity Securities to be sold by such Co-Sale Holder in such Transfer. If the Transferee objects to the Transfer of any of such Equity Securities in lieu of Ordinary Shares, such Co-Sale Holder shall convert, exercise or exchange such Equity Securities into Ordinary Shares, and the Company shall, to the extent possible, make any such conversion, exercise or exchange concurrent with the actual Transfer to the Transferee and deliver to the Selling Shareholder for transfer to the Transferee certificates for such Ordinary Shares.

- (c) Payment to Co-Sale Holders; Registration of Transfer. The share certificate or certificates that a Co-Sale Holder or the Company delivers to the Selling Shareholder pursuant to Section 2.4(b) above shall be transferred to the Transferee upon consummation of the Transfer of the Offered Shares pursuant to the terms and conditions specified in the Transfer Notice, and the Selling Shareholder shall concurrently therewith remit to each Co-Sale Holder exercising its co-sale right that portion of the Transfer proceeds to which such Co-Sale Holder is entitled by reason of its participation in such Transfer. To the extent that the Transferee prohibits or otherwise refuses to purchase shares or other securities from any Co-Sale Holder exercising its co-sale right under this Section 2.4, the Selling Shareholder shall not Transfer to the Transferee any Offered Shares unless and until, simultaneously with such Transfer, the Selling Shareholder purchases such shares or other securities from such Co-Sale Holder. The Company shall, upon surrendering by the Transferee or the Selling Shareholder of the certificates representing the Equity Securities being Transferred by the Co-Sale Holders, make proper entries in the Register of Members of the Company and cancel the surrendered certificates and issue any new certificates in the name of the Transferee or the Selling Shareholder, as the case may be, as necessary to consummate the transactions in connection with the exercise by the Co-Sale Holders of their co-sale rights under this Section 2.4.

2.5 Right to Transfer.

The Selling Shareholder shall consummate the Transfer of any Offered Shares which remain after the Preferred Holders of their rights pursuant to Sections 2.3 or 2.4 to the Transferee, no later than one hundred and twenty (120) days (or such longer period as necessary to obtain any Regulatory Approvals required for such Transfer) following delivery to the Company and the Preferred Holders of the Transfer Notice. Such Transfer shall be bona fide, at a price per Offered Share not less than the price per Offered Share set forth in the Transfer Notice and otherwise on terms and conditions no less favorable to the Selling Shareholder than those set forth in the Transfer Notice. If such a Transfer does not occur within such one hundred and twenty-day (120-day) or longer period, as applicable, it shall again be subject to the respective rights of first refusal of the Company and Preferred Holders under Section 2.3 and the co-sale rights of the Preferred Holders under Section 2.4 and shall require compliance by the Selling Shareholder with the procedures described in Section 2.3 and Section 2.4.

2.6 Permitted Transfers.

The rights of first refusal and the co-sale rights of the Preferred Holders provided in Section 2.3 and Section 2.4 shall not apply to (a) a Transfer of any Restricted Share by any Selling Shareholder to any Person (other than any Company's Competitor) of an aggregate of up to 4,576,120 Ordinary Shares (as appropriately adjusted to take into account any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event affecting the Shares); (b) a Transfer of up to 6,477,612 Ordinary Shares of the Company (as appropriately adjusted to take into account any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event affecting the Shares), by Founder to any director, officer or other employee, provided that such sale and transfer complies with all Applicable Law; (c) a Transfer of any Restricted Share to any employees, officers, directors, contractors, advisors or consultants of the Group Companies pursuant to the ESOP; (d) any Transfer of the Restricted Shares to a wholly-owned subsidiary of such person, the parents, children or spouse, or to trusts for the benefit of such persons, of the Selling Shareholders for bona fide estate planning purposes; (e) a Transfer of any Restricted Share for the purposes of consummation of a Qualified IPO with prior written consent of the Preferred Majority (each Transfer referred to in the foregoing clauses (a) to (e), a "Permitted Transfer", and each transferee under the foregoing clauses (a) to (e), a "Permitted Transferee"); provided that such transferor shall at all times remain subject to the terms and restrictions set forth in these Articles and remain liable for any breach by such Permitted Transferee of any provisions of these Articles and the other relevant Transaction Documents; provided further that such transferor shall deliver to the Company and each Preferred Holder adequate documentation for each Permitted Transfer, that each Permitted Transferee (other than the Company) shall agree in writing to be bound by these Articles (and each other relevant Transaction Documents then in effect) in place of the same capacity as such transferor and in respect of the Restricted Shares to be Transferred and shall execute a Deed of Accession and become a party to, and to be bound by, the Shareholders Agreement and that each Permitted Transferee shall not Transfer any Restricted Share Transferred to it by such transferor except to such transferor or another Permitted Transferee of such transferor.

2.7 Restriction on Direct and Indirect Transfers of Securities.

- (a) Notwithstanding anything to the contrary contained herein, prior to the consummation of a Qualified IPO, none of the Ordinary Holders shall, directly or indirectly, Transfer any Equity Securities in the Company, unless such Transfer (i) complies with this Section 2 and applicable Laws, and (ii) is a Permitted Transfer as provided in Section 2.6 above or is approved by the Preferred Majority in writing in advance.
- (b) Any Transfer of Equity Securities in the Founder Holding Company or other Person directly or indirectly holding Equity Securities in the Company, and any issuance of Equity Securities in any Ordinary Holder other than on a pro rata basis to Members of such Ordinary Holder shall be deemed to be a Transfer of the Equity Securities in the Company directly or indirectly held by such Ordinary Holder.
- (c) Any attempt to Transfer any Restricted Share by any Ordinary Holder in violation of this Section 2, either directly or indirectly, shall be void and each of the Company and the Ordinary Holders hereby agrees it will not effect, register or permit the registration of such a Transfer nor will it treat any alleged transferee of such Transfer as the direct or indirect holder of such Restricted Share, without the prior written approval of the Preferred Majority.
- (d) Notwithstanding anything to the contrary contained herein, without the prior written consent of the Preferred Majority:
 - i. Except for such Transfers of equity interest in any Domestic Company as required by PRC Laws (including the SAFE Rules and Regulations) to reflect any direct or indirect Transfer of Restricted Shares in compliance with this Section 2, the Founder shall not Transfer, and shall ensure that no Person Transfers, directly or indirectly, any equity interest held or controlled by him or such other Person in any Domestic Company to any Person. Any Transfer in violation of this Section 2.7(d)(i) shall be void and each Domestic Company hereby agrees it will not effect, register or permit the registration of such a Transfer nor will it treat any alleged transferee of such Transfer as the direct or indirect holder of such equity interest without the prior written approval of the Preferred Majority; and

- ii. None of the Domestic Companies shall issue, and each of the Founder and the Founder Holding Company shall ensure that none of the Domestic Companies issues, to any Person any Equity Securities.

2.8 Sale by Preferred Holder.

- (a) Notwithstanding anything to the contrary contained herein, any Preferred Holder may Transfer any Equity Securities to any Person other than a Company's Competitor; provided that, (i) other than any Transfer to any Affiliate of the Preferred Holder that is not a Company's Competitor, the Transfer shall be subject to Section 2.9; (ii) the Transfer shall comply with applicable Laws; and (iii) the transferee shall agree in writing to be bound by these Articles (and each other relevant Transaction Documents then in effect) in place of the same capacity as such transferor and in respect of the Preferred Shares or the Conversion Shares to be Transferred and shall execute a Deed of Accession and become a party to, and to be bound by, the Shareholders Agreement.

2.9 Founder First Offer Right.

- (a) If any Preferred Holder (the "Selling Preferred Holder") proposes to Transfer any Equity Securities held by such Selling Preferred Holder, then the Selling Preferred Holder shall first give a written notice (the "Preferred Holder Transfer Notice") to the Founder and the Founder Holding Company, which notice shall state the number and class of Equity Securities to be Transferred (the "Preferred Holder Offered Shares").
- (b) The Founder and the Founder Holding Company shall have a right of first offer (the "Founder First Offer Right"), exercisable upon joint written notice (the "Offer Notice") to the Selling Preferred Holder within twenty (20) Business Days (the "Offer Period") after receipt of the Preferred Holder Transfer Notice, to elect to purchase all (but not less than all) of the Preferred Holder Offered Shares, which notice shall specify the material terms and conditions of the offer (the "Founder Offer") for the Preferred Holder Offered Shares, including the purchase price (the "Offer Price") and the allocation between the Founder and the Founder Holding Company, prior to the expiration of the Offer Period. The failure of the Founder and the Founder Holding Company to deliver the Offer Notice within the Offer Period shall be deemed a waiver of the Founder First Offer Right by the Founder and the Founder Holding Company.

- (c) In the event that (x) no Founder Offer for the purchase of all (but not less than all) of the Preferred Holder Offered Shares was duly made within the Offer Period, or (y) the Selling Preferred Holder has not accepted the Founder Offer in writing within thirty (30) days from receipt of the Founder Offer, the Selling Preferred Holder shall have a period of one hundred and twenty (120) days (or such longer period as necessary to obtain any Regulatory Approvals required for such Transfer) thereafter to sell the Preferred Holder Offered Shares to a third party transferee at a price per share higher than the price per share specified in the Offer Notice (if any) and on terms and conditions that, taken as a whole, are less favorable to a transferee than those specified in the Offer Notice (if any). If the Selling Preferred Holder does not consummate such Transfer within such one hundred and twenty-day (120-day) or longer period, as applicable, such Transfer shall again be subject to the Founder First Offer Right under this Section 2.9 and shall require compliance by the Selling Preferred Holder with the procedures described in this Section 2.9.
- (d) The closing of the purchase of Preferred Holder Offered Shares by the Founder and the Founder Holding Company shall be held at the time and place as the Selling Preferred Holder, the Founder and the Founder Holding Company jointly agree. At such closing, the Selling Preferred Holder shall deliver to the Founder certificates representing the Preferred Holder Offered Shares, accompanied by duly executed instruments of transfer and half of the requisite stamp duty or transfer taxes or fees payable on such Transfer, if any. The Founder and the Founder Holding Company shall procure at such closing payment in full of the Offer Price to the Selling Preferred Holder. At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of such Preferred Holder Offered Shares to the Founder and the Founder Holding Company. Any stamp duty or transfer taxes or fees payable on the transfer of Preferred Holder Offered Shares shall be borne and paid equally by (x) the Selling Preferred Holder, and (y) the Founder and the Founder Holding Company.

2.10 Accession to the Shareholders Agreement.

If any Person or Founder Transfers any Equity Securities in the Company or the Founder Holding Company to any third party transferee (including by way of issuance or Transfer of Equity Securities in a Person holding, directly or indirectly, Equity Securities in the Company), such Person or Founder (as the case may be) shall cause such third party to execute a Deed of Accession and become a party to, and be bound by, the Shareholders Agreement in the same capacity as such Person or Founder (as the case may be).

3. DRAG-ALONG RIGHT.

3.1 Drag-Along Sale

From the date of the fifth (5th) anniversary of all Closings, if a sale (a “Drag-Along Sale”) of the Group (wholly or partially) to any Person which is a bona fide third party and not an Affiliate to any Preferred Holder (the “Offeror”) where whether by a sale of equity, merger or consolidation, in excess of fifty percent (50%) of the Company’s voting power outstanding before such transaction will be transferred, or all or substantially all of the assets of the Group will be sold or disposed at a post-money valuation of the Company of no less than US\$1,886,852,161 has been approved by (i) the Preferred Holders holding at least two-thirds (2/3) of then outstanding Preferred Shares, and (ii) only if in such Drag-Along Sale each of the Series C Preferred Shares receives less than 1.25 times the Applicable Issue Price of the Series C Preferred Shares, the Requisite Series C Holders (collectively, the “Drag Holders”), then at the request of the Drag Holders, the Company shall promptly notify in writing (the “Drag-Along Sale Notice”) each other Shareholder of the material terms and conditions of such proposed Drag-Along Sale, and each such Shareholder shall, in accordance with instructions received from the Company at the direction of the Drag Holders:

- (a) vote all of its Shares (i) in favor of such Drag-Along Sale to the Offeror, (ii) against any other consolidation, recapitalization, amalgamation, merger, sale of securities, sale of assets, business combination, or transaction that would interfere with, delay, restrict, or otherwise adversely affect such Drag-Along Sale, and (iii) against any action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company under the definitive agreement(s) related to such Drag-Along Sale or that could result in any of the conditions to the closing obligations under such agreement(s) not being fulfilled, and, in connection therewith, to be present (in person or by proxy) at all relevant meetings of the Shareholders (or adjournments thereof) or to approve and execute all relevant written consents in lieu of a meeting;
- (b) not exercise any dissenters' or appraisal rights under applicable Law with respect to such Drag-Along Sale;
- (c) take all necessary actions in connection with the consummation of such Drag-Along Sale to the Offeror as reasonably requested by the Drag Holders, including but not limited to the execution and delivery of any share transfer or other agreements (such as amendment to the Memorandum and Articles and the then existing charter documents of the Group Companies involved in the proposed Drag-Along Sale) prepared in connection with such Drag-Along Sale, and the delivery, at the closing of such Drag-Along Sale involving a sale of Equity Securities of the Company, of all certificates representing such Equity Securities held or Controlled by such holder of such Equity Securities, duly endorsed for transfer or accompanied by a duly executed share transfer form, or affidavits and indemnity undertakings with respect to lost certificates; and
- (d) not to deposit, except as provided in the Shareholders Agreement or these Articles, any voting securities owned by such Shareholder in a voting trust or subject any such voting securities to any arrangement or agreement with respect to the voting of such securities, unless specifically requested to do so by the acquiring party in connection with a Drag-Along Sale.

3.2 Further Undertakings.

- (a) Drag-Along Sale Involving Sale of Equity Securities. In the event that the Drag-Along involves a sale of all or a portion of the Equity Securities of the Company held by any Shareholder:
- i. such Shareholder shall sell such number of Equity Securities of the Company held by such Shareholder as determined by the Drag Holders on the terms and conditions approved by the Drag Holders;
 - ii. such Shareholder shall make representations and warranties in connection with any proposed Drag Along Sale regarding (i) ownership and authorization to sell the shares or ownership interest in the Group Companies to be sold by itself and (ii) no existence of any material violation as a result of such sale under any material agreement to which such Shareholder is a party, and which would materially affect such Drag Along Sale; and
 - iii. such Shareholder shall obtain any consents or approvals in order to facilitate the Transfer of its shares or ownership interest in the Group Companies pursuant to this Section 3 and to pay its pro rata share of expenses incurred in connection with the transaction contemplated pursuant to this Section 3.
- (b) Authorization to the Company. In furtherance of the foregoing, each Shareholder irrevocably appoints the Company to take, and the Company is hereby expressly authorized by each Shareholder to take on such Shareholder's behalf (without receipt of any further consent by such Member), any or all of the following actions:
- i. vote all of the voting shares or ownership interest in the Group Companies beneficially owned by such Shareholder in favor of any such proposed Drag Along Sale;
 - ii. otherwise consent on such Shareholder's behalf to such proposed Drag Along Sale;
 - iii. sell all of such Shareholder's shares or ownership interest in the Group Companies in such proposed Drag Along Sale, in accordance with the terms and conditions of this Section 3; and
 - iv. act as such Shareholder's attorney-in-fact in relation to any such proposed Drag Along Sale and have the full authority to sign and deliver, on behalf such Shareholder, share transfer certificates, share sale or exchange agreements and certificates of indemnity relating to any Shares in the event that such Shareholder has lost or misplaced the relevant share certificate.

3.3 Conditions. Notwithstanding anything to the contrary set forth herein, a Shareholder will not be required to comply with Section 3.1 and Section 3.2 above in connection with any proposed Drag-Along Sale:

- (a) any representations and warranties to be made by such Shareholder in connection with the Drag-Along Sale are limited to representations and warranties related to authority, ownership and the ability to convey title to such Equity Securities, including, but not limited to, representations and warranties that (i) the Shareholder holds all right, title and interest in and to the Equity Securities such Shareholder purports to hold, free and clear of all liens and encumbrances, (ii) the obligations of the Shareholder in connection with the transaction have been duly authorized, if applicable, (iii) the documents to be entered into by the Shareholder have been duly executed by the Shareholder and delivered to the acquirer and are enforceable (subject to customary limitations) against the Shareholder in accordance with their respective terms; and (iv) neither the execution and delivery of documents to be entered into by the Shareholder in connection with the transaction, nor the performance of the Shareholder's obligations thereunder, will cause a breach or violation of the terms of any agreement to which the Shareholder is a party, or any law or judgment, order or decree of any court or governmental agency that applies to the Shareholder;

- (b) such Shareholder is not required to agree (unless such Shareholder is a Company officer or employee) to any restrictive covenant in connection with the Drag-Along Sale (including, without limitation, any covenant not to compete or covenant not to solicit customers, employees or suppliers of any party to the Drag-Along Sale) or any release of claims other than a release in customary form of claims arising solely in such Shareholder's capacity as a shareholder of the Company;
- (c) such Shareholder and its Affiliates are not required to amend, extend or terminate any contractual or other relationship with the Company, the acquirer or their respective Affiliates, except that the Shareholder may be required to agree to terminate the investment-related documents between or among such Shareholder, the Company and/or other shareholders of the Company;
- (d) the Shareholder is not liable for the breach of any representation, warranty or covenant made by any other Person in connection with the Drag-Along Sale, other than the Company (except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company as well as breach by any shareholders of any of identical representations, warranties and covenants provided by all shareholders);
- (e) liability shall be limited to such Shareholder's applicable share (determined based on the respective proceeds payable to each Shareholder in connection with such Drag-Along Sale in accordance with the provisions of the Section 5 below) of a negotiated aggregate indemnification amount that applies equally to all Shareholders but that in no event exceeds the amount of consideration otherwise payable to such Shareholder in connection with such Drag-Along Sale, except with respect to claims related to fraud by such Shareholder, the liability for which need not be limited as to such Shareholder; and

- (f) upon the consummation of the Drag-Along Sale (i) each holder of each class or series of the share capital of the Company will receive the same form of consideration for their shares of such class or series as is received by other holders in respect of their shares of such same class or series of shares, and if any holders of any share capital of the Company are given a choice as to the form of consideration to be received as a result of the Drag-Along Sale, all holders of such share capital will be given the same option, (ii) each holder of a series of Preferred Shares will receive the same amount of consideration per share of such series of Preferred Shares as is received by other holders in respect of their shares of such same series, (iii) each holder of Ordinary Shares will receive the same amount of consideration per share of Ordinary Shares as is received by other holders in respect of their Ordinary Shares, and (iv) unless waived pursuant to the terms of this Memorandum and as may be required by law, the aggregate consideration receivable by all holders of the Preferred Shares and Ordinary Shares shall be allocated among the holders of Preferred Shares and Ordinary Shares on the basis of the relative liquidation preferences to which the holders of each respective series of Preferred Shares and the holders of Ordinary Shares are entitled in a Deemed Liquidation Event (assuming for this purpose that the Drag-Along Sale is a Deemed Liquidation Event) in accordance with this Memorandum; provided, however, that, notwithstanding the foregoing provisions of this Section 3.3, if the consideration to be paid in exchange for the Equity Securities held by any Founder or Investor, as applicable, pursuant to this Section 3.3 includes any securities and due receipt thereof by any Founder or Investor would require under applicable law (x) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities; or (y) the provision to any Founder or Investor of any information other than such information as a prudent issuer would generally furnish in an offering made solely to “accredited investors” as defined in Regulation D promulgated under the Securities Act of 1933, the Company may cause to be paid to any such Founder or Investor in lieu thereof, against surrender of the Equity Securities held by the Founder or Investor, as applicable, which would have otherwise been sold by such Founder or Investor, an amount in cash equal to the fair value (as determined in good faith by the Board, including two (2) Investor Directors) of the securities which such Founder or Investor would otherwise receive as of the date of the issuance of such securities in exchange for the Shares held by the Founder or Investor, as applicable.

4. PROTECTIVE PROVISIONS, VOTING AND BOARD.

4.1 Preferred Majority Matters.

Notwithstanding anything to the contrary in these Articles or the Shareholders Agreement and in addition to such other limitations as may be provided in these Articles, the Shareholders Agreement and any applicable Law, none of the Group Companies shall take, and the Company, the Founder and the Founder Holding Company shall ensure that no Group Company or director, committee, committee member, officer, employee, agent or representative of any Group Company may take, any of the following actions (or otherwise have any act or omission that may have the effect of any such actions) with respect to a Group Company without the prior written consent of the Preferred Majority other than for the consummation of any transactions contemplated by section 11.3 (*VIE Matters*) of the Shareholders Agreement and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

- (a) Any amendment or change that would adversely impact the rights, preferences, privileges or powers attached to, or the restrictions provided for the benefit of the Preferred Holders;
- (b) Any authorization, creation or issuance by any Group Company of any class or series of securities, or any instruments that are convertible into or exercisable or exchangeable for securities, or any increase or decrease in the share capital, issued share(s) or the registered capital of any Group Company, excluding (i) any issuance of Ordinary Shares upon conversion of any Preferred Share, (ii) any issuance of Equity Securities of the Company to any employee, officer, director, contractor, advisor or consultant of any Group Company pursuant to the ESOP or any other employee incentive plan consented to or approved in compliance with this Section 4 and the Shareholders Agreement; and (iii) any change on share capital, issued share(s) or registered capital of any Group Company in accordance with the Restructuring Plan (as defined in the Shareholders Agreement).
- (c) Any reclassification by the Company of any outstanding securities into securities having rights, preferences, privileges or powers (as to redemption, liquidation, voting, conversion or otherwise) senior to or on parity with those rights, preferences, privileges or powers of the Preferred Shares;
- (d) The adoption of or any amendment (for the avoidance of doubt, excluding the amendments with respect to Gracell Shanghai's subscription of additional registered capital of Gracell Suzhou) to the Memorandum and Articles and other Charter Documents of any Group Company (other than administrative or immaterial amendments to the Charter Documents of any Group Company other than the Company);
- (e) Any repurchase or redemption of any securities in any Group Company, other than (i) the redemption of any Shares as provided in Section 6, and (ii) the repurchase of any Equity Securities by the Company from any employee, officer, director, contractor, advisor or consultant of any Group Company upon termination of their employment or services or pursuant to the ESOP or any other employee incentive plan consented to or approved in compliance with this Section 4.1 and the Shareholders Agreement at the lesser of the original purchase price or the then current fair market value thereof;
- (f) Any merger, consolidation, share acquisition or other corporate reorganization, or any transaction or series of transactions in which in excess of 50% of the voting rights in any Group Company is transferred;
- (g) Any public offering or listing of securities, including determination of the timing, price, structure, listing vehicle and listing venue of such offering or listing;

- (h) Any liquidation, dissolution, winding up of any Group Company, or any filing by or against any Group Company for the appointment of a receiver, administrator or other form of external manager;
 - (i) The declaration and/or payment of any dividends or other distributions (whether in cash or in kind) on any securities in any Group Company, or the determination, amendment or modification of any dividend policy of any Group Company;
 - (j) The adoption, amendment, termination or administration of the ESOP or any other employee incentive plan, or any increase of the total number of Equity Securities reserved for issuance under such plan;
 - (k) Any termination, modification or waiver of, or any amendment to, any of the Control Documents;
 - (l) Any action that results in the increase or decrease of the authorized size, or changes the composition, of the board of directors or similar body of any Group Company, as set out in section 2.2 (*Board of Directors*) of the Shareholders Agreement;
 - (m) Any Transfer of any Equity Securities in any Group Company (excluding the Company);
 - (n) Any transaction involving any Group Company, on the one hand, and any Related Party of any Group Company, on the other hand, with an aggregate value in excess of US\$1,000,000 or which is not on arm's-length terms; and
 - (o) Approvals for, or agreements or covenants to commit to, any of the above.
- 4.2 Requisite Series C Holders Matters.

Notwithstanding anything to the contrary in these Articles or the Shareholders Agreement and in addition to such other limitations as may be provided in these Articles, the Shareholders Agreement and any applicable Law, none of the Group Companies shall take, and the Company, the Founder and the Founder Holding Company shall ensure that no Group Company or director, committee, committee member, officer, employee, agent or representative of any Group Company may take, any of the following actions (or otherwise have any act or omission that may have the effect of any such actions) with respect to a Group Company without the prior written consent of the Requisite Series C Holders other than for the consummation of any transactions contemplated by section 11.3 (*VIE Matters*) of the Shareholders Agreement and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

- (a) Any action that adversely alter or change the rights, preferences and privileges of the Series C Preferred Shares other than layering in a senior or *pari passu* security in connection with a financing at a price per share no less than the Series C Issue Price (a “**Qualified Financing**”);
- (b) Any increase or decrease in the authorized number of Series C Preferred Shares;

(c) Effecting an IPO which is not a Qualified IPO;

(d) Waiver of anti-dilution protection with respect to the Series C Preferred Shares including the waiver of any rights with respect to the Series C Preferred Shares set forth in Section 7.5(d) hereof;

(e) Waiver of the treatment of a transaction as a Deemed Liquidation Event of the Company or a transaction that requires the proceeds from such transaction to be distributed pursuant to the liquidation preferences set forth in these Articles and any waiver or amendment to Section 5.2 hereof;

(f) Amendment, alteration or reclassification of any existing security of the Company that has rights (economic or otherwise) that are junior or pari passu with the Series C Preferred Shares if such amendment, alteration or reclassification would render such other security pari passu or senior, as applicable, to the Series C Preferred Shares with respect to such rights other than layering in a senior or pari passu security in connection with a Qualified Financing; and

(g) Purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares capital of the Company other than (i) redemptions of or dividends or distributions on the Preferred Shares as expressly authorized herein, (ii) dividends or other distributions payable on the Ordinary Shares solely in the form of additional Ordinary Shares and (iii) repurchases of shares from former employees, officers, directors, consultants or other persons who performed services for the Company or any subsidiary in connection with the cessation of such employment or service at the lesser of the original purchase price or the then current fair market value thereof.

4.3 Other Preferred Shareholder Matters.

Notwithstanding anything to the contrary in these Articles or the Shareholders Agreement and in addition to such other limitations as may be provided in these Articles, the Shareholders Agreement and any applicable Law, none of the Group Companies shall take, and the Company, the Founder and the Founder Holding Company shall ensure that no Group Company or director, committee, committee member, officer, employee, agent or representative of any Group Company may take any of the following actions (or otherwise have any act or omission that may have the effect of any such actions): (a) any action that adversely alters or changes the rights, preferences and privileges of (i) the Series A Preferred Shares other than layering in a senior or pari passu security in connection with a Qualified Financing, without the prior written consent of the holders of a majority of the then outstanding Series A Preferred Shares, (ii) the Series B-1 Preferred Shares other than layering in a senior or pari passu security in connection with a Qualified Financing, without the prior written consent of the holders of a majority of the then outstanding Series B-1 Preferred Shares, or (iii) the Series B-2 Preferred Shares other than layering in a senior or pari passu security in connection with a Qualified Financing, without the prior written consent of the holders of a majority of the then outstanding Series B-2 Preferred Shares, or (b) any Liquidation Event or Deemed Liquidation Event if in such Liquidation Event or Deemed Liquidation Event each of the Series A Preferred Shares receives less than 1.55 times of US\$1.0619 without the prior written consent of the holders of a majority of the then outstanding Series A Preferred Shares, (ii) each of the Series B-1 Preferred Shares receives less than 1.55 times of Series B-1 Issue Price without the prior written consent of the holders of a majority of the then outstanding Series B-1 Preferred Shares, or (iii) each of the Series B-2 Preferred Shares receives less than 1.55 times of Series B-2 Issue Price without the prior written consent of the holders of a majority of the then outstanding Series B-2 Preferred Shares, and any such act or transaction entered into without such consent or vote shall be null and void ab initio, and of no force or effect.

4.4 Investor Director Matters.

Notwithstanding anything to the contrary in these Articles or the Shareholders Agreement and in addition to such other limitations as may be provided in these Articles, the Shareholders Agreement and any applicable Law, none of the Group Companies shall take, and the Company, the Founder and the Founder Holding Company shall ensure that no Group Company or director, committee, committee member, officer, employee, agent or representative of any Group Company may take, any of the following actions (or otherwise have any act or omission that may have the effect of any such actions) with respect to a Group Company without the prior written consents of at least three (3) Investor Directors, other than for the consummation of any transactions contemplated by section 11.3 (*VIE Matters*) of the Shareholders Agreement, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

- (a) (i) Except indebtedness incurred pursuant to sales and purchase in the ordinary course of business or to the extent as approved in the annual budget or in accordance with the Restructuring Plan, any making or applying for any loan borrowing to or from any Person (other than another Group Company), any extension of any guarantee or security to any Person or any activity that may create any Lien on any assets, in each case involving an aggregate amount in excess of US\$3,000,000 during any consecutive 12-month period or in excess of US\$1,000,000 in a single transaction;
- (b) (i) Except in the ordinary course of business or to the extent as approved in the annual budget and subject to subsection (ii) below, any purchase, sale, transfer, disposal, pledge, mortgage, lease, license or otherwise create any Lien on any asset (including any Information Technology or Intellectual Property owned by any Group Company) or business of any Group Company involving a value of US\$1,000,000 or more, or which involves any lower value but would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; and (ii) notwithstanding anything to the contrary in subsection (i) above, any sale, transfer, disposal, pledge, mortgage, lease, exclusive license or otherwise create any Lien on any patent owned by any Group Company, in each case, other than any such transactions between the Group Companies which are wholly-owned or 100% Controlled by the Company.
- (c) Subject to Section 4.1, determination of the total number of Equity Securities reserved for issuance under any employment incentive plan other than the ESOP;

- (d) Any appointment or change of auditors and any adoption or material change of any treasury policy, accounting policy or fiscal policy, or any change to the fiscal year, of any Group Company;
- (e) The adoption or material change of, or material deviation from, any business plan or annual budget of any Group Company, provided that for the purposes of this Section 4.4(e) a change or deviation by twenty-five percent (25%) or more shall be considered “material”;
- (f) Any material change of the scope of the Principal Business, or expand into any new business area or conduct any transaction outside of the Principal Business, or any change of, or the adoption of any business that exceeds, the Principal Business;
- (g) Appointment, replacement or removal of the general manager, deputy general manager, and the chief financial officer of any Group Company;
- (h) The entry into of any licensing or sublicensing Contract of any Intellectual Property (whether as licensor or licensee), product cooperation, product research and development or product commercialization Contract involving all or substantial all Intellectual Properties of the or involving a value of US\$1,000,000 or more;
- (i) The establishment of any joint venture, partnership or non-wholly owned branch or Subsidiary;
- (j) The initiation, participation, or settlement of any material legal matters, including any lawsuit or arbitration;
- (k) Determination of the compensation (including without limitation cash and stock option compensation) of the general manager, deputy general manager, and the chief financial officer of any Group Company; and
- (l) Approvals for, or agreements or covenants to commit to, any action in Section 4.4(a) and Section 4.4(k) above.

4.5 Series of Transactions.

Unless otherwise specified hereunder, a series of related transactions shall be construed as a single transaction, and any amounts involved in the related transactions shall be aggregated, to determine whether an action is any of the actions set out in Sections 4.1, 4.2 and 4.3.

5. LIQUIDATION PREFERENCE.

5.1 Liquidation Preferences.

In the event of any Liquidation Event, all assets and funds of the Company legally available for distribution to the Shareholders (after satisfaction of all creditors' claims and claims that may be preferred by applicable Law) shall be distributed to the Shareholders as follows:

- (a) Series C Liquidation Preference. The holders of Series C Preferred Shares shall be entitled to receive for each Series C Preferred Share held by such holders, on a parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of Shares by reason of their ownership of such shares, the amount equal to the greater of (i) 100% of the Series C Issue Price, plus all declared but unpaid dividends on such Series C Preferred Share minus all paid dividends on such Series C Preferred Share, or (ii) what such holder of Series C Preferred Shares would receive on an as-converted basis (as if such holder converted all Series C Preferred Shares it holds into Ordinary Shares immediately prior to such Liquidation Event), plus all declared but unpaid dividends on such Series C Preferred Share minus all paid dividends on such Series C Preferred Share (such greater amount, the “Series C Preference Amount”). If the Company has insufficient assets and funds to permit payment of the Series C Preference Amount in full to all holders of Series C Preferred Shares, then the assets and funds of the Company shall be distributed ratably to the holders of Series C Preferred Shares in proportion to the full Series C Preference Amount that each such holder of Series C Preferred Shares would otherwise be entitled to receive hereunder.
- (b) Series B Liquidation Preference. If there are any assets or funds remaining after the Series C Preference Amount has been distributed or paid in full to the holders of Series C Preferred Shares pursuant to Section 5.1(a) above, the holders of Series B Preferred Shares shall be entitled to receive for each Series B Preferred Share held by such holders, on a parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of Shares by reason of their ownership of such shares, the amount equal to 140% of the Applicable Series B Issue Price, plus all declared but unpaid dividends on such Series B Preferred Share minus all paid dividends on such Series B Preferred Share (collectively, the “Series B Preference Amount”). If the Company has insufficient assets and funds to permit payment of the Series B Preference Amount in full to all holders of Series B Preferred Shares, then the assets and funds of the Company shall be distributed ratably to the holders of Series B Preferred Shares in proportion to the full Series B Preference Amount that each such holder of Series B Preferred Shares would otherwise be entitled to receive hereunder.
- (c) Series A Liquidation Preference. If there are any assets or funds remaining after the Series C Preference Amount and the Series B Preference Amount have been distributed or paid in full to the applicable holders of Series C Preferred Shares and/or Series B Preferred Shares pursuant to Sections 5.1(a) and 5.1(b) above, the holders of Series A Preferred Shares shall be entitled to receive for each Series A Preferred Share held by such holders, on a parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of Shares by reason of their ownership of such shares, the amount equal to 150% of the Deemed Series A Issue Price, plus all declared but unpaid dividends on such Series A Preferred Share minus all paid dividends on such Series A Preferred Share (collectively, the “Series A Preference Amount”). If the Company has insufficient assets and funds to permit payment of the Series A Preference Amount in full to all holders of Series A Preferred Shares, then the assets and funds of the Company shall be distributed ratably to the holders of Series A Preferred Shares in proportion to the full Series A Preference Amount that each such holder of Series A Preferred Shares would otherwise be entitled to receive hereunder.

- (d) Participation. If there are any assets or funds remaining after the Series C Preference Amount, the Series B Preference Amount and the Series A Preference Amount have been distributed or paid in full to the applicable holders pursuant to Sections 5.1(a), 5.1(b) and 5.1(c) above, the remaining assets and funds of the Company available for distribution to the Shareholders shall be distributed ratably among all holders of Ordinary Shares, Series B Preferred Shares and Series A Preferred Shares calculated on an as-converted basis.

5.2 Deemed Liquidation Event. Unless waived in writing by the holders of a majority of the then outstanding Series A Preferred Shares, the holders of a majority of the then outstanding Series B-1 Preferred Shares, the holders of a majority of the then outstanding Series B-2 Preferred Shares, and the Requisite Series C Holders, a Deemed Liquidation Event shall be deemed to be a Liquidation Event for purposes of Section 5.1, and any proceeds, whether in cash or properties and whether obtained by the Company or any Shareholder, resulting from a Deemed Liquidation Event shall be distributed in accordance with the terms of Section 5.1.

5.3 Valuation of Properties. In the event the Company proposes to distribute assets other than cash in connection with any Liquidation Event pursuant to Section 5.1 or pursuant to a Deemed Liquidation Event pursuant to Section 5.2, the value of the assets to be distributed to the Shareholders shall be determined in good faith by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors); provided that any securities not subject to restrictions on free marketability shall be valued as follows:

- (a) If traded on a securities exchange, the value shall be deemed to be the average of the security's closing prices on such exchange over the thirty (30) day period ending one (1) day prior to the distribution;
- (b) If traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the thirty (30)-day period ending three (3) days prior to the distribution; and
- (c) If there is no active public market, the value shall be the fair market value thereof as determined in good faith by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors);
- (d) provided further that the method of valuation of securities subject to restrictions on free marketability shall be adjusted to make an appropriate discount from the market value determined as above in Section 5.3(a), Section 5.3(b) or Section 5.3(c) to reflect the fair market value thereof as determined in good faith by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors).

Notwithstanding the foregoing, the Preferred Majority shall have the right to challenge any determination by the Board of value pursuant to Section 5.3. In such case, the value of the assets shall be determined by an independent appraiser jointly selected by the Board and the Preferred Majority at the expense of the Company.

5.4 Notification. If the Company proposes to complete a Liquidation Event or a Deemed Liquidation Event at any time, subject to any necessary approvals required by the Memorandum and Articles, with respect to each such event, the Company shall notify the Shareholders of the date of completion of such event in writing at least twenty (20) days in advance; provided that such notice period may be shortened or waived through voting or written consent by the Preferred Majority.

5.5 Failure to Comply. In the event of any failure to comply with the requirements of this Section 5, to the extent permitted by applicable Laws, the Company shall immediately (i) cause the closing of the relevant transactions to be postponed until the requirements of this Section 5 are complied with, or (ii) cancel such transactions.

6. REDEMPTION RIGHT.

6.1 Series C Redemption Right.

If the Company fails to complete a Qualified IPO within five (5) years from the Series C Issue Date, then each holder of Series C Preferred Shares shall have the right to require the Company to redeem or repurchase all or a portion of Series C Preferred Shares held by it at the Applicable Redemption Price (as defined below) at any time thereafter (the “Series C Redemption Right”).

6.2 Series B Redemption Right.

If the Company fails to complete a Qualified IPO within five (5) years from the Series C Issue Date, then each holder of Series B Preferred Shares shall have the right to require the Company to redeem or repurchase all or a portion of Series B Preferred Shares held by it at the Applicable Redemption Price at any time thereafter (the “Series B Redemption Right”).

6.3 Series A Redemption Right.

If the Company fails to complete a Qualified IPO within five (5) years from the Series C Issue Date, then each holder of Series A Preferred Shares shall have the right to require the Company to redeem or repurchase all or a portion of Series A Preferred Shares held by it at the Applicable Redemption Price at any time thereafter (the “Series A Redemption Right”, together with the Series C Redemption Right and the Series B Redemption Right, the “Redemption Right”).

6.4 Exercise of Redemption Right.

- (a) If any holder of Preferred Shares (the “Initial Redemption Requesting Holder”) decides to exercise its Redemption Right, it shall give a written notice (the “Initial Redemption Notice”) to the Company stating the class and number of Preferred Shares to be redeemed or repurchased (the Preferred Shares to be redeemed or repurchased, the “Redemption Shares”, the delivery date of the Initial Redemption Notice, the “Initial Redemption Notice Date”). The Company shall, within five Business Days after the Initial Redemption Notice Date, give a written notice to the other holders of Preferred Shares, stating the existence of the Initial Redemption Notice and the closing date of the redemption or repurchase estimated by the Company. Any other holder of Preferred Shares may elect to tag along with the Initial Redemption Requesting Holder (together with the Initial Redemption Requesting Holder, the “Redemption Requesting Holders”) and exercise its Redemption Right by separately giving a redemption notice to the Company stating the class and number of its Redemption Shares within 10 Business Days after the delivery of the Company’s written notice. The Company shall ensure that all redemptions or repurchases of the Redemption Shares carried out in accordance with this Section 6 and the full payment of the Applicable Redemption Price shall be completed within 120 days from the Initial Redemption Notice Date, and the outstanding payment shall become debts due and payable to the relevant Redemption Requesting Holders upon expiration of the 120-day period. All rights of a Redeeming Requesting Holder of the relevant Redemption Shares will cease immediately after the Redeeming Requesting Holder having received the Applicable Redemption Price of all its Redemption Shares from the Company in full, and such Redemption Shares will not thereafter be transferred on the books of the Company or be deemed outstanding for any purpose whatsoever.
- (b) Once the Company has received the Initial Redemption Notice, it shall not (and shall not permit any other Group Company to) take any action which could have the effect of delaying, undermining or restricting the redemption or repurchase of any Redemption Share, and the Company shall in good faith use all reasonable efforts as expeditiously as possible to increase the amount of funds legally available for redemption or repurchase, including causing any other Group Company to distribute any and all available funds to the Company for purposes of paying the Applicable Redemption Price for all Redemption Shares within 120 days from the Initial Redemption Notice Date. Until the date of which each Redemption Share is redeemed or repurchased, the Company shall not declare or pay any dividend nor otherwise make any distribution of or otherwise decrease its profits available for distribution.

- (c) If the Company does not have sufficient funds to redeem or repurchase all the Redemption Shares within the 120-day period from the Initial Redemption Notice Date, the funds of the Company shall: (i) firstly, be used to redeem or repurchase the Series C Preferred Shares from each holder thereof in proportion to their respective numbers of Series C Preferred Shares to be redeemed or repurchased; (ii) secondly, after payment of the Applicable Redemption Price in respect of the Series C Preferred Shares due to the holders of Series C Preferred Shares in full (if any), be used to redeem or repurchase the Series B Preferred Shares from each holder thereof in proportion to their respective numbers of Series B Preferred Shares to be redeemed or repurchased; and (iii) thirdly, after payment of the Applicable Redemption Price in respect of the Series C Preferred Shares due to the holders of Series C Preferred Shares in full (if any) and the Series B Preferred Shares due to the holders of Series B Preferred Shares in full (if any), be used to redeem or repurchase the Series A Preferred Shares from each holder thereof in proportion to their respective numbers of Series A Preferred Shares to be redeemed or repurchased. The remaining Redemption Shares to be redeemed or repurchased shall be redeemed or repurchased as soon as the Company has legally available funds to do so.
- (d) Until such time as the Applicable Redemption Price in respect of all the Redemption Shares has been paid in full to the relevant holder of Preferred Shares, such holder of Preferred Shares shall remain entitled to all of its rights, including its voting rights, in respect of all of its Redemption Shares as if they were not redeemed in any part.
- (e) The Company shall, on the date when the Applicable Redemption Price of all Redemption Shares is paid in full to the relevant Redemption Requesting Holder (the “Redemption Payment Date”), record and effect the redemption or repurchase of the relevant Redemption Shares in its Register of Members.

For purposes of this Section 6, “Applicable Redemption Price” shall equal to: (i) in respect of each Series C Preferred Share, 100% of the Series C Issue Price minus all paid dividends on such Series C Preferred Share; (ii) in respect of each Series B Preferred Share, 140% of the Applicable Series B Issue Price, plus all declared but unpaid dividends on such Series B Preferred Share accrued as of the Redemption Payment Date; and (iii) in respect of each Series A Preferred Share, 150% of the Series B-2 Issue Price minus all paid dividends on such Series A Preferred Share.

7. CONVERSION RIGHTS.

7.1 Conversion Ratio. The number of each Ordinary Share to which a holder of a series of Preferred Shares shall be entitled upon conversion of each such Preferred Share shall be the quotient of the Applicable Issue Price of such Preferred Share divided by the then effective conversion price of such Preferred Share (the “Applicable Conversion Price”), which shall initially be the Applicable Issue Price of such Preferred Share, resulting in an initial conversion ratio for the Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time as hereinafter provided.

7.2 Optional Conversion. Subject to applicable Laws and the Memorandum and Articles, any Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such Preferred Share, without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares based on the then-effective Applicable Conversion Price.

7.3 Automatic Conversion. Each Preferred Share shall automatically be converted, based on the then-effective Applicable Conversion Price, without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares upon (i) a Qualified IPO or (ii) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of a majority of the then outstanding Series A Preferred Shares with respect to the automatic conversion of the Series A Preferred Shares, the holders of a majority of the then outstanding Series B-1 Preferred Shares with respect to the automatic conversion of the Series B-1 Preferred Shares, the holders of a majority of the then outstanding Series B-2 Preferred Shares with respect to the automatic conversion of the Series B-2 Preferred Shares, and the Requisite Series C Holders with respect to the automatic conversion of the Series C Preferred Shares. Any conversion pursuant to this Section 7.3 shall be referred to as an “Automatic Conversion”.

7.4 Conversion Mechanism. The conversion hereunder of any applicable Preferred Share shall be effected in the following manner:

- (a) Except as provided in Section 7.4(b) and Section 7.4(c) below, before any holder of any Preferred Shares shall be entitled to convert the Preferred Shares into Ordinary Shares, such holder of Preferred Shares shall surrender the certificate or certificates therefor (if any) (or in lieu thereof shall deliver an affidavit of lost certificate and indemnity therefor) at the office of the Company or of any transfer agent for such share to be converted and shall give notice to the Company, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for Ordinary Shares are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver to such holder of applicable Preferred Shares, or to the nominee(s) of such holder, a certificate or certificates for the number of Ordinary Shares to which such holder shall be entitled as aforesaid and shall update its Register of Members. Such conversion shall be made immediately prior to the close of the next Business Day of such notice of election to convert delivered by such holder of Preferred Shares by making the relevant entries upon the Register of Members, and the Person(s) entitled to receive the Ordinary Shares issuable upon such conversion shall be treated for all purposes as the record holder(s) of such Ordinary Shares from such date.
- (b) If the conversion is in connection with an underwritten public offering of securities or another Automatic Conversion event, the conversion will be conditioned upon the closing with the underwriter(s) of the sale of securities pursuant to such offering (or the closing or occurrence of such other event as contemplated by such Automatic Conversion if the Automatic Conversion is conditioned on the closing or occurrence of such event) and the Person(s) entitled to receive the Ordinary Shares issuable upon such conversion shall not be deemed to have converted the applicable Preferred Shares until immediately prior to the closing of such sale of securities or the closing or occurrence of such other event, as applicable.

- (c) Upon the occurrence of an event of Automatic Conversion, all holders of Preferred Shares to be automatically converted will be given at least ten (10) days' prior written notice of the date fixed for such Automatic Conversion (which date, in the case of an Automatic Conversion in connection with a Qualified IPO, shall be the date on which the consummation of a Qualified IPO takes place) and the place designated for Automatic Conversion of all such Preferred Shares pursuant to this Section 7.4. On or before the date fixed for conversion, each holder of Preferred Shares shall surrender the applicable certificate(s) (if any) (or in lieu thereof shall deliver an affidavit of lost certificate and indemnity therefor) for all such Shares to the Company at the place designated in such notice. On the date fixed for conversion, the Company shall promptly effect such conversion and update its Register of Members to reflect such conversion, and all rights with respect to such Preferred Shares so converted will terminate, with the exception of (i) the right of a holder thereof to receive the Ordinary Shares issuable upon conversion of such Preferred Shares, and upon surrender of the certificate or certificates therefor (if any) (or in lieu thereof shall deliver an affidavit of lost certificate and indemnity therefor), to receive certificates (if applicable) for the number of Ordinary Shares into which such Preferred Shares have been converted, and (ii) the rights of a holder thereof specified under Section 7.4(e) and Section 7.4(f). All certificates evidencing such Preferred Shares shall, from and after the date of conversion, be deemed to have been retired and cancelled and the Preferred Shares represented thereby converted into Ordinary Shares for all purposes, notwithstanding the failure of the holder(s) thereof to surrender such certificates on or prior to such date.
- (d) The Company shall effect the conversion of any Preferred Shares under this Section 7 by redeeming or repurchasing such Preferred Shares and procuring the issuance of an equivalent number of Ordinary Shares with appropriate entries being made upon the Company's Register of Members to record the redemption and cancellation of the Preferred Shares and the issuance of the Ordinary Shares.
- (e) No fractional Ordinary Shares shall be issued upon conversion of any Preferred Shares. In lieu of any fractional shares to which the holder of Preferred Shares would otherwise be entitled, the Company shall at the discretion of the Board either (i) pay cash equal to such fraction multiplied by the then effective Applicable Conversion Price of the applicable Preferred Share, or (ii) issue one whole Ordinary Share for each fractional share to which the holder of Preferred Shares would otherwise be entitled.
- (f) Upon conversion, all accrued but unpaid share dividends on the applicable Preferred Shares shall be paid in shares and all accrued but unpaid cash dividends on the applicable Preferred Shares shall be paid either in cash or by the issuance of a number of further Ordinary Shares equal to the value of such cash amount, at the option of the holder of the applicable Preferred Shares.

7.5 Adjustment of the Applicable Conversion Price. The Applicable Conversion Price shall be adjusted and readjusted from time to time as provided below, provided that the Applicable Conversion Price shall not be less than par value of the Ordinary Shares into which the Preferred Shares are being converted:

- (a) Adjustment for Share Splits and Combinations. If the Company shall at any time, or from time to time, effect a subdivision of the outstanding Ordinary Shares, the Applicable Conversion Price in effect immediately prior to such subdivision with respect to each Preferred Share shall be proportionately decreased. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Ordinary Shares into a smaller number of shares, the Applicable Conversion Price in effect immediately prior to such combination with respect to each Preferred Share shall be proportionately increased. Any adjustment under this Section 7.5(a) shall become effective at the close of business on the date the subdivision or combination becomes effective.
- (b) Adjustment for Ordinary Share Dividends and Distributions. If the Company makes (or fixes a record date for the determination of holders of Ordinary Shares entitled to receive) a dividend or other distribution to the holders of Ordinary Shares payable in additional Ordinary Shares, the Applicable Conversion Price then in effect with respect to each Preferred Share shall be decreased as of the time of such issuance (or in the event such record date is fixed, as of the close of business on such record date) by multiplying such Applicable Conversion Price by a fraction (i) the numerator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (ii) the denominator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Ordinary Shares issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully-paid or if such distribution is not fully made on the date fixed therefor, the Applicable Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Applicable Conversion Price shall be adjusted pursuant to this Section 7.5(b) as of the time of actual payment of such dividends or distributions; and (b) that no such adjustment shall be made if the holders of Preferred Shares simultaneously receive a dividend or other distribution of Ordinary Shares in a number equal to the number of Ordinary Shares as they would have received if all outstanding Preferred Shares had been converted into Ordinary Shares on the date of such event.

- (c) Adjustments for Reorganizations, Mergers, Consolidations, Reclassifications, Exchanges, Substitutions. If at any time, or from time to time, any capital reorganization or reclassification of the Ordinary Shares (other than as a result of a share dividend, subdivision, split or combination otherwise treated above) occurs or the Company is consolidated, merged or amalgamated with or into another Person (other than a consolidation, merger or amalgamation treated as a Deemed Liquidation Event in Section 5.2), then in any such event, provision shall be made so that, upon conversion of any Preferred Share thereafter, the holder thereof shall receive the kind and amount of shares and other securities and property which the holder of such shares would have received in connection with such event had the relevant Preferred Shares been converted into Ordinary Shares immediately prior to such event.

(d) Adjustments to Applicable Conversion Price for Dilutive Issuance.

(i) Special Definition. For purpose of this Section 7.5(d), the following definitions shall apply:

- 1 “Options” mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Ordinary Shares or Convertible Securities.
- 2 “Convertible Securities” shall mean any indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Ordinary Shares.

(ii) No Adjustment of Applicable Conversion Price. No adjustment in the Applicable Conversion Price with respect to any Preferred Share shall be made in respect of the issuance of New Securities unless the consideration per Ordinary Share (determined pursuant to Section 7.5(d)(v) hereof) for the New Securities issued or deemed to be issued by the Company is less than such Applicable Conversion Price in effect immediately prior to such issuance, subject to and as provided for by Section 7.5(d)(iv). No adjustment or readjustment in the Applicable Conversion Price with respect to any Preferred Share otherwise required by this Section 7.5 shall affect any Ordinary Shares issued upon conversion of any applicable Preferred Share prior to such adjustment or readjustment, as the case may be.

(iii) Deemed Issuance of New Securities. In the event the Company at any time or from time to time after all Closings shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any series or class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of Ordinary Shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number for anti-dilution adjustments) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities or the exercise of such Options, shall be deemed to be New Securities issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that in any such case in which New Securities are deemed to be issued:

- 1 no further adjustment in the Applicable Conversion Price with respect to any Preferred Share shall be made upon the subsequent issue of Convertible Securities or Ordinary Shares upon the exercise of such Options or conversion or exchange of such Convertible Securities or upon the subsequent issue of Options for Convertible Securities or Ordinary Shares;

- 2 if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any change in the consideration payable to the Company, or change in the number of Ordinary Shares issuable, upon the exercise, conversion or exchange thereof, the then effective Applicable Conversion Price with respect to any Preferred Share computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such change becoming effective, be recomputed to reflect such change insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;
- 3 no readjustment pursuant to Section 7.5(d)(iii)(2) shall have the effect of increasing the then effective Applicable Conversion Price with respect to any Preferred Share to an amount which exceeds the Applicable Conversion Price with respect to such Preferred Share that would have been in effect had no adjustments in relation to the issuance of the Options or Convertible Securities as referenced in Section 7.5(d)(iii)(2) been made;
- 4 upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities that have not been exercised, the then effective Applicable Conversion Price with respect to any Preferred Share computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall, upon such expiration, be recomputed as if:
- 5 in the case of Convertible Securities or Options for Ordinary Shares, the only New Securities issued were the Ordinary Shares, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Company for the issue of such exercised Options plus the consideration actually received by the Company upon such exercise or for the issue of all such Convertible Securities that were actually converted or exchanged, plus the additional consideration, if any, actually received by the Company upon such conversion or exchange, and
- 6 in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Company for the New Securities deemed to have been then issued was the consideration actually received by the Company for the issue of such exercised Options, plus the consideration deemed to have been received by the Company (determined pursuant to Section 7.5(d)(v)) upon the issue of the Convertible Securities with respect to which such Options were actually exercised; and

- 7 if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Applicable Conversion Price with respect to any Preferred Share which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Applicable Conversion Price with respect to such Preferred Share shall be adjusted pursuant to this Section 7.5(d) (iii) as of the actual date of their issuance.
- (iv) Adjustment of the Applicable Conversion Price. In the event of an issuance of New Securities (for the avoidance of doubt, including issuance of Equity Securities pursuant to an IPO at an issue price less than the Applicable Conversion Price of the Series C Preferred Share), at any time after the Closings, for a consideration per Ordinary Share received by the Company (net of any selling concessions, discounts or commissions) less than the Applicable Conversion Price with respect to any Preferred Share in effect immediately prior to such issue, then and in such event, the Applicable Conversion Price with respect to such Preferred Share shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP2 = CP1 * (A + B) / (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

- 1 CP2 shall mean the Applicable Conversion Price with respect to such Preferred Share in effect immediately after such issue of New Securities;
- 2 CP1 shall mean the Applicable Conversion Price with respect to such Preferred Share in effect immediately prior to such issue of New Securities;
- 3 “A” shall mean the number of Ordinary Shares outstanding immediately prior to such issue of New Securities, treating for this purpose as outstanding all Ordinary Shares issuable upon conversion or exchange of all Equity Securities (including the Preferred Shares outstanding immediately prior to such issue of New Securities);
- 4 “B” shall mean the number of Ordinary Shares that would have been issued if such New Securities had been issued at a price per share equal to CP1 (determined by dividing the aggregate consideration received by the Company in respect of such issue by CP1); and
- 5 “C” shall mean the number of such New Securities issued in such transaction.

(v) Determination of Consideration. For purposes of this Section 7.5(d), the consideration received by the Company for the issuance of any New Securities shall be computed as follows:

1 Cash and Property. Such consideration shall:

- A. insofar as it consists of cash, be computed at the aggregate amount of cash received by the Company excluding amounts paid or payable for accrued interest or accrued dividends and excluding any discounts, commissions or placement fees payable by the Company to any underwriter or placement agent in connection with the issuance of any New Securities;
- B. insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined and approved in good faith by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors); provided, however, that no value shall be attributed to any services performed by any employee, officer or director of any Group Company;
- C. in the event New Securities are issued together with other Shares or securities or other assets of the Company for consideration which covers both, be the proportion of such consideration so received which relates to such New Securities, computed as provided in clauses a) and b) above, as reasonably determined in good faith by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors).

2 Options and Convertible Securities. The consideration per Ordinary Share received by the Company for New Securities deemed to have been issued pursuant to Section 7.5(d)(iii) hereof relating to Options and Convertible Securities, shall be determined by dividing (x) the total amount, if any, received or receivable by the Company as consideration for the issue of such Options or Convertible Securities (determined in the manner described in sub-section (1) above), plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities by (y) the maximum number of Ordinary Shares (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

- (e) Adjustments for Other Distributions. In the event the Company at any time or from time to time makes, or fixes a record date for the determination of holders of Ordinary Shares entitled to receive any distribution payable in Equity Securities or assets of the Company other than Ordinary Shares, then and in each such event provision shall be made so that the holders of Preferred Shares shall receive upon conversion thereof, in addition to the number of Ordinary Shares receivable thereupon, the amount of Equity Securities or assets of the Company which they would have received had their Preferred Shares been converted into Ordinary Shares on the date of such event and had they thereafter, during the period from the date of such event to and including the date of conversion, retained such Equity Securities or assets receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 7.5(e) with respect to the rights of the holders of Preferred Shares.
- (f) Other Dilutive Events. In case any event shall occur as to which the other provisions of this Section 7.5 are not strictly applicable, but the failure to make any adjustment to the Applicable Conversion Price would not fairly protect the conversion rights of the holders of the applicable series of Preferred Shares in accordance with the essential intent and principles hereof, then, in each such case, the Company, in good faith, shall determine the appropriate adjustment to be made, on a basis consistent with the essential intent and principles established in this Section 7.5, necessary to preserve, without dilution, the conversion rights of the holders of such Preferred Shares.
- (g) No Impairment. The Company will not, through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities (including Equity Securities) or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company but will at all times in good faith assist in the carrying out of all the provisions of this Section 7.5 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Preferred Shares against impairment.
- (h) Certificate of Adjustment. In the case of any adjustment or readjustment of the Applicable Conversion Price with respect to any Preferred Share, the Company at its expense shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall deliver such certificate to each registered holder of such Preferred Shares. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based.

- (i) Notice of Record Date. In the event the Company shall propose to take any action of the type or types requiring an adjustment set forth in this Section 7.5, the Company shall give notice to the relevant holders of Preferred Shares, which notice shall specify the record date, if any, with respect to any such action and the date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Applicable Conversion Price with respect to the relevant Preferred Share, and the number, kind or class of shares or other securities or property which shall be deliverable upon the occurrence of such action or deliverable upon the conversion of the relevant Preferred Shares. In the case of any action which would require the fixing of a record date, such notice shall be given at least twenty (20) days prior to the date so fixed, and in the case of all other actions, such notice shall be given at least thirty (30) days prior to the taking of such proposed action.
- (j) Reservation of Shares Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued Ordinary Shares, solely for the purpose of effecting the conversion of the Preferred Shares, such number of its Ordinary Shares as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Shares. If at any time the number of authorized but unissued Ordinary Shares shall not be sufficient to effect the conversion of all then outstanding Preferred Shares, in addition to such other remedies as shall be available to the holders of Preferred Shares, the Company and its Shareholders will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Ordinary Shares to such number of shares as shall be sufficient for such purpose.
- (k) Waiver of Anti-dilution Protection. Any waiver of anti-dilution protection set forth in this Section 7.5(d) with respect to (i) the Series C Preferred Shares shall require the prior written consent of the Requisite Series C Holders; (ii) the Series B-2 Preferred Shares shall require the prior written consent of the holders of a majority of the then outstanding Series B-2 Preferred Series Shares; (iii) the Series B-1 Preferred Shares shall require the prior written consent of the holders of a majority of the then outstanding Series B-1 Preferred Series Shares; and (iv) the Series A Preferred Shares shall require the prior written consent of the holders of a majority of the then outstanding Series A Preferred Series Shares.

THE COMPANIES LAW (AS AMENDED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES
FOURTH AMENDED AND RESTATED
MEMORANDUM OF ASSOCIATION
OF
GRACELL BIOTECHNOLOGIES INC.

(adopted by a Special Resolution passed on December 18, 2020 and effective immediately prior to the completion of the initial public offering of the ADSs representing the Company's Ordinary Shares)

1. The name of the Company is Gracell Biotechnologies Inc.
2. The Registered Office of the Company shall be at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands, or at such other location as the Directors may from time to time determine.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.
4. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by the Companies Law.
5. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company from effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
6. The liability of each Shareholder is limited to the amount, if any, unpaid on the Shares held by such Shareholder.
7. The authorised share capital of the Company is US\$50,000 divided into 500,000,000 Shares, 400,000,000 of which shall be Ordinary Shares, US\$0.0001 par value per share, and 100,000,000 shares of which shall be Undesignated Shares, US\$0.0001 par value per share. Subject to the Companies Law, the Articles and, where applicable, the Designated Stock Exchange Rules, the Board of Directors is authorized, in their absolute discretion, to establish from the Undesignated Shares, by resolution, one or more classes or series of shares as they deem necessary or appropriate and to determine the designations, powers, preferences, privileges and other rights attaching to such shares or securities, at such times and on such other terms as they think proper. Subject to the Companies Law, the Articles and, where applicable, the Designated Stock Exchange Rules, the Company shall have power to redeem or purchase any of its Shares and to increase or reduce its authorised share capital and to sub-divide or consolidate the said Shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.

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8. The Company has the power contained in the Companies Law to deregister in the Cayman Islands and be registered by way of continuation in some other jurisdiction.
 9. Capitalised terms used and not defined in this Memorandum of Association shall bear the same meaning as those given in the Articles of Association of the Company.

THE COMPANIES LAW (AS AMENDED)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

FOURTH AMENDED AND RESTATED

ARTICLES OF ASSOCIATION

OF

GRACELL BIOTECHNOLOGIES INC.

(adopted by a Special Resolution passed on December 18 2020 and effective immediately prior to the completion of the initial public offering of the ADSs representing the Company's Ordinary Shares)

TABLE A

The regulations contained or incorporated in Table 'A' in the First Schedule of the Companies Law shall not apply to the Company and the following Articles shall comprise the Articles of Association of the Company.

INTERPRETATION

1. In these Articles the following defined terms will have the meanings ascribed to them, if not inconsistent with the subject or context:

"ADS" means an American Depositary Share representing the Company's Ordinary Shares.

"Affiliate" means in respect of a Person, any other Person that, directly or indirectly, through (1) one or more intermediaries, controls, is controlled by, or is under common control with, such Person, and (i) in the case of a natural person, shall include, without limitation, such person's spouse, parents, children, siblings, mother-in-law and father-in-law and brothers and sisters-in-law, a trust for the benefit of any of the foregoing, a company, partnership or any natural person or entity wholly or jointly owned by any of the foregoing, and (ii) in the case of an entity, shall include a partnership, a corporation or any natural person or entity which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such entity. The term "control" shall mean the ownership, directly or indirectly, of shares possessing more than fifty percent (50%) of the voting power of the corporation, or the partnership or other entity (other than, in the case of corporation, shares having such power only by reason of the happening of a contingency), or having the power to control the management or elect a majority of members to the board of directors or equivalent decision-making body of such corporation, partnership or other entity;

"Articles" means these articles of association of the Company, as amended or substituted from time to time;

"Board" and "Board of Directors" and "Directors" means the directors of the Company for the time being, or as the case may be, the directors assembled as a board or as a committee thereof;

"Chairman" means the chairman of the Board of Directors;

"Class" or "Classes" means any class or classes of Shares as may from time to time be issued by the Company;

“Commission”	means the Securities and Exchange Commission of the United States or any other federal agency for the time being administering the Securities Act;
“Company”	means Gracell Biotechnologies Inc., a Cayman Islands exempted company;
“Companies Law”	means the Companies Law (as amended) of the Cayman Islands and any statutory amendment or re-enactment thereof;
“Company’s Website”	means the website of the Company, the address or domain name of which has been notified to Shareholders;
“Designated Stock Exchange”	means the stock exchange in the United States that the Shares or ADSs are listed for trading;
“Designated Stock Exchange Rules”	means the relevant code, rules and regulations, as amended, from time to time, applicable as a result of the original and continued listing of any Shares or ADSs on the Designated Stock Exchange;
“electronic”	means the meaning given to it in the Electronic Transactions Law and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor;
“electronic communication”	means electronic posting to the Company’s Website, transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board;
“Electronic Transactions Law”	means the Electronic Transactions Law (as amended) of the Cayman Islands and any statutory amendment or re-enactment thereof;
“Independent Director”	means a Director who is an independent director as defined in the Designated Stock Exchange Rules;
“Interested Director”	means a Director who has a direct or indirect interest in any contract, business or arrangement in which the Company or its Affiliates is a party or becomes a party to;
“Law”	means the Companies Law and every other law and regulation of the Cayman Islands for the time being in force concerning companies and affecting the Company;
“Memorandum of Association”	means the memorandum of association of the Company, as amended or substituted from time to time;
“month”	means calendar month;
“Ordinary Resolution”	means a resolution: <p>(a) passed by a simple majority of the votes of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of the Company held in accordance with these Articles; or</p> <p>(b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the ordinary resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed;</p>
“Ordinary Share”	means an ordinary share in the capital of the Company of US\$0.0001 nominal or par value designated as an Ordinary Share and having the rights provided for under these Articles;
“paid up”	means paid up as to the par value in respect of the issue of any Shares and includes credited as paid up;

“Person”	means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;
“Register”	means the register of Shareholders of the Company maintained in accordance with the Companies Law;
“Registered Office”	means the registered office of the Company as required by the Companies Law;
“Seal”	means the common seal of the Company (if adopted) including any facsimile thereof;
“Secretary”	means any Person appointed by the Directors to perform any of the duties of the secretary of the Company;
“Securities Act”	means the Securities Act of 1933 of the United States, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time;
“Share”	means a share in the capital of the Company. All references to “Shares” herein shall be deemed to be Shares of any or all Classes, designated or undesignated as the context may require. For the avoidance of doubt in these Articles the expression “Share” shall include a fraction of a Share;
“Shareholder”	means a Person who is registered as the holder of one or more Shares in the Register;
“Share Premium Account”	means the share premium account established in accordance with these Articles and the Companies Law;
“signed”	means bearing a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication;
“Special Resolution”	<p>means a special resolution of the Company passed in accordance with the Law, being a resolution:</p> <p>(a) passed by not less than two-thirds of the votes of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given; or</p> <p>(b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the special resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed;</p>
“Treasury Share”	means a Share held in the name of the Company as a treasury share in accordance with the Companies Law;
“Undesignated Share”	means an undesignated share in the capital of the Company of US\$0.0001 nominal or par value;
“United States”	means the United States of America, its territories, its possessions and all areas subject to its jurisdiction; and
“year”	means calendar year.

2. In these Articles, save where the context requires otherwise:
- (a) words importing the singular number shall include the plural number and vice versa;
 - (b) words importing the masculine gender only shall include the feminine gender and any Person as the context may require;
 - (c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative;
 - (d) reference to a dollar or dollars (or US\$) and to a cent or cents is reference to dollars and cents of the United States;
 - (e) reference to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;
 - (f) reference to any determination by the Directors shall be construed as a determination by the Directors in their sole and absolute discretion and shall be applicable either generally or in any particular case;
 - (g) reference to “in writing” shall be construed as written or represented by any means reproducible in writing, including any form of print, lithograph, email, facsimile, photograph or telex or represented by any other substitute or format for storage or transmission for writing or partly one and partly another; and
 - (h) Section 8 of the Electronic Transactions Law shall not apply.
3. Subject to the last two preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

PRELIMINARY

4. The business of the Company may be conducted as the Directors see fit.
5. The Registered Office shall be at such address in the Cayman Islands as the Directors may from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.
6. The expenses incurred in the formation of the Company and in connection with the offer for subscription and issue of Shares shall be paid by the Company. Such expenses may be amortised over such period as the Directors may determine and the amount so paid shall be charged against income and/or capital in the accounts of the Company as the Directors shall determine.
7. The Directors shall keep, or cause to be kept, the Register at such place as the Directors may from time to time determine and, in the absence of any such determination, the Register shall be kept at the Registered Office.

SHARES

8. Subject to these Articles and, where applicable, the Designated Stock Exchange Rules, all Shares for the time being unissued shall be managed by the control of the Directors who may, in their absolute discretion and without the approval of the Shareholders, cause the Company to:
- (a) allot, issue and dispose of Shares (including, without limitation, preferred shares) (whether in certificated form or non-certificated form) to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine;
 - (b) grant rights over existing Shares or issue other securities in one or more classes or series as they deem necessary or appropriate and determine the designations, powers, preferences, privileges and other rights attaching to such Shares or securities, including dividend rights, voting rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers, preferences, privileges and rights associated with the then issued and outstanding Shares, at such times and on such other terms as they think proper; and

(c) grant options with respect to Shares and issue warrants or similar instruments with respect thereto.

9. The Directors may authorise the division of Shares into any number of Classes and the different Classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) may be fixed and determined by the Directors or by a Special Resolution. The Directors may issue Shares with such preferred or other rights, all or any of which may be greater than the rights of Ordinary Shares, at such time and on such terms as they may think appropriate. Notwithstanding Article 13, the Directors may issue from time to time, out of the authorised share capital of the Company (other than the authorised but unissued Ordinary Shares), series of preferred shares in their absolute discretion and without approval of the Shareholders; provided, however, before any preferred shares of any such series are issued, the Directors shall by resolution of Directors determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- (a) the designation of such series, the number of preferred shares to constitute such series and the subscription price thereof if different from the par value thereof;
- (b) whether the preferred shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be general or limited;
- (c) the dividends, if any, payable on such series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, and the preference or relation which such dividends shall bear to the dividends payable on any shares of any other class or any other series of shares;
- (d) whether the preferred shares of such series shall be subject to redemption by the Company, and, if so, the times, prices and other conditions of such redemption;
- (e) whether the preferred shares of such series shall have any rights to receive any part of the assets available for distribution amongst the Shareholders upon the liquidation of the Company, and, if so, the terms of such liquidation preference, and the relation which such liquidation preference shall bear to the entitlements of the holders of shares of any other class or any other series of shares;
- (f) whether the preferred shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the preferred shares of such series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;
- (g) whether the preferred shares of such series shall be convertible into, or exchangeable for, shares of any other class or any other series of preferred shares or any other securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;
- (h) the limitations and restrictions, if any, to be effective while any preferred shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Company of, the existing shares or shares of any other class of shares or any other series of preferred shares;
- (i) the conditions or restrictions, if any, upon the creation of indebtedness of the Company or upon the issue of any additional shares, including additional shares of such series or of any other class of shares or any other series of preferred shares; and
- (j) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof;

and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.

10. The Company shall not issue Shares to bearer.
11. The Company may insofar as may be permitted by Law, pay a commission to any Person in consideration of his or her subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up Shares or partly in one way and partly in the other. The Company may also pay such brokerage as may be lawful on any issue of Shares.
12. The Directors may refuse to accept any application for Shares, and may accept any application in whole or in part, for any reason or for no reason.

MODIFICATION OF RIGHTS

13. Whenever the capital of the Company is divided into different Classes the rights attached to any such Class may, subject to any rights or restrictions for the time being attached to any Class, only be materially adversely varied with the consent in writing of the holders of three-fourths of the issued Shares of that Class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the Shares of that Class. To every such separate meeting all the provisions of these Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply, except that the necessary quorum shall be one or more Persons at least holding or representing by proxy one-third in nominal or par value amount of the issued Shares of the relevant Class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Shareholders who are present shall form a quorum) and that, subject to any rights or restrictions for the time being attached to the Shares of that Class, every Shareholder of the Class shall on a poll have one (1) vote for each Share of the Class held by him. For the purposes of this Article the Directors may treat all the Classes or any two or more Classes as forming one Class if they consider that all such Classes would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate Classes.
14. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the Shares of that Class, be deemed to be materially adversely varied by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any Class by the Company. The rights of the holders of Shares shall not be deemed to be materially adversely varied by the creation or issue of Shares with preferred or other rights including, without limitation, the creation of Shares with enhanced or weighted voting rights.

CERTIFICATES

15. Unless and until the Directors resolve to issue share certificates, no share certificate shall be issued, and the records of the shareholdings of each Shareholder shall be in uncertified book entry form. If the Directors do resolve to issue share certificates in respect of any one or more classes of Shares, then every Shareholder holding such Shares shall be entitled, upon written request only, to a certificate signed by a Director or Secretary, or any other person authorised by a resolution of the Directors, or under the Seal specifying the number of Shares held by him and the signature of the Director, Secretary or authorised person and the Seal may be facsimiles or affixed by electronic means pursuant to the Electronic Transactions Law. Any Shareholder receiving a certificate shall indemnify and hold the Company and its Directors and Officers harmless from any loss or liability which it or they may incur by reason of any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof.
16. Every share certificate of the Company shall bear legends required under the applicable laws, including the Securities Act.
17. Any two or more certificates representing Shares of any one Class held by any Shareholder may at the Shareholder's request be cancelled and a single new certificate for such Shares issued in lieu on payment (if the Directors shall so require) of US\$1.00 or such smaller sum as the Directors shall determine.
18. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same Shares may be issued to the relevant Shareholder upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.

19. In the event that Shares are held jointly by several Persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

FRACTIONAL SHARES

20. The Directors may issue fractions of a Share and, if so issued, a fraction of a Share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contributions, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without prejudice to the generality of the foregoing, voting and participation rights) and other attributes of a whole Share. If more than one fraction of a Share of the same Class is issued to or acquired by the same Shareholder such fractions shall be accumulated.

LIEN

21. The Company has a first and paramount lien on every Share (whether or not fully paid) for all amounts (whether presently payable or not) payable at a fixed time or called in respect of that Share. The Company also has a first and paramount lien on every Share registered in the name of a Person indebted or under liability to the Company (whether he or she is the sole registered holder of a Share or one of two or more joint holders) for all amounts owing by him or her or his or her estate to the Company (whether or not presently payable). The Directors may at any time declare a Share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a Share extends to any amount payable in respect of it, including but not limited to dividends.
22. The Company may sell, in such manner as the Directors in their absolute discretion think fit, any Share on which the Company has a lien, but no sale shall be made unless an amount in respect of which the lien exists is presently payable nor until the expiration of fourteen (14) calendar days after a notice in writing, demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the Share, or the Persons entitled thereto by reason of his or her death or bankruptcy.
23. For giving effect to any such sale the Directors may authorise a Person to transfer the Shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the Shares comprised in any such transfer and he or she shall not be bound to see to the application of the purchase money, nor shall his or her title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
24. The proceeds of the sale after deduction of expenses, fees and commissions incurred by the Company shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the Shares prior to the sale) be paid to the Person entitled to the Shares immediately prior to the sale.

CALLS ON SHARES

25. Subject to the terms of the allotment, the Directors may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their Shares, and each Shareholder shall (subject to receiving at least fourteen (14) calendar days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on such Shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.
26. The joint holders of a Share shall be jointly and severally liable to pay calls in respect thereof.
27. If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the Person from whom the sum is due shall pay interest upon the sum at the rate of eight percent (8%) per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.
28. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

29. The Directors may make arrangements with respect to the issue of partly paid Shares for a difference between the Shareholders, or the particular Shares, in the amount of calls to be paid and in the times of payment.
30. The Directors may, if they think fit, receive from any Shareholder willing to advance the same all or any part of the moneys uncalled and unpaid upon any partly paid Shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent (8%) per annum) as may be agreed upon between the Shareholder paying the sum in advance and the Directors. No such sum paid in advance of calls shall entitle the Shareholder paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

FORFEITURE OF SHARES

31. If a Shareholder fails to pay any call or instalment of a call in respect of partly paid Shares on the day appointed for payment, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
32. The notice shall name a further day (not earlier than the expiration of fourteen (14) calendar days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the Shares in respect of which the call was made will be liable to be forfeited.
33. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.
34. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.
35. A Person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him or her to the Company in respect of the Shares forfeited, but his or her liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited.
36. A certificate in writing under the hand of a Director of the Company that a Share has been duly forfeited on a date stated in the certificate, shall be conclusive evidence of the facts in the declaration as against all Persons claiming to be entitled to the Share.
37. The Company may receive the consideration, if any, given for a Share on any sale or disposition thereof pursuant to the provisions of these Articles as to forfeiture and may execute a transfer of the Share in favour of the Person to whom the Share is sold or disposed of and that Person shall be registered as the holder of the Share, and shall not be bound to see to the application of the purchase money, if any, nor shall his or her title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the disposition or sale.
38. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes due and payable, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

TRANSFER OF SHARES

39. The instrument of transfer of any Share shall be in writing and in any usual or common form or such other form as the Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if in respect of a nil or partly paid up Share, or if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Shareholder until the name of the transferee is entered in the Register in respect of the relevant Shares.

40. (a) The Directors may in their absolute discretion decline to register any transfer of Shares which is not fully paid up or on which the Company has a lien.
- (b) The Directors may also decline to register any transfer of any Share unless:
- (i) the instrument of transfer is lodged with the Company, accompanied by the certificate for the Shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
 - (ii) the instrument of transfer is in respect of only one Class of Shares;
 - (iii) the instrument of transfer is properly stamped, if required;
 - (iv) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four;
 - (v) the Shares transferred are free of any lien in favour of the Company; and
 - (vi) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable, or such lesser sum as the Board of Directors may from time to time require, is paid to the Company in respect thereof.
41. The registration of transfers may, on fourteen (14) calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the Designated Stock Exchange Rules, be suspended and the Register closed at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration of transfer shall not be suspended nor the Register closed for more than thirty (30) calendar days in any year.
42. All instruments of transfer that are registered shall be retained by the Company. If the Directors refuse to register a transfer of any Shares, they shall within three (3) months after the date on which the transfer was lodged with the Company send to each of the transferor and the transferee notice of the refusal.

TRANSMISSION OF SHARES

43. The legal personal representative of a deceased sole holder of a Share shall be the only Person recognised by the Company as having any title to the Share. In the case of a Share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only Person recognised by the Company as having any title to the Share.
44. Any Person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Shareholder in respect of the Share or, instead of being registered himself or herself, to make such transfer of the Share as the deceased or bankrupt Person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the deceased or bankrupt Person before the death or bankruptcy.
45. A Person becoming entitled to a Share by reason of the death or bankruptcy of a Shareholder shall be entitled to the same dividends and other advantages to which he or she would be entitled if he or she were the registered Shareholder, except that he or she shall not, before being registered as a Shareholder in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company, provided however, that the Directors may at any time give notice requiring any such person to elect either to be registered himself or herself or to transfer the Share, and if the notice is not complied with within ninety (90) calendar days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

REGISTRATION OF EMPOWERING INSTRUMENTS

46. The Company shall be entitled to charge a fee not exceeding one dollar (US\$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

ALTERATION OF SHARE CAPITAL

47. The Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into Shares of such Classes and amount, as the resolution shall prescribe.
48. The Company may by Ordinary Resolution:
- (a) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares;
 - (b) convert all or any of its paid up Shares into stock and reconvert that stock into paid up Shares of any denomination;
 - (c) subdivide its existing Shares, or any of them into Shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; and
 - (d) cancel any Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any Person and diminish the amount of its share capital by the amount of the Shares so cancelled.
49. The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by Law.

REDEMPTION, PURCHASE AND SURRENDER OF SHARES

50. Subject to the provisions of the Companies Law and these Articles, the Company may:
- (a) issue Shares that are to be redeemed or are liable to be redeemed at the option of the Shareholder or the Company. The redemption of Shares shall be effected in such manner and upon such terms as may be determined, before the issue of such Shares, by either the Board or by the Shareholders by Special Resolution;
 - (b) purchase its own Shares (including any redeemable Shares) on such terms and in such manner and terms as have been approved by the Board or by the Shareholders by Ordinary Resolution, or are otherwise authorised by these Articles; and
 - (c) make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Companies Law, including out of capital.
51. The purchase of any Share shall not oblige the Company to purchase any other Share other than as may be required pursuant to applicable law and any other contractual obligations of the Company.
52. The holder of the Shares being purchased shall be bound to deliver up to the Company the certificate(s) (if any) thereof for cancellation and thereupon the Company shall pay to him the purchase or redemption monies or consideration in respect thereof.
53. The Directors may accept the surrender for no consideration of any fully paid Share.

TREASURY SHARES

54. The Directors may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.
55. The Directors may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper (including, without limitation, for nil consideration).

56. No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Shareholders on a winding up) may be declared or paid in respect of a Treasury Share.
57. The Company shall be entered in the Register as the holder of the Treasury Shares provided that:
- (a) the Company shall not be treated as a Shareholder for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
 - (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Law, save that an allotment of Shares as fully paid bonus shares in respect of a Treasury Share is permitted and Shares allotted as fully paid bonus shares in respect of a treasury share shall be treated as Treasury Shares.
58. Treasury Shares may be disposed of by the Company on such terms and conditions as determined by the Directors.

GENERAL MEETINGS

59. All general meetings other than annual general meetings shall be called extraordinary general meetings.
60. (a) The Company may (but shall not be obligated to) in each year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors.
- (b) At these meetings a report of the Directors (if any) may be presented.
61. (a) The Chairman or a majority of the Directors may call general meetings, and they shall on a Shareholders' requisition forthwith proceed to convene an extraordinary general meeting of the Company.
- (b) A Shareholders' requisition is a request of Shareholders holding at the date of deposit of the request in aggregate not less than one-third (1/3) of the aggregate number of votes attaching to all issued and outstanding Shares of the Company as at the date of the deposit carries the right of voting at general meetings of the Company.
- (c) Subject to Article 62, the requisition must state the objects of the meeting and must be signed by the Shareholders that made the request (the Requisitionists) and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more Requisitionists.
- (d) If the Directors do not within twenty-one (21) calendar days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty-one (21) calendar days, the Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three (3) months after the expiration of the said twenty-one (21) calendar days.
- (e) A general meeting convened as aforesaid by Requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.
62. Shareholders seeking to bring business before the annual general meeting or to nominate candidates for election as Directors at the annual general meeting must deliver notice to the Registered Office not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the scheduled date of the annual general meeting.

NOTICE OF GENERAL MEETINGS

63. At least ten (10) calendar days' notice shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this Article has been given and whether or not the provisions of these Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:
- (a) in the case of an annual general meeting by all the Shareholders (or their proxies) entitled to attend and vote thereat; and

- (b) in the case of an extraordinary general meeting by a majority in number of the Shareholders (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than ninety five percent (95%) in par value of the Shares giving that right.
64. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Shareholder shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETINGS

65. No business except for the appointment of a chairman for the meeting shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business. At least two holders of Shares being not less than an aggregate of fifty percent (50%) of all votes attaching to all Shares in issue and entitled to vote present in person or by proxy or, if a corporation or other non-natural person, by its duly authorised representative, shall be a quorum for all purposes.
66. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved.
67. If the Directors wish to make this facility available for a specific general meeting or all general meetings of the Company, participation in any general meeting of the Company may be by means of a telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.
68. The Chairman (if any) shall preside as chairman at every general meeting of the Company.
69. If there is no Chairman, or if at any general meeting he or she is not present within fifteen (15) minutes after the time appointed for holding the meeting or is unwilling to act as Chairman, any Director or Person nominated by the Directors shall preside as chairman of that meeting, failing which the Shareholders present in person or by proxy shall choose any Person present to be chairman of that meeting.
70. The chairman may with the consent of any general meeting at which a quorum is present (and shall if so directed by the meeting) adjourn a meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting, or adjourned meeting, is adjourned for fourteen (14) calendar days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
71. The Directors may cancel or postpone any duly convened general meeting at any time prior to such meeting, except for general meetings requisitioned by Requisitionists in accordance with these Articles, for any reason or for no reason, upon notice in writing to Shareholders. A postponement may be for a stated period of any length or indefinitely as the Directors may determine.
72. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of the meeting or any Shareholder holding not less than ten percent (10%) of the votes attaching to the Shares present in person or by proxy, and unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

73. If a poll is duly demanded it shall be taken in such manner as the chairman of the meeting directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
74. All questions submitted to a meeting shall be decided by an Ordinary Resolution except where a greater majority is required by these Articles or by the Law. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
75. A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

VOTES OF SHAREHOLDERS

76. Subject to any rights and restrictions for the time being attached to any Share, on a show of hands every Shareholder present in person and every Person representing a Shareholder by proxy shall, at a general meeting of the Company, each have one vote and on a poll every Shareholder and every Person representing a Shareholder by proxy shall have one (1) vote for each Ordinary Share of which he or she or the Person represented by proxy is the holder.
77. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.
78. A Shareholder of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote in respect of Shares carrying the right to vote held by him, whether on a show of hands or on a poll, by his or her committee, or other Person in the nature of a committee appointed by that court, and any such committee or other Person, may vote in respect of such Shares by proxy.
79. No Shareholder shall be entitled to vote at any general meeting of the Company unless all calls, if any, or other sums presently payable by him in respect of Shares carrying the right to vote held by him have been paid.
80. On a poll votes may be given either personally or by proxy.
81. Each Shareholder, other than a recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)), may only appoint one proxy on a show of hand. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy need not be a Shareholder.
82. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.
83. The instrument appointing a proxy shall be deposited at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company:
 - (a) not less than 48 hours before the time for holding the meeting or adjourned meeting at which the Person named in the instrument proposes to vote; or
 - (b) in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or
 - (c) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded be delivered at the meeting at which the poll was demanded to the Chairman or to the secretary or to any Director;

provided that the Directors may in the notice convening the meeting, or in an instrument of proxy sent out by the Company, direct that the instrument appointing a proxy may be deposited at such other time (no later than the time for holding the meeting or adjourned meeting) at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company. The Chairman may in any event at his or her discretion direct that an instrument of proxy shall be deemed to have been duly deposited. An instrument of proxy that is not deposited in the manner permitted shall be invalid.

- 84. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- 85. No action shall be taken by the Shareholders except at an annual or extraordinary general meeting called in accordance with these Articles and no action shall be taken by the Shareholders by written consent or electronic transmission.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

- 86. Any corporation which is a Shareholder or a Director may by resolution of its directors or other governing body authorise such Person as it thinks fit to act as its representative at any meeting of the Company or of any meeting of holders of a Class or of the Directors or of a committee of Directors, and the Person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he or she represents as that corporation could exercise if it were an individual Shareholder or Director.

DEPOSITARY AND CLEARING HOUSES

- 87. If a recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) is a Shareholder of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such Person(s) as it thinks fit to act as its representative(s) at any general meeting of the Company or of any Class of Shareholders provided that, if more than one (1) Person is so authorised, the authorisation shall specify the number and Class of Shares in respect of which each such Person is so authorised. A Person so authorised pursuant to this Article shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) which he or she represents as that recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) could exercise if it were an individual Shareholder holding the number and Class of Shares specified in such authorisation, including the right to vote individually on a show of hands.

DIRECTORS

- 88. (a) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three(3) Directors, the exact number of Directors to be determined exclusively by resolutions adopted by a majority of the authorised number of Directors constituting the Board from time to time. For so long as Shares are listed on the Designated Stock Exchange, the Directors shall include such number of Independent Directors as applicable law, rules or regulations or the Designated Stock Exchange Rules require for a foreign private issuer under the United States securities laws, so long as the Company is a foreign private issuer.
- (b) The Directors shall be divided into three (3) classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual general meeting of Shareholders, the term of office of the Class I Directors shall expire and Class I Directors appointed at such meeting shall be elected for a full term of three (3) years. At the second annual general meeting of Shareholders, the term of office of the Class II Directors shall expire and Class II Directors appointed at such meeting shall be elected for a full term of three (3) years. At the third annual general meeting of Shareholders, the term of office of the Class III Directors shall expire and Class III Directors at such meeting appointed shall be elected for a full term of three (3) years. At each succeeding annual general meeting of Shareholders, Directors shall be elected for a full term of three (3) years to succeed the Directors of the class whose terms expire at such annual general meeting. Notwithstanding the foregoing provisions of this Article, each Director shall hold office until the expiration of his or her term, until his or her successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

- (c) Subject to the rights of the holders of any series of preferred shares, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes, and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the Shareholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the Directors then in office, even though less than a quorum of the Board of Directors, and not by the Shareholders. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the Director for which the vacancy was created or occurred and until such Director's successor shall have been elected and qualified.
 - (d) The Board of Directors shall have a Chairman (who shall be a Director) elected and appointed by a majority of the Directors then in office. The period for which the Chairman will hold office will also be determined by a majority of all of the Directors then in office. The Chairman shall preside as chairman at every meeting of the Board of Directors. To the extent the Chairman is not present at a meeting of the Board of Directors within fifteen (15) minutes after the time appointed for holding the same, the attending Directors may choose one of their number to be the chairman of the meeting.
 - (e) The Company may by Ordinary Resolution appoint any person to be a Director.
 - (f) Subject to the Company's compliance with director nomination procedures required under the Designated Stock Exchange Rules as long as Shares are listed on the Designated Stock Exchange, the Board may appoint any person as a Director as an addition to the existing Board.
 - (g) An appointment of a Director may be on terms that the Director shall automatically retire from office (unless he or she has sooner vacated office) at the next or a subsequent annual general meeting or upon any specified event or after any specified period; but no such term shall be implied in the absence of express provision. Each Director whose term of office expires shall be eligible for re-election at a meeting of the Shareholders or re-appointment by the Board.
89. A Director may be removed from office by Ordinary Resolution, notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under such agreement). A vacancy on the Board created by the removal of a Director under the previous sentence may be filled by Ordinary Resolution or by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting. The notice of any meeting at which a resolution to remove a Director shall be proposed or voted upon must contain a statement of the intention to remove that Director and such notice must be served on that Director not less than ten (10) calendar days before the meeting. Such Director is entitled to attend the meeting and be heard on the motion for his or her removal.
90. The Board may, from time to time, and except as required by applicable law or the Designated Stock Exchange Rules, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution of Directors from time to time.
91. A Director shall not be required to hold any Shares in the Company by way of qualification. A Director who is not a Shareholder of the Company shall nevertheless be entitled to attend and speak at general meetings.
92. The remuneration of the Directors may be determined by the Directors or by Ordinary Resolution.
93. The Directors shall be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Directors, or any committee of the Directors, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive such fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

ALTERNATE DIRECTOR

94. Any Director may in writing appoint another Person to be his or her alternate and, save to the extent provided otherwise in the form of appointment, such alternate shall have authority to sign written resolutions on behalf of the appointing Director, but shall not be required to sign such written resolutions where they have been signed by the appointing director, and to act in such Director's place at any meeting of the Directors at which the appointing Director is unable to be present. Every such alternate shall be entitled to attend and vote at meetings of the Directors as a Director when the Director appointing him or her is not personally present and where he or she is a Director to have a separate vote on behalf of the Director he or she is representing in addition to his or her own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him or her. Such alternate shall be deemed for all purposes to be a Director of the Company and shall not be deemed to be the agent of the Director appointing him or her. The remuneration of such alternate shall be payable out of the remuneration of the Director appointing him and the proportion thereof shall be agreed between them.

POWERS AND DUTIES OF DIRECTORS

95. Subject to the Companies Law, these Articles and to any resolutions passed in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution passed by the Company in general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been passed.
96. Subject to these Articles, the Directors may from time to time appoint any natural person or corporation, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, the office of president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any natural person or corporation so appointed by the Directors may be removed by the Directors. The Directors may also appoint one or more of their number to the office of managing director upon like terms, but any such appointment shall ipso facto terminate if any managing director ceases for any cause to be a Director, or if the Company by Ordinary Resolution resolves that his or her tenure of office be terminated.
97. The Directors may appoint any natural person or corporation to be a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as they think fit. Any Secretary or assistant Secretary so appointed by the Directors may be removed by the Directors or by the Company by Ordinary Resolution.
98. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
99. The Directors may from time to time and at any time by power of attorney (whether under Seal or under hand) or otherwise appoint any company, firm or Person or body of Persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys or authorised signatory (any such person being an "Attorney" or "Authorised Signatory", respectively) of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of Persons dealing with any such Attorney or Authorised Signatory as the Directors may think fit, and may also authorise any such Attorney or Authorised Signatory to delegate all or any of the powers, authorities and discretion vested in him.
100. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the three next following Articles shall not limit the general powers conferred by this Article.
101. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any natural person or corporation to be a member of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any such natural person or corporation.

102. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any natural person or corporation so appointed and may annul or vary any such delegation, but no Person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
103. Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretion for the time being vested in them.

BORROWING POWERS OF DIRECTORS

104. The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, to issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

THE SEAL

105. The Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose and every Person as aforesaid shall sign every instrument to which the Seal is so affixed in their presence.
106. The Company may maintain a facsimile of the Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such Person or Persons as the Directors shall for this purpose appoint and such Person or Persons as aforesaid shall sign every instrument to which the facsimile Seal is so affixed in their presence and such affixing of the facsimile Seal and signing as aforesaid shall have the same meaning and effect as if the Seal had been affixed in the presence of and the instrument signed by a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose.
107. Notwithstanding the foregoing, a Secretary or any assistant Secretary shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

DISQUALIFICATION OF DIRECTORS

108. The office of Director shall be vacated, if the Director:
 - (a) becomes bankrupt or makes any arrangement or composition with his or her creditors;
 - (b) dies or is found to be or becomes of unsound mind;
 - (c) resigns his or her office by notice in writing to the Company;
 - (d) without special leave of absence from the Board, is absent from meetings of the Board for three (3) consecutive meetings and the Board resolves that his or her office be vacated; or
 - (e) is removed from office pursuant to any other provision of these Articles.

PROCEEDINGS OF DIRECTORS

109. The Directors may meet together (either within or outside of the Cayman Islands) for the despatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. At any meeting of the Directors, each Director present in person or represented by his or her proxy or alternate shall be entitled to one (1) vote. In case of an equality of votes the Chairman shall have a second or casting vote. A Director may, and a Secretary or assistant Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.
110. A Director may participate in any meeting of the Directors, or of any committee appointed by the Directors of which such Director is a member, by means of telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.
111. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed, the quorum shall be a majority of Directors then in office. A Director represented by proxy or by an alternate Director at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present.
112. A Director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with the Company shall declare the nature of his or her interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he or she is a member of any specified company or firm and is to be regarded as interested in any contract or transaction which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made or transaction so consummated. A Director may vote in respect of any contract or transaction or proposed contract or transaction notwithstanding that he or she may be interested therein and if he or she does so, his or her vote shall be counted and he or she may be counted in the quorum of any meeting of the Directors at which any such contract or transaction or proposed contract or transaction shall come before the meeting for consideration.
113. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his or her office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his or her tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his or her interest, may be counted in the quorum present at any meeting of the Directors whereat he or she or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged, and he or she may vote on any such appointment or arrangement.
114. Any Director may act by himself or herself or through his or her firm in a professional capacity for the Company, and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director; provided that nothing herein contained shall authorise a Director or his or her firm to act as auditor to the Company.
115. The Directors shall cause minutes to be made for the purpose of recording:
 - (a) all appointments of officers made by the Directors;
 - (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
 - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.

116. When the Chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding the absence of a Director or Directors (so long as a quorum was present) or that there may have been a technical defect in the proceedings.
117. A resolution in writing signed by all the Directors or all the members of a committee of Directors entitled to receive notice of a meeting of Directors or committee of Directors, as the case may be (an alternate Director, subject as provided otherwise in the terms of appointment of the alternate Director, being entitled to sign such a resolution on behalf of his or her appointer), shall be as valid and effectual as if it had been passed at a duly called and constituted meeting of Directors or committee of Directors, as the case may be. When signed a resolution may consist of several documents each signed by one or more of the Directors or his or her duly appointed alternate.
118. The continuing Directors may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.
119. Subject to any regulations imposed on it by the Directors, a committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the committee members present may choose one of their number to be chairman of the meeting.
120. A committee appointed by the Directors may meet and adjourn as it thinks proper. Subject to any regulations imposed on it by the Directors, questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.
121. All acts done by any meeting of the Directors or of a committee of Directors, or by any Person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or Person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Person had been duly appointed and was qualified to be a Director.

PRESUMPTION OF ASSENT

122. A Director of the Company who is present at a meeting of the Board of Directors at which an action on any Company matter is taken shall be presumed to have assented to the action taken unless his or her dissent shall be entered in the minutes of the meeting or unless he or she shall file his or her written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by personal delivery, registered post, recognized overnight courier, or by electronic means with confirmation of receipt, to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

DIVIDENDS

123. Subject to any rights and restrictions for the time being attached to any Shares, the Directors may from time to time declare dividends (including interim dividends) and other distributions on Shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.
124. Subject to any rights and restrictions for the time being attached to any Shares, the Company by Ordinary Resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
125. The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the Directors be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may in the absolute discretion of the Directors, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.

126. Any dividend payable in cash to the holder of Shares may be paid in any manner determined by the Directors. If paid by cheque it will be sent by mail addressed to the holder at his or her address in the Register, or addressed to such person and at such addresses as the holder may direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such Shares, and shall be sent at his or her or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company.
127. The Directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution. Without limiting the generality of the foregoing, the Directors may fix the value of such specific assets, may determine that cash payment shall be made to some Shareholders in lieu of specific assets and may vest any such specific assets in trustees on such terms as the Directors think fit.
128. Subject to any rights and restrictions for the time being attached to any Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares, but if and for so long as nothing is paid up on any of the Shares dividends may be declared and paid according to the par value of the Shares. No amount paid on a Share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the Share.
129. If several Persons are registered as joint holders of any Share, any of them may give effective receipts for any dividend or other moneys payable on or in respect of the Share.
130. No dividend shall bear interest against the Company.
131. Any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited by the Board of Directors and, if so forfeited, shall revert to the Company.

ACCOUNTS, AUDIT AND ANNUAL RETURN AND DECLARATION

132. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.
133. The books of account shall be kept at the Registered Office, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
134. The Directors may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors or by Ordinary Resolution.
135. The accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Directors or failing any determination as aforesaid shall not be audited.
136. The Directors may appoint an auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or her or their remuneration.
137. Every auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.
138. The auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or any general meeting of the Shareholders.
139. The Directors in each year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Companies Law and deliver a copy thereof to the Registrar of Companies in the Cayman Islands.

CAPITALISATION OF RESERVES

140. Subject to the Companies Law, the Directors may, with the authority of an Ordinary Resolution:
- (a) resolve to capitalise an amount standing to the credit of reserves (including a Share Premium Account, capital redemption reserve and profit and loss account), whether or not available for distribution;
 - (b) appropriate the sum resolved to be capitalised to the Shareholders in proportion to the nominal amount of Shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:
 - (i) paying up the amounts (if any) for the time being unpaid on Shares held by them respectively, or
 - (ii) paying up in full unissued Shares or debentures of a nominal amount equal to that sum,and allot the Shares or debentures, credited as fully paid, to the Shareholders (or as they may direct) in those proportions, or partly in one way and partly in the other, but the Share Premium Account, the capital redemption reserve and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued Shares to be allotted to Shareholders credited as fully paid;
 - (c) make any arrangements they think fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where Shares or debentures become distributable in fractions the Directors may deal with the fractions as they think fit;
 - (d) authorise a Person to enter (on behalf of all the Shareholders concerned) into an agreement with the Company providing for either:
 - (i) the allotment to the Shareholders respectively, credited as fully paid, of Shares or debentures to which they may be entitled on the capitalisation, or
 - (ii) the payment by the Company on behalf of the Shareholders (by the application of their respective proportions of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing Shares,and any such agreement made under this authority being effective and binding on all those Shareholders; and
 - (e) generally do all acts and things required to give effect to the resolution.
141. Notwithstanding any provisions in these Articles, the Directors may resolve to capitalise an amount standing to the credit of reserves (including the share premium account, capital redemption reserve and profit and loss account) or otherwise available for distribution by applying such sum in paying up in full unissued Shares to be allotted and issued to:
- (a) employees (including Directors) or service providers of the Company or its Affiliates upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Directors or the Shareholders;
 - (b) any trustee of any trust or administrator of any share incentive scheme or employee benefit scheme to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Directors or Shareholders; or
 - (c) any depositary of the Company for the purposes of the issue, allotment and delivery by the depositary of ADSs to employees (including Directors) or service providers of the Company or its Affiliates upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Directors or the Shareholders.

SHARE PREMIUM ACCOUNT

142. The Directors shall in accordance with the Companies Law establish a Share Premium Account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any Share.
143. There shall be debited to any Share Premium Account on the redemption or purchase of a Share the difference between the nominal value of such Share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by the Companies Law, out of capital.

NOTICES

144. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the Person entitled to give notice to any Shareholder either personally, or by posting it by airmail or air courier service in a prepaid letter addressed to such Shareholder at his or her address as appearing in the Register, or by electronic mail to any electronic mail address such Shareholder may have specified in writing for the purpose of such service of notices, or by facsimile or by placing it on the Company's Website should the Directors deem it appropriate provided that the Company has obtained the Shareholder's prior express positive confirmation in writing to receive notices in such manner. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands first in the Register in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
145. Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail.
146. Any Shareholder present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.
147. Any notice or other document, if served by:
- (a) post, shall be deemed to have been served five calendar days after the time when the letter containing the same is posted;
 - (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
 - (c) recognised courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service; or
 - (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail.
- In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.
148. Any notice or document delivered or sent by post to or left at the registered address of any Shareholder in accordance with the terms of these Articles shall notwithstanding that such Shareholder be then dead or bankrupt, and whether or not the Company has notice of his or her death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Shareholder as sole or joint holder, unless his or her name shall at the time of the service of the notice or document, have been removed from the Register as the holder of the Share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all Persons interested (whether jointly with or as claiming through or under him) in the Share.

149. Notice of every general meeting of the Company shall be given to:
- (a) all Shareholders holding Shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
 - (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Shareholder, who but for his or her death or bankruptcy would be entitled to receive notice of the meeting.
- No other Person shall be entitled to receive notices of general meetings.

INFORMATION

150. No Shareholder shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the Shareholders of the Company to communicate to the public.
151. The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its Shareholders including, without limitation, information contained in the Register and transfer books of the Company.

INDEMNITY

152. Every Director, Secretary, assistant Secretary, or other officer for the time being and from time to time of the Company (but not including the Company's auditors) (each an "**Indemnified Person**") shall be indemnified and secured harmless against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, willful default or fraud, in or about the conduct of the Company's business or affairs or in the execution or discharge of his or her duties, powers, authorities or discretions (including as a result of any mistake of judgment), including without prejudice to the generality of the foregoing, any costs, expenses (including reasonable attorneys' fees), losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere (the "**Indemnified Matters**").
153. Without prejudice to the generality of the foregoing, the Indemnified Matters include:
- (a) for the acts, receipts, neglects, defaults or omissions of any other Director or officer or agent of the Company; or
 - (b) for any loss on account of defect of title to any property of the Company; or
 - (c) on account of the insufficiency of any security in or upon which any money of the Company shall be invested; or
 - (d) for any loss incurred through any bank, broker or other similar Person; or
 - (e) for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgement or oversight on such Indemnified Person's part; or
 - (f) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers, authorities, or discretions of such Indemnified Person's office or in relation thereto;
- unless the same shall happen through such Indemnified Person's own dishonesty, willful default or fraud.

FINANCIAL YEAR

154. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

NON-RECOGNITION OF TRUSTS

155. No Person shall be recognised by the Company as holding any Share upon any trust and the Company shall not, unless required by law, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or (except only as otherwise provided by these Articles or as the Companies Law requires) any other right in respect of any Share except an absolute right to the entirety thereof in each Shareholder registered in the Register.

WINDING UP

156. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Companies Law, divide amongst the Shareholders in species or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any asset upon which there is a liability.
157. If the Company shall be wound up, and the assets available for distribution amongst the Shareholders shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the par value of the Shares held by them. If in a winding up the assets available for distribution amongst the Shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Shareholders in proportion to the par value of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

AMENDMENT OF ARTICLES OF ASSOCIATION

158. Subject to the Companies Law, the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part.

CLOSING OF REGISTER OR FIXING RECORD DATE

159. For the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at any meeting of Shareholders or any adjournment thereof, or those Shareholders that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Shareholder for any other purpose, the Directors may provide that the Register shall be closed for transfers for a stated period which shall not exceed in any case forty (40) calendar days. If the Register shall be so closed for the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders the Register shall be so closed for at least ten (10) calendar days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register.
160. In lieu of or apart from closing the Register, the Directors may fix in advance a date as the record date for any such determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of the Shareholders and for the purpose of determining those Shareholders that are entitled to receive payment of any dividend the Directors may, at or within ninety (90) calendar days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination.
161. If the Register is not so closed and no record date is fixed for the determination of those Shareholders entitled to receive notice of, attend or vote at a meeting of Shareholders or those Shareholders that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Shareholders. When a determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders has been made as provided in this Article, such determination shall apply to any adjournment thereof.

REGISTRATION BY WAY OF CONTINUATION

162. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

DISCLOSURE

163. The Directors, or any service providers (including the officers, the Secretary and the registered office agent of the Company) specifically authorised by the Directors, shall be entitled to disclose to any regulatory or judicial authority any information regarding the affairs of the Company including without limitation information contained in the Register and books of the Company.

EXCLUSIVE FORUM

164. Unless the Company consents in writing to the selection of an alternative forum, to the fullest extent permitted by relevant law, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, regardless of whether such legal suit, action, or proceeding also involves parties other than the Company.
165. Unless the Company consents in writing to the selection of an alternative forum, the courts of the Cayman Islands shall have exclusive jurisdiction to hear, settle and/or determine any dispute, controversy or claim (including any non-contractual dispute, controversy or claim) whether arising out of or in connection with these Articles or otherwise, including any questions regarding their existence, validity, formation or termination. For the avoidance of doubt and without limiting the jurisdiction of the courts of the Cayman Islands to hear, settle and/or determine disputes related to the Company, the courts of the Cayman Islands shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any Director, officer or other employee of the Company to the Company or the Company's Shareholders, (iii) any action or petition asserting a claim arising pursuant to any provision of the Law or these Articles including but not limited to any purchase or acquisition of Shares, securities or guarantee provided in consideration thereof, or (iv) any action asserting a claim against the Company which if brought in the United States would be a claim arising under the internal affairs doctrine (as such concept is recognised under the laws of the United States from time to time). This Article 165 shall not apply to claims or causes of action brought to enforce a duty or liability created by the Securities Act or the Securities Exchange Act of 1934, as amended, or any other claim based on securities laws for which claim the federal district courts of the United States have exclusive jurisdiction.
166. Any person or entity purchasing or otherwise acquiring any Share or other securities in the Company, or purchasing or otherwise acquiring ADSs issued pursuant to relevant deposit agreements, whether such acquisition be by transfer, sale, operation of law or otherwise, shall be deemed to have notice of, irrevocably agreed and consented to the provisions of this Article and Articles 164 and 165 above. Without prejudice to the foregoing, if any part of this Article, Article 164 and/or Article 165 are held to be illegal, invalid or unenforceable under applicable law, the legality, validity or enforceability of the rest of these Articles shall not be affected nor be impaired and this Article, Article 164 and/or Article 165 shall be interpreted and construed to the maximum extent possible to apply in the relevant jurisdiction with whatever modification or deletion as may be necessary so as best to give effect to the intention of the Company.

SHARE CERTIFICATE

Number

Shares
[NO. OF SHARES]

Gracell Biotechnologies Inc.

THIS SHARE CERTIFICATE CERTIFIES THAT as of [DATE], [NAME OF SHAREHOLDER] of [ADDRESS OF SHAREHOLDER] is the registered holder of NO. OF SHARE fully paid [SHARE CLASS] Share(s) of [PAR VALUE] par value per share in the above named Company which are held subject to, and transferable in accordance with, the Memorandum and Articles of Association of the Company (as Revised).

In Witness Whereof the Company has authorised this certificate to be issued on [DATE].

By _____
Director

GRACELL BIOTECHNOLOGIES INC.
SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

THIS SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT (this “Agreement”) is made and entered into on October 20, 2020 by and among:

- (1) Gracell Biotechnologies Inc., an exempted company duly incorporated under the Laws of the Cayman Islands (the “Company”);
- (2) Gracell Biotechnologies Holdings Limited, a BVI business company limited by shares organized under the laws of the British Virgin Islands (the “BVI Company”);
- (3) Gracell Biotechnologies (HK) Limited, a limited liability company duly incorporated under the Laws of Hong Kong (the “HK Company”);
- (4) Gracell Bioscience (Shanghai) Co., Ltd. (格赛尔生物科技有限公司), a limited liability company incorporated under the Laws of the PRC (the “WFOE”);
- (5) Gracell Biotechnologies (Shanghai) Co., Ltd. (格赛尔生物科技有限公司), a limited liability company incorporated under the Laws of the PRC (“Gracell Shanghai”);
- (6) Suzhou Gracell Biotechnologies Co., Ltd. (苏州格赛尔生物科技有限公司), a limited liability company incorporated under the Laws of the PRC (“Gracell Suzhou”, together with Gracell Shanghai, the “Domestic Companies” and each, a “Domestic Company”);
- (7) Mr. CAO Wei (曹伟), a citizen of the PRC (the “Founder”) and Gracell Venture Holdings Limited, a BVI business company with limited liability duly incorporated under the Laws of the British Virgin Islands (the “Founder Holding Company”);
- (8) Michelia Figo Holding Ltd., a BVI business company with limited liability duly incorporated under the Laws of the British Virgin Islands;
- (9) Each of the Persons set forth in the column titled “Series A Investor” on Part I of Exhibit A attached hereto (each, a “Series A Investor” and collectively, the “Series A Investors”);
- (10) Each of the Persons listed on Part II of Exhibit A attached hereto (each a “Series B-1 Investor” and collectively, the “Series B-1 Investors”);
- (11) Each of the Persons listed on Part III of Exhibit A attached hereto (each a “Series B-2 Investor” and, collectively the “Series B-2 Investors”); and
- (12) Each of the Persons listed on Part IV of Exhibit A attached hereto (each a “Series C Investor” and, collectively the “Series C Investors”, collectively with Series A Investors, the Series B-1 Investors and Series B-2 Investors, the “Investors” and each an “Investor”).

Each of the Founder, the Founder Holding Company, the Investors and any and all other persons and entities holding any Shares from time to time shall be hereinafter referred to as a “Shareholder” and collectively, the “Shareholders”.

Capitalized terms used in this Agreement shall have the meanings ascribed to them in Section 1.

RECITALS

A. The Company owns one hundred percent (100%) of the total issued share(s) of the BVI Company, which owns (100%) of the outstanding share capital of the HK Company, which owns one hundred percent (100%) of the registered capital of the WFOE, which exercises effective control over the business and operations of the Domestic Companies by a captive structure pursuant to the Control Documents (as defined below).

B. The Domestic Companies are principally engaged in the business of researching and developing immune cell therapy for cancer and stem cell therapy for degenerative diseases and the development, production and sale of pharmaceutical products in connection with such therapies (the “Principal Business”).

C. On October 14, 2020, a series C preferred share subscription agreement (the “Series C Share Subscription Agreement”) was entered into by and among the Company, the HK Company, the Domestic Companies and the Series C Investors, pursuant to which the Company has agreed to issue and sell to the Series C Investors, and the Series C Investors have agreed to purchase from the Company, an aggregate of 73,379,643 Series C Preferred Shares.

D. The capital structure of the Company immediately prior to and after the Initial Closing (as defined below) on a fully diluted and as-converted basis is as set forth in Exhibit B hereto.

E. It is a condition precedent of the Initial Closing that the Parties enter into this Agreement.

F. The Company, certain Investors, the Founder, the Founder Holding Company and certain other parties thereto entered into an amended and restated shareholder agreement on March 6, 2019 (the “Prior Shareholders Agreement”).

G. The Parties agree that the Prior Shareholders Agreement shall be amended, restated and replaced in its entirety by this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. DEFINITIONS.

1.1 Certain Defined Terms

For purposes of this Agreement, the following terms shall have the following meanings:

“Affiliate” of a Person (the “Subject Person”) means (a) in the case of a Person other than a natural person, any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with the Subject Person; (b) in the case of a natural person, any other Person that, directly or indirectly, is Controlled by the Subject Person or is an Immediate Family Member of the Subject Person. In the case of an Investor, the term “Affiliate” also includes (i) any shareholder of the Investor, (ii) any entity or individual who has a direct or indirect interest in the Investor (including, if applicable, any general partner or limited partner) or any fund manager or investment adviser thereof, (iii) any Person that directly or indirectly Controls, is Controlled by, under common Control with, or is managed by the Investor or its fund manager or investment adviser, and (iv) any trust Controlled by or held for the benefit of any natural person referred to in (i), (ii) or (iii) above. For purposes of this Agreement, (a) none of the Investors shall be deemed as an Affiliate of any Group Company, and vice versa, and (b) Kington USD Entity shall be deemed as an Affiliate of Kington RMB Entity, and vice versa.

“Amended M&AA” means the Third Amended and Restated Memorandum and Articles of Association of the Company adopted by the Company on or about the date hereof.

“Anti-Corruption Laws” means the U.S. Foreign Corrupt Practices Act of 1977 (the “FCPA”), the UK Bribery Act 2010 (and, in relation to conduct prior to 1 July 2011, the Public Bodies Corrupt Practices Act 1889 and the Prevention of Corruption Act 1906 (together with the Bribery Act 2010, the “UK Corruption Laws”)), any law of China for the prevention of punishment of public or commercial corruption or bribery, including the PRC Criminal Law and the PRC Anti-Unfair Competition Law, and any other anti-bribery or anti-corruption laws applicable to any Group Company or any Affiliate of such Group Company. For these purposes, the offences created by the FCPA and the UK Corruption Laws shall be deemed to apply to the Affiliates of any Group Company in respect of acts or omissions by them which may directly or indirectly affect such Group Company, irrespective of the jurisdictional scope of those offences.

“Anti-Corruption Prohibited Activity” means offering, paying, promising to pay or authorizing the payment of any money or the giving of anything of value: (a) to any Government Official, or to any person under circumstances where the Person carrying out such activity knew or had reason to know that all or a portion of such money or thing of value would be offered, given or promised, directly or indirectly, to any Government Official, for the purpose of (i) influencing any act or decision of such Government Official in his official capacity, (ii) inducing such Government Official to do or omit to do any act in relation to his lawful duty, (iii) securing any improper advantage or (iv) inducing such Government Official to influence or affect any act or decision of any Governmental Authority, in each case, in order to assist the Person carrying out such activity in obtaining or retaining business for or with, or in directing business to, any Person, or (b) to any Person, with the intention of influencing or rewarding such person for acting in breach of an expectation of good faith, impartiality or trust, or which it would otherwise be unlawful for the recipient to accept.

“Board” shall mean the board of directors of the Company.

“Big Four Accounting Firm” means Ernst & Young, KPMG, Pricewaterhouse Coopers or Deloitte Touche Tohmatsu.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks are required or authorized by applicable laws or executive order to be closed in the PRC, Hong Kong, Singapore or the Cayman Islands or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., Hong Kong time.

“Charter Documents” means, as to a Person, such Person’s certificate of incorporation, formation or registration (including, if relevant, certificates of change of name), memorandum of association, articles of association or incorporation, limited liability company agreement, charter, by-laws, trust deed, trust instrument, joint venture or shareholders agreement or equivalent documents and business license, in each case as amended and as applicable.

“Circular 37” means Circular 37, issued by SAFE on and effective as of July 4, 2014, titled “Notice Regarding Certain Administrative Measures on Offshore Investment and Financing and Round-trip Investments by PRC Residents Through Offshore Special Purpose Vehicles,” and any attachment, implementation, successor rule or regulation related thereto under PRC Laws.

“Closing” has the meaning ascribed to it in the Series C Preferred Share Subscription Agreement.

“Company’s Competitor” means any entity other than any Group Company that primarily conducts the business of researching and developing immune cell therapy and stem cell therapy and the production and sale of pharmaceutical products in connection with such therapies or similar businesses, without prejudice to the foregoing, for the avoidance of doubt, no financial investor or fund investor that only holds a minority stake in such entity (regardless of whether such investor holds any board seat in the aforesaid entity) shall qualify as a Company’s Competitor.

“Contract” means any contract, agreement, undertaking, understanding, commitment, purchase order, indenture, note, bond, loan, instrument, lease, mortgage, deed of trust, franchise, license or other legally binding arrangement, whether oral or written.

“Control” of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, or by effective control whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of more than fifty percent (50%) of the board of directors of such Person; the term “Controlled” has the meaning correlative to the foregoing.

“Control Documents” means a series of agreements entered into by, *inter alia*, the WFOE, Gracell Shanghai, the shareholders of Gracell Shanghai and their respective spouses on January 3, 2019, December 20, 2019 and March 6, 2020 respectively, and as may be amended and restated in connection with the Restructuring Plan, including technical consultation and service agreement, business cooperation agreement, call option agreement, voting rights proxy agreement, equity pledge agreement, and spouse consent letter, which provide Control (financially, operationally or otherwise) to the WFOE over Gracell Shanghai and results in the financial results for Gracell Shanghai being consolidated into the consolidated financial statements for the Company even though the WFOE does not have any equity interest in Gracell Shanghai.

“Conversion Share” or “Conversion Shares” means the Ordinary Shares issued or issuable pursuant to conversion of the Preferred Shares.

“Director Indemnification Agreement” means any director indemnification agreement entered into by, *inter alia*, the Company and a director of the Company from time to time substantially in the form attached to the Series C Share Subscription Agreement.

“Deed of Accession” means a deed of accession substantially in the form set out in Exhibit C.

“Deemed Liquidation Event” means (i) any consolidation, reorganization, amalgamation or merger of the Company or one or more Group Companies that collectively operate all or substantially all of the Group’s business taken as a whole, with or into any Person, or any other corporate reorganization or scheme of arrangement, in each case in which the Shareholders of the Company immediately before such transaction own less than fifty percent (50%) of the direct or indirect voting power of the surviving company immediately after such transaction (excluding any transaction effected solely for tax purposes or to change the Company’s domicile); (ii) any voluntary or involuntary liquidation, dissolution or winding up of one or more Group Companies that collectively operate all or substantially all of the Group’s business taken as a whole; (iii) a sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of transactions, by any Group Company of all or substantially all of the assets of such Group Company, the effect of which is the disposition of all or substantially all of the Group Companies’ assets taken as a whole; (iv) any termination or amendment of Control Documents for any reason (unless approved pursuant to this Agreement and the Amended M&AA) or (v) any Drag-Along Sale.

“Equity Securities” means, with respect to a Person, (a) any shares, share capital, registered capital, equity interests, membership interests, partnership interests, joint venture or other ownership interests in such Person, (b) any options, warrants or rights to subscribe for, acquire or purchase, or any other securities or instruments convertible into or exercisable or exchangeable for, any of the foregoing and (c) any equity appreciation, phantom equity, equity plans or similar rights with respect to such Person.

“ESOP” means that the Company’s employee share option plan, under which 10,216,234 Ordinary Shares in the aggregate, shall be reserved for issuance from time to time to the employees, officers, directors, contractors, advisors or consultants of the Group Companies, PROVIDED HOWEVER, any issuance or transfer of Shares under the ESOP shall be in compliance with the Laws of applicable jurisdiction including without limitation the PRC, the British Virgin Islands and the Cayman Islands.

“Government Official” means any officer, official or employee of any government department, agency or instrumentality and any Person acting in an official capacity for any Governmental Authority or otherwise holding legislative, administrative or judicial office.

“Governmental Authority” means any nation or government, or any federation, province or state or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or any political subdivision thereof, including any government authority, agency, department, board, commission or instrumentality of the PRC, the Cayman Islands, Hong Kong or any other country, any public international organization, any court, tribunal or arbitrator or the governing body of any securities exchange or other self-regulatory organization (including any ethics committee of any hospital).

“Governmental Order” means any order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction (whether temporary or permanent) or other similar determination or finding by, before or under the supervision of any Governmental Authority.

“Group” or “Group Companies” means the Company, the BVI Company, the HK Company, the WFOE, the Domestic Companies, Gracell Biopharmaceuticals, Inc., Gracell Biomedicine (Shanghai) Co., Ltd. (格赛尔生物医药(上海)有限公司), and the Subsidiaries of any of the foregoing, and “Group Company” means any of them.

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC.

“Immediate Family Member” of a natural person means the spouse of such person and any parent, step-parent, grandparent, child, step-child, grandchild, sibling or step-sibling of such person or such person’s spouse.

“Information Technology” means all computer systems, telecommunication systems, software and the tangible media on which it is stored and hardware, including source and object code, cabling, routers, switched, racks, servers, PCs, laptops, terminals, scanners, printers and all associated peripherals, excluding in all cases Intellectual Property.

“Initial Closing” has the meaning ascribed to it in the Series C Preferred Share Subscription Agreement.

“Intellectual Property” means any and all (a) patents, patent rights and applications therefor and all reissues, reexaminations, continuations, continuations-in-part, divisions, provisionals, renewals and patent term extensions thereof, (b) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (c) registered or unregistered copyrights, copyrightable works, mask works, author’s rights and works of authorship (including artwork of any kind and software of all types in whatever medium, inclusive of computer programs, source code, object code and executable code, and related documentation) and registrations and applications therefor, (d) URLs, domain names, web addresses, web sites, web pages and any part thereof, accounts with Twitter, Facebook, Instagram and other social media companies and the content found thereon and related thereto and uniform resource locators, (e) technical information, know-how, trade secrets, drawings, designs, design protocols, specifications for parts and devices, quality assurance and control procedures, design tools, manuals and research data concerning historic and current research and development efforts, including the results of successful and unsuccessful designs, databases and proprietary data, (f) proprietary processes, technology, engineering, formulae, algorithms and operational procedures, (g) brand names, logos, slogans, design rights, trade names, trade dress, trademarks and service marks, and registrations and applications therefor, (h) the goodwill symbolized or represented by the foregoing, customer lists, data collections and other proprietary information and common-law rights and (i) other intellectual property, whether or not registrable, in each case under any Law but excluding commercially readily available intellectual property such as “off the shelf” computer software.

“IPO” means an initial public offering and listing of the Ordinary Shares (or depositary receipts or depositary shares therefor) or the ordinary shares in another listing vehicle holding all or any part of the assets or business of the Group in the United States pursuant to an effective registration statement under the Securities Act or on an internationally recognized stock exchange.

“Key Employee” has the meaning ascribed to it in the Series C Preferred Share Subscription Agreement.

“Law” or “Laws” means any constitutional provision, statute, ordinance, code, treaty, decree or judgment or other law, legislative measure, rule, regulation, official policy or interpretation of any Governmental Authority, any common or customary law and any Governmental Order.

“Lien” means (a) any mortgage, pledge, claim, security interest, hypothecation, assignment, deed of trust, title retention, lien, charge (whether fixed or floating) or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any Person, including any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under applicable Law, (b) any lease, sub-lease, occupancy agreement, easement or covenant granting a right of use or occupancy to any Person, (c) any proxy, power of attorney, voting trust agreement, interest, option, pre-emptive right, right of first offer, negotiation or refusal or transfer restriction in favor of any Person and (d) any adverse claim as to title, possession or use, in each case other than rights, preferences or privileges or other obligations under this Agreement or the Amended M&AA.

“Liquidation Event” means the voluntary or involuntary liquidation, dissolution or winding up of the Company.

“Material Adverse Effect” means any event, circumstance, occurrence, fact, condition, change or development that, individually or in the aggregate, has had, has or could reasonably be expected to have (a) a material adverse effect on the business, properties, assets, employees, operations, results of operations, condition (financial or otherwise), or liabilities of the Group taken as a whole, (b) any material impairment of the ability of any Party to perform its material obligations hereunder or under any other Transaction Document or (c) any material impairment of the validity or enforceability of this Agreement or any other Transaction Document against any Party.; provided, however, that, any event, circumstance, occurrence, fact, condition, change or development shall not be deemed to constitute a material adverse effect if it results from: (i) conditions that generally affect the therapeutic discovery and development industry, including as a result of the current COVID-19 pandemic; (ii) changes in legal requirements or other legal or regulatory conditions (other than changes in legal requirements or other legal or regulatory conditions regarding the validity or enforceability of the arrangements under the Control Documents) or changes in GAAP or other accounting standards (or the interpretation thereof); (iii) changes in political conditions; or (iv) acts of God, natural disasters, weather conditions or other calamities; except in each case, to the extent such economic conditions have a materially disproportionate effect on the Group as compared to any of the other companies in the same industry.

“Member” means, from time to time, the registered holder of any issued and outstanding Shares of the Company and “Members” means every such Member.

“Ordinary Shares” means any and all of the ordinary shares in the authorized share capital of the Company, each with a par value US\$ 0.0001, with the rights and privileges as set forth in this Agreement and in the Amended M&AA.

“Party” means any party to this Agreement.

“Person” means any individual, sole proprietorship, partnership, limited partnership, limited liability company, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or governmental or regulatory authority or other enterprise or entity of any kind or nature.

“PRC” or “China” means the People’s Republic of China but, solely for purposes of this Agreement, excluding Hong Kong, the Special Administrative Region of Macau and the territory of Taiwan.

“Preferred Majority” means the holders of at least a majority of the then outstanding Preferred Shares voting together as a single class and on an as-converted basis.

“Preferred Shares” means the Series A Preferred Shares, the Series B-1 Preferred Shares, the Series B-2 Preferred Shares, and the Series C Preferred Shares.

“Qualified IPO” means an initial public offering and listing of the Ordinary Shares (or depositary receipts or depositary shares therefor) or the ordinary shares in another listing vehicle holding all or any part of the assets or business of the Group in the United States pursuant to an effective registration statement under the Securities Act or on an internationally recognized stock exchange as consented to in writing by the Preferred Majority pursuant to Section 8.1, at a price per share to the public of not less than 1.25 times the Series C Issue Price, and that will bring net offering proceeds to the Company, after deduction of underwriting discounts and registration expenses, of at least US\$75,000,000.

“Redemption Requesting Holders” has the meaning ascribed to it in the Amended M&AA.

“Redemption Right” has the meaning ascribed to it in the Amended M&AA.

“Regulatory Approval” means any approval, permission, authorization or consent of, or notification to or filing with, any Governmental Authority.

“Related Party” of any Group Company (the “Subject Person”) means (a) any direct or indirect shareholder of the Subject Person or its Subsidiaries, (b) any director of the Subject Person or its Subsidiaries, (c) any Key Employee, (d) any officer of the Subject Person or its Subsidiaries, (e) any Immediate Family Member of a shareholder, director, Key Employee or officer of the Subject Person or its Subsidiaries, (f) any Person in which any shareholder, director, Key Employee or officer of the Subject Person or its Subsidiaries has any interest, other than a passive shareholding of less than one percent in a publicly listed company, or over which a Related Party exercises Control or significant influence through voting, position or ownership or (g) any other Affiliate of the Subject Person or its Subsidiaries.

“Requisite Series C Holders” means the holders of at least two-thirds (2/3) of the then outstanding Series C Preferred Shares voting together as a single class and on an as-converted basis.

“Restructuring Plan” means the shareholding structure change of Gracell Shanghai to remove certain Investors’ nominees as shareholders.

“RMB” means Renminbi, the lawful currency of the PRC.

“SAFE” means the State Administration of Foreign Exchange of the PRC.

“SAFE Rules and Regulations” means the registration or reporting requirements of Circular 37 or any other applicable SAFE rules and regulations.

“Sanctioned Person” at any time means any Person or country that at such time is subject to trade sanctions and economic embargo programs enforced by the U.S. Treasury Department’s Office of Foreign Asset Control, including any “Specially Designated Nationals and Blocked Persons”, and any government, national, resident or legal entity of Cuba, North Korea, Syria, Sudan, Iran or any other country with respect to which U.S. persons, as defined in the U.S. Economic Sanctions, are prohibited at such time from doing business.

“Securities Act” means the U.S. Securities Act of 1933, as amended and interpreted from time to time.

“Series A Preferred Shares” means any and all of the Series A preferred shares in the authorized share capital of the Company, each with a par value of US\$0.0001, with the rights and privileges as set forth in the Amended M&AA.

“Series B Investors” means the Series B-1 Investors and the Series B-2 Investors.

“Series B Preferred Shares” means the Series B-1 Preferred Shares and the Series B-2 Preferred Shares.

“Series B-1 Preferred Shares” means any and all of the Series B-1 preferred shares in the authorized share capital of the Company, each with a par value of US\$0.0001, with the rights and privileges as set forth in the Amended M&AA.

“Series B-2 Preferred Shares” means any and all of the Series B-2 preferred shares in the authorized share capital of the Company, each with a par value of US\$0.0001, with the rights and privileges as set forth in the Amended M&AA.

“Series C Issue Price” initially being US\$1.635331 per share, as adjusted for share dividends, splits, combinations, recapitalizations or similar events as provided in the Amended M&AA.

“Series C Lead Investors” means Morningside, OrbiMed and Wellington, and each a “Series C Lead Investor”.

“Series C Preferred Shares” means any and all of the Series C preferred shares in the authorized share capital of the Company, each with a par value of US\$0.0001, with the rights and privileges as set forth in the Amended M&AA.

“Share” or “Shares” means the Ordinary Shares, the Preferred Shares and shares of any other class or series in the share capital of the Company.

“Subsidiary” means with respect to any specified Person, any Person of which the specified Person, directly or indirectly, owns or Controls more than fifty percent (50%) of the issued and outstanding share capital, voting interests or registered capital.

“Temasek” means TLS Beta Pte. Ltd. and its successor, permitted assigns and transferees.

“Transaction Documents” means the Series C Share Subscription Agreement, the Series B Share Subscription and Framework Agreement entered into by and among the Company and other parties dated January 3, 2019, this Agreement, the Amended M&AA, the Director Indemnification Agreements, the Control Documents, the exhibits attached to any of the foregoing and each of the agreements and other documents otherwise required in connection with implementing the transactions contemplated by any of the foregoing.

“U.S.” or “United States” means the United States of America.

“U.S. Economic Sanctions” means any sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department.

“US\$” means United States dollars, the lawful currency of the United States.

1.2 Definitions

Term	Location
Additional Number	Section 5.3(b)
Agreement	Preamble
Arbitration Rules	Section 13.12(b)
Chengdu Miaoji	Exhibit A
Commission	Section 3.2(f)
Company	Preamble

Term	Location
Company Industry Segment	Section 11.7(b)
Company Side Process Agent	Section 13.14(a)
Confidential Information	Section 9.1
Consideration	Section 11.10
Covered Persons	Section 11.7(a)
Co-Sale Holder	Section 6.4
Co-Sale Notice	Section 6.4
Co-Sale Pro Rata Portion	Section 6.4(a)
Co-Sale Right Period	Section 6.4
Disclosing Party	Section 9.4
Domestic Company	Preamble
Drag-Along Sale	Section 7.1
Drag-Along Sale Notice	Section 7.1
Drag Holders	Section 7.1
Excess Exercising Holder	Section 6.3(a)(iii)
Excess Number	Section 6.3(a)(iii)
Excess Offered Shares	Section 6.3(a)(iii)
Exchange Act	Section 3.2(i)
Excluded Opportunity	Section 11.7(a)
Exercising Holder	Section 6.3(a)(iii)
Financing Terms	Section 9.1
First Participation Notice	Section 5.3(a)
First Participation Period	Section 5.3(a)
First Refusal Allotment	Section 6.3(a)(ii)
First Refusal Expiration Notice	Section 6.3(e)
Form F-3	Section 3.2(e)
Form S-3	Section 3.2(e)
Founder	Preamble
Founder First Offer Right	Section 6.8(b)(ii)
Founder Holding Company	Preamble
Founder Offer	Section 6.8(b)
Grant	Section 11.3(c)
HK Company	Preamble
HKIAC	Section 13.12(b)
Holder	Section 3.2(d)
IFRS	Section 2.1(a)
Information Rights	Section 2.1(a)(iii)
Initiating Holders	Section 3.3b
Investor Access Rights	Section 2.1(b)
Investor Directors	Section 2.2(a)
Kington Entities	Exhibit A
Kington RMB Entity	Exhibit A
Kington USD Entity	Exhibit A
LAV Biosciences V	Exhibit A

Term	Location
LAV Granite	Exhibit A
LAV RMB Entity	Exhibit A
LAV USD Entities	Exhibit A
Liquidating Series B-1 Investor	Section 11.11(a)
Morningside	Exhibit A
New Securities	Section 5.2
NewCo	Section 11.3(c)
Non-Competition Period	Section 11.2(a)
Observer	Section 2.2 (a)
Offered Shares	Section 6.2
Offer Notice	Section 6.8(b)(ii)
Offeror	Section 7.1
Offer Period	Section 6.8(b)(ii)
Offer Price	Section 6.8(b)(ii)
OrbiMed	Exhibit A
Ordinary Holder	Section 6.1
Other Subsidiary Board	Section 2.2(e)
Overallotment New Securities	Section 5.3(b)
Oversubscribing Participating Holder	Section 5.3(b)
Participating Holder	Section 5.3(b)
Participation Rights Holder	Section 5
Permitted Transfer	Section 6.6
Permitted Transferee	Section 6.6
PRC GAAP	Section 2.1(a)
Preferred Holder	Section 6.1
Preferred Holder Offered Shares	Section 6.8(b)(i)
Preferred Holders' Refusal Period	Section 6.3(a)(i)
Preferred Holder Transfer Notice	Section 6.8(b)(i)
Principal Business	Recitals
Prior Shareholders Agreement	Recitals
Pro Rata Share	Section 5.1
Prospective Series B-1 Investor	Section 11.10
Record VIE Shareholder	Section 11.3(d)(i)
Registration Expenses	Section 3.2(g)
Registrable Securities	Section 3.2(b)
Request Notice	Section 3.3(a)
Restricted Shares	Section 6.1
Right of Participation	Section 5
SEC	Section 3.2(f)
Second Participation Notice	Section 5.3(b)
Second Participation Period	Section 5.3(b)
Second Refusal Period	Section 6.3(a)(iii)
Selling Expenses	Section 3.2(h)
Selling Preferred Holder	Section 6.8(b)(i)

Term	Location
Selling Shareholder	Section 6.2
Series A Director	Section 2.2(a)
Series A Investor	Preamble
Series B-1 Director	Section 2.2(a)
Series B-1 Investor	Preamble
Series B-2 Director	Section 2.2(a)
Series B-2 Investor	Preamble
Series C Investor	Preamble
Series C Share Subscription Agreement	Recitals
Shanghai Zhaoheng	Recitals
Shareholder	Preamble
Supplemental Transfer Notice	Section 6.3(a)(iii)
Transfer	Section 6.2
Transfer Notice	Section 6.2
Transferee	Section 6.2
VIE Restructuring	Section 11.3(c)
Violation	Section 3.9(a)
Wellington	Exhibit A
WFOE	Preamble

1.3 Interpretation and Rules of Construction.

In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

(a) when a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference is to a Section of, or an Exhibit or Schedule to, this Agreement;

(b) the table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;

(c) whenever the words “include,” “includes” or “including” are used in this Agreement, they are deemed to be followed by the words “without limitation”;

(d) the words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(e) all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto;

(f) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;

(g) words in the singular include the plural, and words in the plural include the singular;

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- (h) references to a Person are also to its successors in title and permitted assigns;
- (i) the use of “or” is not intended to be exclusive;
- (j) the terms “shall”, “will”, and “agrees” are mandatory, and the term “may” is permissive;
- (k) the term “day” means “calendar day”, and “month” means calendar month;
- (l) the phrase “directly or indirectly” means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements, and “direct or indirect” has the correlative meaning;
- (m) all words (whether gender-specific or gender neutral) shall be deemed to include each of the masculine, feminine and neuter genders;
- (n) in calculations of share numbers, (i) references to a “fully diluted and as-converted basis” mean that the calculation is to be made assuming that all outstanding options, warrants and other Equity Securities convertible into or exercisable or exchangeable for Ordinary Shares (whether or not by their terms then currently convertible, exercisable or exchangeable) have been so converted, exercised or exchanged, (ii) references to a “non-diluted basis” mean that the calculation is to be made taking into account only Ordinary Shares then in issue and (iii) references to an “as-converted basis” mean that the calculation is to be made assuming that all Preferred Shares in issue have been converted into Ordinary Shares. All calculations shall be deemed to be on as-converted basis unless otherwise specified. Any Share number or per Share amount referred to in this Agreement shall be appropriately adjusted to take into account any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event affecting the Shares after the date of this Agreement. Any reference to or calculation of Shares of the Company in issue shall exclude treasury shares.
- (o) references to this Agreement include the Schedules and Exhibits, which form an integral part hereof;
- (p) references to laws include any such law modifying, re-enacting, extending or made pursuant to the same or which is modified, re-enacted, or extended by the same or pursuant to which the same is made; and
- (q) a reference to any document (including this Agreement) is to that document as amended, consolidated, supplemented, novated or replaced from time to time.

2. INFORMATION RIGHTS, INVESTOR ACCESS RIGHTS, INVESTOR AUDIT RIGHTS AND BOARD REPRESENTATION.

2.1 Information Rights, Investor Access Rights, and Investor Audit Rights.

(a) Information Rights.

The Company covenants and agrees that, commencing on the date of this Agreement, so long as an Investor holds any Preferred Shares or Conversion Shares, the Company will deliver to such Investor:

(i) audited annual consolidated financial statements of the Group Companies, within ninety (90) days after the end of each calendar year;

(ii) unaudited quarterly consolidated financial statements of the Group Companies, within thirty (30) days after the end of each calendar quarter;

(iii) a copy of each agreement or other document relating to material investment or additional equity financing in, by or involving the Group or its assets, within twenty-one (21) days after each such agreement or other document becomes available to the Group; and

(iv) upon the written request by any Investor, such other information of the Group Companies as such Investor shall reasonably request, including any statistical, transactional, operational and financial data relating to the Group Companies or the Principal Business (the above rights collectively, the “Information Rights”).

All the financial statements (which shall include an income statement, a balance sheet and a cash flow statement for the relevant period) to be provided to each Investor pursuant to this Section 2.1 shall be prepared in conformance with International Financial Reporting Standards (“IFRS”) or the accounting principles generally accepted in the PRC (“PRC GAAP”) or, subject to compliance with Section 8.3, any other standard approved by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors) and shall consolidate all of the financial results of the Group Companies. All the information (including the financial statements) provided by the Group Companies to each Investor pursuant to this Section 2.1 shall be verified and certified as true, correct and not misleading by the Chief Executive Officer and the Chief Financial Officer of the Company to their knowledge after making due inquiry and exercising due diligence.

All audits of the Group Companies shall be performed in accordance with IFRS or PRC GAAP or, subject to compliance with Section 8.3, any other standard approved by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors), by Shanghai Xuanhe Accounting Firm (上海宣合会计师事务所) or, subject to compliance with Section 8.3, another reputable accounting firm agreed upon by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors).

(b) Investor Access Rights.

Each of the Group Companies covenants and agrees that, commencing on the date of this Agreement, so long as an Investor holds (together with its Affiliates) more than 7% of total issued and outstanding share capital of the Company, such Investor shall have the right to, at any reasonable times during regular working hours and as often as it may reasonably request and upon a written notice at least five (5) Business Days prior to the access to the relevant Group Company, (i) access the facilities, records and books and accounting and other documents of each of the Group Companies and (ii) discuss the business, operations and conditions of the Group Companies with their respective directors, officers, employees, accountants and legal counsel (collectively, the “Investor Access Rights”), PROVIDED HOWEVER, that the Investor Access Rights shall be exercised in a manner that would not cause undue interruption to the Group’s normal business activities. Notwithstanding the above, the exercise of the Investor Access Rights by each Investor shall not be unreasonably rejected or restricted by the Group in any way.

(c) Investor Audit Rights.

Each of the Group Companies covenants and agrees that, commencing on the date of this Agreement, so long as an Investor holds (together with its Affiliates) more than 10% of total issued and outstanding share capital of the Company, such Investor shall have the right to, without unreasonably disrupting the Group's normal business activities and at such Investor's own expense, audit the business practices and accounts of the Group with the assistance of any accounting firms, representatives or agents as it shall require (the "Investor Audit Rights"), and each of the Group Companies shall provide any and all assistance reasonably requested by such Investor and such accounting firms, representatives and agents in conducting such audits; provide that, each such Investor shall not conduct such audit for more than once in any fiscal year.

2.2 Board of Directors.

(a) Number of Directors and Observers.

The Board shall consist of seven (7) members, which number of members shall not be changed except as in compliance with Section 8.1. The Founder shall be entitled to nominate, appoint and remove two (2) directors of the Board. One (1) director of the Board shall be an independent director not Affiliated with any Group Company or any Investor who shall be approved by a majority of the Board, including the Founder and at least three (3) Investor Directors, which shall remain vacant until filled by the Board. So long as OrbiMed continues to collectively hold at least 5% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), OrbiMed shall be exclusively entitled to nominate, appoint and remove one (1) director of the Board (the "Series A Director"). So long as LAV USD Entities continue to collectively hold at least 5% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), LAV USD Entities shall be exclusively entitled to nominate, appoint and remove one (1) directors of the Board (the "Series B-1 Director"). So long as Temasek continues to hold at least 5% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), Temasek shall be exclusively entitled to nominate, appoint and remove one (1) director of the Board (the "Series B-2 Director"). So long as the holders of Series C Preferred Shares in the aggregate continues to hold at least 5% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), Morningside shall be exclusively entitled to nominate, appoint and remove one (1) director of the Board (together with the Series A Director, the Series B-1 Director, the Series B-2 Director, the "Investor Directors" and each an "Investor Director"). So long as Kington Entities continue to collectively hold at least 3% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), Kington Entities shall be exclusively entitled to nominate a representative (the "Kington Observer") to attend, at its own expense, all meetings of the Board. So long as OrbiMed continues to hold at least 3% of the Ordinary Shares then outstanding (calculated on a fully diluted and as-converted basis), OrbiMed shall be exclusively entitled to nominate a representative (the "Series C Observer", together with the Kington Observer, the "Observers" and each an "Observer") to attend, at its own expense, all meetings of the Board. The Series C Observer shall have full rights of audience and may speak at all meetings of the Board, but shall not be entitled to vote or be counted towards the quorum at any such meetings.

(b) Replacement of Directors.

In the event any director of the Board resigns, is removed in accordance with Section 2.2(a) or otherwise ceases to hold office, the Person that nominated such director will have the right to nominate such director's successor or replacement, and such successor or replacement director shall be nominated and appointed within 10 days after the date of such resignation or removal. If it is any Investor Director that resigns, is removed or otherwise ceases to hold office, neither the Shareholders nor the Board shall transact any business until the successor or replacement director has been nominated and appointed by the Person that is entitled to nominate and appoint such successor or replacement director.

(c) Directors' Access.

Each director of the Board shall be entitled to examine the books, accounts and records of the Company and any other Group Company and shall have free access, at all times, to any and all properties, facilities, personnel and advisors of any Group Company. The Company shall provide such information relating to the business affairs and financial position of any Group Company as any director may request. Any director may provide such information to the Person that nominated such director.

(d) Director Indemnification.

The Amended M&AA shall at all times provide that the Company shall indemnify the members of the Board to the maximum extent permitted by applicable Law, except that the Company shall not be required to indemnify a member of the Board for any losses suffered by such member of the Board if a court of competent jurisdiction has determined (and there is no longer any avenue for appeal) that such losses resulted from the fraud or willful misconduct of such member of the Board. Each director of the Board shall be entitled to sign a Director Indemnification Agreement with the Company.

(e) Subsidiary Board.

Unless otherwise approved by the Preferred Majority and the Founder, (i) the composition of the board of directors (or similar body) of the WFOE and Gracell Shanghai shall have the same number of members and Observer as the Board, and (ii) each of the Founder, OrbiMed, LAV USD Entity and LAV RMB Entity, Kington Entities, Temasek, and Morningside shall become entitled to (but shall not be obliged to) nominate and appoint the same number of member(s) and Observer to each board of directors (or similar body) of the WFOE and Gracell Shanghai as it is entitled to nominate and appoint to the Board as provided in Section 2.2(a) above; provided however that the Group Companies shall not be required to nominate any new member of the board of directors of any Group Company (other than the Company) prior to June 30, 2021, and thereafter only if requested in writing by any Investor entitled to appoint an Investor Director.

Unless otherwise approved by the Preferred Majority and the Founder, the composition of the board of directors (or similar body) of each other Group Company other than the WFOE and Gracell Shanghai (each, a “Other Subsidiary Board”) shall be decided by the Board. Notwithstanding the foregoing, if the Company fails to consummate an IPO on or prior to June 30, 2021, and so requested in writing by any Investor holding (together with its Affiliates) more than 10% of total issued and outstanding share capital of the Company, (i) the composition of each Other Subsidiary Board shall be restructured to have the same number of members and Observer as the Board, and (ii) each of the Founder, OrbiMed, LAV USD Entities and LAV RMB Entity, Kington Entities, Temasek, and Morningside shall become entitled to (but shall not be obliged to) nominate and appoint the same number of member(s) and Observer to each Other Subsidiary Board as it is entitled to nominate and appoint to the Board as provided in Section 2.2(a) above; provided however that the Group Companies shall not be required to nominate any Other Subsidiary Board prior to June 30, 2021, and thereafter only if requested in writing by any Investor entitled to appoint an Investor Director. Each of the Founder, the Founder Holding Company, and the Group Companies covenants and agrees to take any and all actions necessary to ensure that each Other Subsidiary Board’s composition is in compliance with this Section 2.2(e).

(f) Annual Budget and Annual Business Plan.

The Company shall prepare a proposed annual budget and annual business plan for the Group for each fiscal year and shall submit it to the Board not less than 30 days prior to the commencement of such fiscal year. The Board shall review the Group’s performance and progress relative to the adopted annual budget and annual business plan at each meeting of the Board.

(g) Annual Reporting on Changes of Intellectual Properties.

The Company shall, and the Founder and the Founder Holding Company shall procure the Company to, (i) prepare a report summarizing changes of the Group’s Intellectual Properties for each calendar year, which shall include a list of Intellectual Properties newly purchased, developed or otherwise acquired for such calendar year, and a list of Intellectual Properties transferred for such calendar year, and (ii) submit the report to the Board for review within sixty (60) days after the end of each calendar year.

2.3 Tax Information Rights.

(a) Passive Foreign Investment Company.

The Company shall make due inquiry with its tax advisors on at least an annual basis, and in any event no later than two (2) months following the end of each taxable year of the company as determined under the Code (a “Taxable Year”), regarding its status (and the status of its subsidiaries) as a “passive foreign investment company” within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended (the “Code” and such a company, a “PFIC”), and if the Company is informed by its tax advisors that it (or any subsidiary) has become a PFIC, or that there is a likelihood of the Company (or a subsidiary) being classified as a PFIC for any Taxable Year, the Company shall promptly notify the Investors of such status or risk, as the case may be. In connection with a “Qualified Electing Fund” election made by an Investor (or any direct or indirect interest holder in such Investor) pursuant to Section 1295 of the Code or a “Protective Statement” filed by Investor (or any direct or indirect interest holder in such Investor) pursuant to Treasury Regulation Section 1.1295-3, as amended (or any successor thereto), upon a timely request, the Company shall provide annual financial information as may be reasonably requested to such Investor as soon as reasonably practicable and shall provide such Investor with access to such other Company information as may be required under the U.S. Treasury Regulations for purposes of filing U.S. federal income tax returns in connection with such Qualified Electing Fund election or Protective Statement or to otherwise allow such Investor and any direct or indirect interest holder in such Investor to comply with all provisions of the Code and U.S. Treasury Regulations with respect to PFICs.

(b) Controlled Foreign Corporation.

No later than two (2) months following the end of each Taxable Year and upon a timely request by any Investor, the Company shall provide to such Investor the Company's capitalization table as of the end of the last day of such Taxable Year. In addition, the Company shall use commercially reasonable best efforts to provide each Investor with access to such other Company information as may be reasonably required by such Investor to determine the Company's (and its subsidiaries') status as a "Controlled Foreign Corporation" as defined in Section 957 of the Code ("**CFC**") and to determine whether such Investor (or any person who is a direct or indirect interest holder in such Investor) is required to report its pro rata portion of the Company's (or any subsidiary's) "Subpart F income" (as defined in Section 952 of the Code) or its "global intangible low-taxed income" ("**GILTI**") (as defined in Section 951A of the Code) on its United States federal income tax return, or to allow such Investor (and any person who is a direct or indirect interest holder in such Investor) to otherwise comply with all provisions of the Code and U.S. Treasury Regulations with respect to CFCs. The Company shall make reasonable inquiry with its tax advisors on at least an annual basis, and in any event no later than two (2) months following the end of each Taxable Year, regarding its (and its subsidiaries') status as a CFC, and if the Company is informed by its tax advisors that it (or any subsidiary) has become a CFC, or that there is a likelihood of the Company (or any subsidiary) being classified as a CFC for any Taxable Year, the Company shall promptly notify the Investors of such status or risk, as the case may be. In the event that Company (or any subsidiary) is determined by the Company's tax advisors or by counsel or accountants for an Investor to be a CFC, the Company agrees to make due inquiry with its tax advisors regarding whether any portion of the Company's (or a subsidiary's) income is Subpart F income or GILTI.

(c) FATCA.

The Company shall use commercially reasonable efforts to comply with Sections 1471 through 1474 of the Code, any regulations thereunder or official interpretations thereof, and any intergovernmental agreements entered into in connection with the implementation of the foregoing (collectively, "**FATCA**") so that no "withholdable payments" (as defined under FATCA) made to the Company or any of its subsidiaries are subject to withholding under FATCA.

(d) Other Information Rights.

At any time upon the reasonable request of an Investor, the Company shall use commercially reasonable efforts to deliver any available additional information reasonably requested by such Investor in order to assist such Investor or any person who is a direct or indirect interest holder in such Investor with the preparation of its tax returns, complying with reporting obligations under the Code (including, without limitation, pursuant to Sections 6038, 6038B, 6038D or 6046A of the Code and the rules and Treasury Regulations promulgated thereunder) and other obligations under the Code or any other applicable tax laws, or obtaining any benefit pursuant to the Code or other applicable tax laws.

3. REGISTRATION RIGHTS.

3.1 Applicability of Rights.

Each Investor shall be entitled to the following rights with respect to any potential public offering of the Ordinary Shares in the United States and shall be entitled to reasonably analogous or equivalent rights with respect to any other offering of the Company's securities in Hong Kong or any other jurisdiction in which the Company undertakes to publicly offer or list such securities for trading on a recognized securities exchange.

3.2 Definitions. For purposes of this Section 3:

(a) Registration. The terms "register," "registered," and "registration" refer to a registration effected by filing a registration statement which is in a form which complies with, and is declared effective by the SEC (as defined below) in accordance with, the Securities Act.

(b) Registrable Securities. The term "Registrable Securities" means: (i) any Ordinary Shares issued or issuable pursuant to conversion of any Preferred Share, (ii) any Ordinary Shares issued (or issuable upon the conversion or exercise of any warrant, right or other security which is issued) as a dividend or other distribution with respect to, or in exchange for or in replacement of, any Preferred Shares, and (iii) any other Ordinary Shares owned or hereafter acquired by each Investor. Notwithstanding the foregoing, "Registrable Securities" shall exclude any Ordinary Shares Transferred by a Person in a transaction in which rights under this Section 3 are not assigned in accordance with this Agreement, and any Ordinary Shares which are sold in a registered public offering under the Securities Act or analogous statute of another jurisdiction, or sold pursuant to Rule 144 promulgated under the Securities Act or analogous rule of another jurisdiction.

(c) Registrable Securities Then Outstanding. The number of "Registrable Securities then outstanding" shall mean the number of Ordinary Shares that are Registrable Securities and are then issued and outstanding or would be outstanding assuming conversion, exercise or exchange of all securities, warrants or other rights which are, directly or indirectly, convertible, exercisable or exchangeable into or for Registrable Securities.

(d) Holder. For purposes of this Section 3, the term "Holder" means any Person owning or having the rights to acquire Registrable Securities or any permitted assignee of record of such Registrable Securities to whom rights under this Section 3 have been duly assigned in accordance with this Agreement.

(e) Form F-3 or Form S-3. The terms “Form F-3” and “Form S-3” mean the Form F-3 and the Form S-3, respectively, under the Securities Act or in each case any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(f) SEC. The term “SEC” or “Commission” means the U.S. Securities and Exchange Commission.

(g) Registration Expenses. The term “Registration Expenses” shall mean all expenses incurred in complying with Sections 3.3, 3.4 and 3.5, including all registration and filing fees, printing and accounting expenses, fees, and disbursements of counsel for the Company, reasonable expenses of one legal counsel for the Holders (not to exceed \$75,000 per registration for such legal counsel), “blue sky” fees and expenses and the reasonable expense of any special audits incidental to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

(h) Selling Expenses. The term “Selling Expenses” shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to Sections 3.3, 3.4 and 3.5 hereof.

(i) Exchange Act. The term “Exchange Act” shall mean the United States Securities Exchange Act of 1934, as amended, and any successor statute, and the rules and regulations promulgated thereunder.

(j) For purposes of this Agreement, reference to registration of securities under the Securities Act and the Exchange Act shall be deemed to mean the equivalent registration in a jurisdiction other than the United States as designated by the Holders, it being understood and agreed that in each such case all references in this Agreement to the Securities Act, the Exchange Act and rules, forms of registration statements and registration of securities thereunder, U.S. law and the SEC shall be deemed to refer to the equivalent statutes, rules, forms of registration statements, registration of securities and laws of and equivalent government authority in the applicable non-U.S. jurisdiction.

3.3 Demand Registration.

(a) Request by Holders. Subject to the terms of this Agreement, if the Company shall, at any time after the expiry of six (6) months following the effective date of a registration statement for an IPO, receive a written request from the Holders of at least 20% of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act (other than Form F-3 or Form S-3) covering the registration of the Registrable Securities of such Holders with aggregate gross proceeds (prior to Selling Expenses) expected to be in excess of US\$25,000,000 pursuant to this Section 3.3, then the Company shall, within ten (10) Business Days after the receipt of such written request, give written notice of such request (“Request Notice”) to all the Holders, and use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all the Registrable Securities that the Holders request to be registered and included in such registration by written notice given by such Holders to the Company within twenty (20) days after receipt of the Request Notice, subject only to the limitations of this Section 3.3.

(b) **Underwriting.** If the Holders initiating the registration request under this Section 3.3 (the “**Initiating Holders**”) intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request made pursuant to this Section 3.3 and the Company shall include such information in the Request Notice. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered and reasonably acceptable to the Company. Notwithstanding any other provision of this Section 3.3, if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten, then the Company shall so advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among the Holders of Registrable Securities on a pro rata basis according to the number of Registrable Securities then outstanding held by each Holder requesting registration (including the Initiating Holders); provided, however, that the number of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities are first entirely excluded from the underwriting and registration, including all shares that are not Registrable Securities and all shares that are held by any other Person, including any Person who is an employee, officer or director of the Company or any Subsidiary of the Company; provided further, that at least twenty-five percent (25%) of the Registrable Securities requested by the Holders to be included in such underwriting and registration shall be so included. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(c) **Maximum Number of Demand Registrations.** The Company shall not be obligated to effect more than two (2) such demand registrations pursuant to this Section 3.3; provided that if the sale of all of the Registrable Securities sought to be included in the relevant registration pursuant to this Section 3.3 is not consummated for any reason other than due to the action or inaction of the Holders including Registrable Securities in such registration, such registration shall not be deemed to constitute one of the registration rights granted pursuant to this Section 3.3.

(d) **Deferral.** Notwithstanding the foregoing, if the Company shall furnish to the Holders requesting registration pursuant to this Section 3.3 a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such registration statement to be filed at such time, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period; provided further, that the Company shall not register any other of its Shares during such twelve (12) month period. A demand right shall be deemed not to have been exercised until such deferred registration shall have been effected.

3.4 Piggyback Registrations.

Subject to the terms of this Agreement, if the Company proposes to register for its own account any of its Equity Securities in connection with the public offering of such Equity Securities, or if any demand registration of Equity Securities is requested by investors making equity investment in the Company subsequent to the equity investment in the Company by the Holders, the Company shall notify all the Holders of Registrable Securities in writing at least thirty (30) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any registration under Section 3.3 or Section 3.5 of this Agreement or to any employee benefit plan or a corporate reorganization or other Rule 145 transaction, an offer and sale of debt securities or a registration on any registration form that does not permit secondary sales), and shall afford each such Holder an opportunity to include in such registration statement all or any part of the Registrable Securities then held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall within twenty (20) days after receipt of the above described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company or any subsequent investors, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company or any subsequent investors with respect to offerings of its securities, all upon the terms and conditions set forth herein. No Shareholder shall be granted piggyback registration rights which are superior to those of the Holders under this Section 3.4 without the prior written consent of Holders holding at least fifty percent (50%) of the Registrable Securities then outstanding.

(a) Underwriting. If a registration statement under which the Company gives notice under this Section 3.4 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to this Section 3.4 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All the Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Agreement, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter(s) may exclude shares from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated, first, to the Company, second, to each of the Holders requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis based on the total number of shares of Registrable Securities then held by each such Holder and third, to holders of other securities of the Company; provided, however, that the right of the underwriter(s) to exclude shares (including the Registrable Securities) from the registration and underwriting as described above shall be restricted so that (i) the number of Registrable Securities included in any such registration is not reduced below twenty-five percent (25%) of the aggregate number of Registrable Securities for which inclusion has been requested; and (ii) all shares that are not Registrable Securities and all shares that are held by any other Person, including any Person who is an employee, officer or director of the Company (or any Subsidiary of the Company) shall first be excluded from such registration and underwriting before any Registrable Securities are so excluded. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(b) Not Demand Registration. Registration pursuant to this Section 3.4 shall not be deemed to be a demand registration as described in Section 3.3 above. There shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 3.4.

3.5 Form F-3 or Form S-3 Registration.

If the Company receives from any Holder or Holders of at least five percent (5%) of the Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form F-3 or Form S-3 for which the reasonably anticipated aggregate offering price to the public would exceed US\$2,500,000 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, then the Company will:

(a) Notice. Promptly give written notice of the proposed registration and the Holder's or Holders' request therefor, and any related qualification or compliance, to all other Holders of

Registrable Securities; and

(b) Registration. As soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within twenty (20) days after the Company provides the notice contemplated by Section 3.5(a); provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 3.5:

(i) if Form F-3 or Form S-3 is not available for such offering by the Holders;

(ii) if the Company furnishes to the Holders a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such Form F-3 or Form S-3 registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form F-3 or Form S-3 registration statement no more than once during any twelve (12) month period for a period of not more than sixty (60) days after receipt of the request of the Holder or Holders initiating such registration request pursuant to this Section 3.5; provided that the Company shall not register any other Shares during such sixty (60) day period. A registration right under this Section 3.5 shall be deemed not to have been exercised until such deferred registration shall have been effected;

(iii) if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act other than a registration from which the Registrable Securities of the Holders have been excluded (only with respect to all or any portion of the Registrable Securities that has been so excluded);

(iv) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the company is already subject to service of process in such jurisdiction; or

(v) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than US\$5,000,000.

Subject to the foregoing, the Company shall file a Form F-3 or Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders.

(c) Not Demand Registration. Form F-3 and Form S-3 registrations pursuant to this Section 3.5 shall not be deemed to be demand registrations as described in Section 3.3 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of the Registrable Securities under this Section 3.5; provided that the Company shall not be required to file more than two (2) registration statements pursuant to this Section 3.5 within any twelve (12) month period.

(d) Underwriting. If the Holders of Registrable Securities requesting registration under this Section 3.5 intend to distribute the Registrable Securities covered by their request by means of an underwriting, the provisions of Section 3.3(b) shall apply to such registration.

3.6 Expenses.

All Registration Expenses incurred in connection with any registration pursuant to Sections 3.3, 3.4 and 3.5, (but excluding the Selling Expenses) shall be borne by the Company. Each Holder participating in a registration pursuant to Section 3.3, 3.4 or 3.5 shall bear such Holder's proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all the Selling Expenses or other amounts payable to underwriter(s) or brokers in connection with such offering by the Holders. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 3.3 or Section 3.5 if the registration request is subsequently withdrawn at the request of the Holders of at least fifty percent (50%) of the Registrable Securities to be registered (in which case the participating Holders requesting for the withdrawal shall bear such expenses), unless, in the case of a registration requested under Section 3.3, all of the Holders agree that such registration constitutes the use by the Holders of one (1) demand registration pursuant to Section 3.3; PROVIDED FURTHER, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business or prospects of the Company not to the knowledge of the Holders at the time of their request for such registration and have withdrawn their request for registration with reasonable promptness after learning of such material adverse change, then the Holders shall not be required to pay any of such expenses and such registration shall not constitute the forfeit of the right to any demand registration pursuant to Section 3.3 or any Form F-3 or Form S-3 registration pursuant to Section 3.5.

3.7 Obligations of the Company.

Whenever required to effect the registration of any Registrable Securities under this Agreement the Company shall, as expeditiously as reasonably possible:

(a) Registration Statement. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to ninety (90) days or, in the case of Registrable Securities registered on Form F-3 or Form S-3 in accordance with Rule 415 under the Securities Act or a successor rule, for a period of up to sixty (60) days; provided, however, that (i) such ninety (90) day period shall be extended for a period of time equal to the period any Holder refrains from selling any securities included in such registration at the request of the underwriter(s), and (ii) in the case of any registration of Registrable Securities on Form F-3 which are intended to be offered on a continuous or delayed basis, such sixty (60) day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold.

(b) Amendments and Supplements. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Prospectuses. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

(d) Blue Sky. Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or “blue sky” laws of such jurisdictions as shall be reasonably requested by the Holders; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

(e) Underwriting. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, with the managing underwriter(s) of such offering.

(f) Notification. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of (i) the issuance of any stop order by the SEC in respect of such registration statement or (ii) the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Opinion and Comfort Letter. Furnish, at the request of any Holder requesting registration of Registrable Securities, on the date that such Registrable Securities are delivered to the underwriter(s) for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and (ii) letters dated as of (x) the effective date of the registration statement covering such Registrable Securities and (y) the closing date of the offering, respectively, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

3.8 Furnish Information.

It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 3.3, 3.4 or 3.5 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to timely effect the registration of their Registrable Securities.

3.9 Indemnification.

In the event any Registrable Securities are included in a registration statement under Section 3.3, 3.4 or 3.5:

(a) By the Company. To the extent permitted by law, the Company will indemnify and hold harmless each Holder and its partners, officers, directors, legal counsel, any underwriter (as defined in the Securities Act) for such Holder and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages, liabilities (joint or several) and expenses, or any action or proceeding in respect thereof, to which they may become subject under the Securities Act, the Exchange Act or other United States federal or state law, insofar as such losses, claims, damages, liabilities or expenses, (or any action or proceeding in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (each, a "Violation"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus filed in connection with such registration or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; or

(iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any United States federal or state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any United States federal or state securities law in connection with the offering covered by such registration statement;

and the Company will reimburse each such Holder, partner, officer, director, legal counsel, underwriter or controlling Person for any legal or other expenses reasonably incurred by them, as such expenses are incurred, in connection with investigating or defending any such loss, claim, damage, liability, expense, action or proceeding; provided, however, that the indemnity agreement contained in this Section 3.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, expense, action or proceeding if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, expense, action or proceeding to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, legal counsel, underwriter or controlling Person.

(b) By Selling Holders. To the extent permitted by law, each selling Holder will severally and not jointly, if the Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each Person, if any, who controls the Company within the meaning of the Securities Act, any underwriter retained by the Company and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors, officers, legal counsel or any Person who controls such Holder within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages, liabilities (joint or several) and expenses, or any action or proceeding in respect thereof, to which the Company or any such director, officer, controlling Person, underwriter or such other Holder or such other Holder's partner, director, officer, legal counsel or controlling Person may become subject under the Securities Act, the Exchange Act or other United States federal or state law, insofar as such losses, claims, damages, liabilities or expenses (or any action or proceeding in respect thereof) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling Person or underwriter of the Company or such other Holder or partner, director, officer, legal counsel or controlling Person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability, expense, action or proceeding; provided, however, that the indemnity agreement contained in this Section 3.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, expense, action or proceeding if such settlement is effected without the consent of such Holder (which consent shall not be unreasonably withheld); and provided, further, that in no event shall the aggregate amount to be indemnified by such Holder under this Section 3.9(b) exceed the net proceeds received by such Holder in the registered offering out of which the applicable Violation arises.

(c) Notice. Promptly after receipt by an indemnified party under this Section 3.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 3.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time after the commencement of any such action shall relieve such indemnifying party of liability to the indemnified party under this Section 3.9 to the extent the indemnifying party is prejudiced as a result thereof, but the omission to so deliver written notice to the indemnifying party will not relieve it of any other liability that it may have to any indemnified party.

(d) Contribution. If any indemnified party makes a claim for indemnification pursuant to this Section 3.9 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 3.9 provides for indemnification in such case, then the indemnifying party, in lieu of indemnifying such indemnified party under this Section 3.9, shall contribute to the aggregate amount paid or payable by such indemnified party as a result of the relevant loss, claim, damage, liability, expense, action or proceeding in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and of the indemnified party, on the other hand, in connection with the Violation which resulted in such loss, claim, damage, liability, expense, action or proceeding, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the Violation relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such Violation; provided, however, that in any such case: (x) no Holder will be required to contribute any amount in excess of the net proceeds to such Holder from the sale of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement; and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) Survival; Consents to Judgments and Settlements. The obligations of the Company and Holders under this Section 3.9 shall survive the completion of any offering of Registrable Securities in a registration statement, regardless of the expiration of any statutes of limitation or extensions of such statutes. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

3.10 Termination of the Company's Obligations.

The Company's obligations under Sections 3.3, 3.4 and 3.5 with respect to any Registrable Securities proposed to be sold by a Holder in a registration pursuant to Section 3.3, 3.4 or 3.5 shall terminate on the earlier to occur of the following: (a) the fourth (4th) anniversary of consummation of an IPO, (b) the termination, liquidation or dissolution of the Company and (c) if and when, in the opinion of the counsel to the Company, all such Registrable Securities proposed to be sold by each Holder may be sold without registration in any ninety (90) day period pursuant to Rule 144 promulgated under the Securities Act.

3.11 No Registration Rights to Third Parties.

Without the prior written consent of the Preferred Majority, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any Person any registration rights of any kind (whether similar to the demand, "piggyback" or Form F-3 or Form S-3 registration rights described in this Section 3, or otherwise) relating to any securities in the Company which are senior to, or on parity with, those granted to the Holders of Registrable Securities. In any event, if the Company proposes to grant to any Person any registration right of any nature that is superior to the registration rights of the Holders under this Section 3, as determined in good faith by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors), the Company shall concurrently grant such superior registration right to the Holders.

3.12 Assignment of Registration Rights.

Subject to prior written notification by the relevant Holder to the Company, the registration rights under this Section 3 may be assigned by a Holder to any transferee of such Holder's Registrable Securities; provided, however, that no Person may be assigned any of such registration rights unless the Company is given written notice by the assigning Holder stating the name and address of the assignee and identifying the securities in the Company in connection with which the rights in question are being assigned; and provided further, that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including the provisions of this Section 3.12.

3.13 Market Stand-Off.

Each of the Holders and the Founder hereby agrees that, if and to the extent requested by the Company or the underwriters managing the initial public offering of the securities in the Company, it shall not, without the prior written consent of such underwriters or the Company, sell, transfer or otherwise dispose of any Ordinary Shares or any securities convertible into or exercisable for Ordinary Shares, other than those permitted to be included in the registration and other transfers to Affiliates permitted by law, during a period of up to one hundred and eighty (180) days commencing on the effective date of the registration statement covering such initial public offering or the pricing date of such offering. The foregoing provision of this Section 3.13 applies only to the IPO, and shall not apply to Registrable Securities actually sold to an underwriter pursuant to an underwriting agreement, pursuant to the registration statement related to such IPO or shares acquired on the open market following effectiveness of the registration statement related to the IPO and shall not apply to the sale of any shares, and shall only be applicable to the Holders if all officers and directors of the Company and holders of one percent (1%) or more of the Company's outstanding share capital enter into similar agreements. If the Company or any underwriter releases any such officer, director or holder of one percent (1%) or more of the Company's outstanding share capital from his or her sale restrictions so undertaken, then each Holder shall be notified prior to such release and shall itself be simultaneously released to the same proportional extent. The Company shall require all Persons holding at least one percent (1%) of the then outstanding share capital of the Company to execute prior to an IPO a market stand-off agreement containing provisions substantially similar to those contained in this Section 3.13.

3.14 Rule 144 Reporting.

With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may at any time permit the sale of Registrable Securities to the public without registration or pursuant to a registration on Form F-3, after such time as a public market exists for the Ordinary Shares, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the first registration statement under the Securities Act filed by the Company for an offering of its securities to the general public;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company becomes subject to such reporting requirements); and

(c) so long as a Holder owns any Registrable Securities, to furnish to such Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act (at any time after ninety (90) days after the effective date of the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or its qualification as a registrant whose securities may be resold pursuant to Form F-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and (iii) such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to Form F-3.

4. QUALIFIED IPO.

(a) The Parties shall cooperate in good faith and use their best efforts to cause the Company or another listing vehicle holding all or any part of the assets or business of the Group to consummate a Qualified IPO as soon as possible but in no event later than the third (3rd) anniversary following all Closings.

(b) Section 2.1 (*Information Rights, Investor Access Rights and Investor Audit Rights*), Section 2.2 (*Board of Directors*), Section 4 (*Qualified IPO*), Section 5 (*Right of Participation*), Section 6 (*Transfer Restrictions*), Section 7 (*Drag-Along Right*), Section 8 (*Protective Provisions, Voting and Board*) and Section 11 (*Other Undertakings of the Parties*) shall terminate and be of no further force and effect immediately upon the consummation of an IPO.

5. RIGHT OF PARTICIPATION.

Each Investor for so long as it holds any Preferred Shares or Conversion Shares, and its transferees to which rights under this Section 5 have been duly assigned in accordance with Section 10.1 (each a "Participation Rights Holder") shall have the right to purchase up to such Participation Rights Holder's Pro Rata Share (as defined in Section 5.1) (and any oversubscription, as provided in Section 5.3) of any New Securities (as defined in Section 5.2) that the Company may from time to time issue after the date of this Agreement (the "Right of Participation"). Each Participation Rights Holder may apportion, at its sole discretion, its Pro Rata Share (and any oversubscription, as provided in Section 5.3) of any New Securities among its Affiliates in any proportion.

5.1 Pro Rata Share.

A Participation Rights Holder's "Pro Rata Share" for the purpose of the Right of Participation is a fraction, the numerator of which is the number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by such Participation Rights Holder and the denominator of which is the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by all Participation Rights Holders, in each case (for both the numerator and the denominator) immediately prior to the issuance of the New Securities giving rise to the Right of Participation.

5.2 New Securities.

"New Securities" shall mean any Equity Securities in the Company issued after the date hereof, provided, however, that the term "New Securities" shall not include:

(a) any Equity Securities of the Company issued pursuant to the Series C Share Subscription Agreement;

(b) any Equity Securities of the Company issued from time to time to the employees, officers, directors, contractors, advisors or consultants of the Group Companies pursuant to the ESOP or any employee incentive plan consented to or approved in compliance with Section 8.1 and the Amended M&AA;

(c) any Ordinary Shares issued pursuant to the conversion of any Preferred Shares;

(d) any Equity Securities of the Company issued in connection with any share split, share dividend or any subdivision of Ordinary Shares or other similar event in which all the Participation Rights Holders are entitled to participate on a pro rata basis;

(e) any Equity Securities of the Company issued as a dividend or distribution on the Preferred Shares in compliance with Section 8.1 and the Amended M&AA;

(f) any Equity Securities of the Company issued pursuant to an IPO;

(g) any Equity Securities issued as a result of any share split or share subdivision or the like which does not affect the shareholding percentages of the Shareholders in the Company;

(h) any Equity Securities of the Company issued pursuant to the acquisition of another corporation or entity by the Company by consolidation, merger, purchase of assets, or other reorganization in which the Company acquires, in a single transaction or a series of related transactions, all or substantially all assets of such other corporation or entity, or fifty percent (50%) or more of the equity ownership or voting power of such other corporation or entity, provided that such acquisition has been approved in compliance with Section 8 and the Amended M&AA;

(i) any Equity Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a bona fide debt financing, equipment leasing or real property leasing transaction approved in compliance with Section 8 and the Amended M&AA; provided that such issuances are approved by the Board, including the approval of at least two (2) Investor Directors; and

(j) any Equity Securities issued in connection with bona fide sponsored research, collaboration, license, development, or other similar agreements or strategic partnerships approved in compliance with Section 8 and the Amended M&AA; provided that such issuances are approved by the Board, including the approval of at least two (2) Investor Directors.

5.3 Procedures.

(a) First Participation Notice. In the event that the Company proposes to undertake an issuance of any New Securities (in a single transaction or a series of related transactions), it shall give to each Participation Rights Holder written notice of its intention to issue such New Securities (the “First Participation Notice”), describing the amount and class of the New Securities, the name and address of each proposed subscriber, the price per New Security and other material terms and conditions upon which the Company proposes to issue such New Securities. Each Participation Rights Holder shall have ten (10) Business Days after the date of receipt of any such First Participation Notice (the “First Participation Period”) to elect on behalf of itself or its Affiliates in writing to purchase up to such Participation Rights Holder’s Pro Rata Share of such New Securities for the price per New Security and upon the other terms and conditions specified in the First Participation Notice by giving written notice to the Company and stating therein the quantity of the New Securities to be purchased (not to exceed such Participation Rights Holder’s Pro Rata Share). If any Participation Rights Holder fails to elect in writing within the First Participation Period to purchase such Participation Rights Holder’s full Pro Rata Share of such New Securities, then such Participation Rights Holder shall forfeit the right hereunder to purchase that part of its Pro Rata Share of such New Securities that it did not elect to purchase.

(b) Second Participation Notice; Oversubscription. If any Participation Rights Holder fails or declines to fully exercise its Right of Participation in accordance with Section 5.3(a) above, the Company shall promptly give notice (the “Second Participation Notice”) to other Participation Rights Holders who have fully exercised their Right of Participation in accordance with Section 5.3(a) (each, a “Participating Holder”), which notice shall set forth the number of New Securities that were not subscribed for by the Participation Rights Holders pursuant to Section 5.3(a) above (such shares, the “Overallotment New Securities”). Each Participating Holder shall have ten (10) Business Days after the date of receipt of the Second Participation Notice (the “Second Participation Period”) to notify the Company in writing of its desire to purchase more than its Pro Rata Share of the New Securities, stating the number of additional New Securities it proposes to buy (with respect to each Participating Holder, the “Additional Number”). Such notice may be made by telephone if confirmed in writing within two (2) Business Days thereafter. If the total number of additional New Securities the Participating Holders propose to buy exceeds the total number of Overallotment New Securities, each Participating Holder proposing to purchase additional New Securities in accordance with this Section 5.3(b) (each, an “Oversubscribing Participating Holder”) will be cut back by the Company with respect to its oversubscription to a number of Overallotment New Securities which is equal to (i) at least the lesser of (1) its Additional Number and (2) the product obtained by multiplying (x) the total number of Overallotment New Securities available for subscription by (y) a fraction, the numerator of which is the number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by such Oversubscribing Participating Holder and the denominator of which is the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by all the Oversubscribing Participating Holders, in each case (for both the numerator and the denominator) immediately prior to the issuance of the New Securities and (ii) at most its Additional Number. Each Oversubscribing Participating Holder shall be obligated to buy such number of New Securities as determined by the Company pursuant to this Section 5.3(b) and the Company shall so notify the Participating Holder within twenty (20) Business Days following the date of the Second Participation Notice.

5.4 Failure to Exercise.

Upon the expiration of the Second Participation Period, or, in the event no Participation Rights Holder exercises its Right of Participation in accordance with Section 5.3(a), upon the expiration of the First Participation Period, the Company shall have one hundred and twenty (120) days thereafter to sell any New Securities described in the First Participation Notice (with respect to which the Right of Participation hereunder was not exercised) to the subscribers specified in the First Participation Notice at the same or a higher price per New Security and upon other non-price terms and conditions not more favorable to the subscribers thereof than specified in the First Participation Notice. In the event that the Company has not issued and sold such New Securities within such one hundred and twenty (120) day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Participation Rights Holders pursuant to this Section 5.

6. TRANSFER RESTRICTIONS.

6.1 Certain Definitions.

For purposes of this Section 6, “Ordinary Holder” means the Founder and the Founder Holding Company, and any Permitted Transferee (as defined in Section 6.6) of the foregoing; “Preferred Holder” means an Investor for so long as it holds any Preferred Shares or Conversion Shares, or any of its transferees to whom rights under this Section 6 have been duly assigned in accordance with Section 10.1; and “Restricted Shares” means any Equity Securities or other securities in the Company now held or subsequently acquired by an Ordinary Holder.

6.2 Sale by Ordinary Holder; Notice of Sale.

Subject to Section 6.7, if any Ordinary Holder (the “Selling Shareholder”) proposes to, directly or indirectly, sell, give, assign, transfer, pledge, hypothecate, mortgage, encumber, grant a security interest in or otherwise dispose of, or reduce the economic benefit or voting power of owning, or suffer to exist (whether by operation of law or otherwise) any Lien on (“Transfer”), any Restricted Share, then the Selling Shareholder shall promptly give written notice (the “Transfer Notice”) to each Preferred Holder and the Company prior to such Transfer. The Transfer Notice shall describe in reasonable detail the proposed Transfer, including the number and class of Restricted Shares to be Transferred (the “Offered Shares”), the nature of such Transfer, the price to be paid per Offered Share, the other material terms and conditions of such Transfer and the name and address of the prospective transferee (the “Transferee”).

6.3 Right of First Refusal.

(a) Preferred Holder’s Right of First Refusal.

(i) Each Preferred Holder shall have the right, exercisable upon written notice to the Selling Shareholder and the Company within ten (10) Business Days after receipt of the Transfer Notice (the “Preferred Holders’ Refusal Period”), to elect to purchase all or any part of its pro rata share of the Offered Shares on the same material terms and conditions as described in the Transfer Notice.

(ii) For the purpose of this Section 6.3, each Preferred Holder’s pro rata share of the Offered Shares equals the product obtained by multiplying (1) the aggregate number of Offered Shares by (2) a fraction, the numerator of which shall be the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) owned by such Preferred Holder at the time of the transaction and the denominator of which shall be the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by all the Preferred Holders at the time of the transaction (the “First Refusal Allotment”).

(iii) To the extent that any Preferred Holder does not exercise its right of first refusal in accordance with Section 6.3(a)(i) to the full extent of its First Refusal Allotment, the Selling Shareholder shall promptly give notice (the “Supplemental Transfer Notice”) to each Preferred Holder who has exercised its right of first refusal in accordance with Section 6.3(a)(i) to the full extent of its First Refusal Allotment (each, an “Exercising Holder”), which notice shall set forth the number of Offered Shares that were not subscribed for by the Preferred Holders pursuant to Section 6.3(a)(i) (such shares, the “Excess Offered Shares”). Each Exercising Holder shall have ten (10) Business Days after the date of receipt of the Supplemental Transfer Notice (the “Second Refusal Period”) to notify the Selling Shareholder in writing of its desire to purchase more than its pro rata share of the Offered Shares, stating the number of additional Offered Shares it proposes to buy (with respect to each Exercising Holder, the “Excess Number”). If the total number of additional Offered Shares the Excess Holders propose to buy exceeds the total number of Excess Offered Shares, each Exercising Holder proposing to purchase additional Offered Shares in accordance with this Section 6.3(a)(iii) (each, an “Excess Exercising Holder”) will be cut back by the Selling Shareholder with respect to its purchase to a number of Excess Offered Shares which is equal to (i) at least the lesser of (1) its Excess Number and (2) the product obtained by multiplying (x) the total number of Excess Offered Shares available for purchase by (y) a fraction, the numerator of which is the number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by such Excess Exercising Holder and the denominator of which is the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) held by all the Excess Exercising Holders, in each case (for both the numerator and the denominator) at the time of the transaction and (ii) at most its Excess Number. Each Excess Exercising Holder shall be obligated to buy such number of Offered Shares as determined by the Selling Shareholder pursuant to this Section 6.3(a)(iii) and the Selling Shareholder shall so notify the Excess Exercising Holder within twenty (20) Business Days following the date of the Supplemental Transfer Notice.

(iv) Subject to applicable securities Laws, each Preferred Holder shall be entitled to apportion the Offered Shares to be purchased by it through the exercise of its right of first refusal provided in this Section 6.3(a) among its Affiliates, upon written notice to the Company and the Selling Shareholder.

(b) Payment. Payment for the Offered Shares to be purchased by a Preferred Holder exercising its right of refusal pursuant to Section 6.3(a), shall be made by check or wire transfer of immediately available funds of the appropriate currency, against delivery by the Selling Shareholder of certificates representing such Offered Shares, accompanied by duly executed instruments of transfer and half of the requisite stamp duty or transfer taxes or fees payable on such Transfer, if any, at a place agreed by the Selling Shareholder and such Preferred Holder, and at the time of the scheduled closing therefor, which shall be no later than forty-five (45) days (or such longer period as necessary to obtain any Regulatory Approvals required for such purchase and payment) after the Preferred Holder’s Refusal Period or, if a Supplemental Transfer Notice was delivered by the Selling Shareholder pursuant to Section 6.3(a)(iii), after the Second Refusal Period. At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of such Offered Shares to such Preferred Holder. Any stamp duty or transfer taxes or fees payable on the transfer of Offered Shares shall be borne and paid in accordance with applicable Laws.

(c) Purchase Price. The purchase price for each Offered Share to be purchased by a Preferred Holder exercising its right of first refusal in accordance with Section 6.3(a) will be the price per Offered Share set forth in the Transfer Notice. If the purchase price in the Transfer Notice includes consideration other than cash, the cash equivalent value of the non-cash consideration will be as previously determined by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors) in good faith, which determination will be binding upon the Preferred Holders, absent fraud or error.

(d) Rights of Selling Shareholder. If any Preferred Holder exercises its right of first refusal to purchase any Offered Shares in accordance with Section 6.3(a), then, upon the date the notice of such exercise is given by such Preferred Holder, the Selling Shareholder will have no further rights as a holder of such Offered Shares except the right to receive payment for such Offered Shares from such Preferred Holder in accordance with Section 6.3(b) and Section 6.3(c), and the Selling Shareholder will forthwith cause all certificate(s) representing such Offered Shares to be surrendered to such Preferred Holder at the time of the scheduled closing for such purchase.

(e) Application of Co-Sale Right. If the Preferred Holders have not elected to purchase in aggregate all of the Offered Shares in accordance with this Section 6.3, then the sale of the outstanding Offered Shares will become subject to the co-sale rights set forth in Section 6.4 below. Within ten (10) days after expiration of the Preferred Holders' Refusal Period or, if a Supplemental Transfer Notice was delivered by the Selling Shareholder pursuant to Section 6.3(a)(iii), the expiration of the Second Refusal Period, the Selling Shareholder shall give the Company and each Preferred Holder a written notice (the "First Refusal Expiration Notice") specifying either that (i) all of the Offered Shares were purchased by the Preferred Holders by their exercise of their rights of first refusal pursuant to this Section 6.3 or (ii) the Preferred Holders have not purchased all of the Offered Shares, such outstanding Offered Shares shall be subject to the co-sale right of each Co-Sale Holder (as defined in Section 6.4 below) described in Section 6.4 below and the Co-Sale Pro Rata Portion (as defined in Section 6.4 below) of the outstanding Offered Shares for the purpose of the co-sale rights provided in Section 6.4 below.

6.4 Co-Sale Right.

To the extent the Preferred Holders have not exercised their rights of first refusal with respect to all of the Offered Shares pursuant to Section 6.3, each of the Preferred Holders that did not exercise its right of first refusal with respect to the Offered Shares pursuant to Section 6.3 above (each, a "Co-Sale Holder") shall have the right, exercisable upon written notice to the Selling Shareholder and the Company (the "Co-Sale Notice") within twenty (20) days after receipt of the First Refusal Expiration Notice (the "Co-Sale Right Period"), to participate in the Transfer of the outstanding Offered Shares to the Transferee at the same price and on the same material terms and conditions as set forth in the Transfer Notice; PROVIDED HOWEVER, that no Co-Sale Holder shall be obligated in connection with such Transfer (a) to pay any amount with respect to any liabilities arising from the representations and warranties made by it in excess of its share of the total consideration paid by the Transferee (b) to make any representations or warranties concerning the business or assets of the Group or any Group Company or (iii) enter into any non-competition or non-solicitation covenant or agreement. The Co-Sale Notice shall set forth the number of Ordinary Shares (on an as-converted but otherwise non-diluted basis at the time of the transaction) that such Co-Sale Holder wishes to include in such Transfer, which amount shall not exceed the Co-Sale Pro Rata Portion (as defined below) of such Co-Sale Holder. To the extent the Co-Sale Holder exercises such right of co-sale in accordance with the terms and conditions set forth below, the number of Offered Shares that the Selling Shareholder may sell in such Transfer shall be correspondingly reduced. The co-sale right of each Co-Sale Holder shall be subject to the following terms and conditions:

(a) Co-Sale Pro Rata Portion. A Co-Sale Holder may sell all or any part of that number of Ordinary Shares held by it (on an as-converted but otherwise non-diluted basis) that is equal to the product (the “Co-Sale Pro Rata Portion”) obtained by multiplying (i) the number of Ordinary Shares (on an as-converted but otherwise non-diluted basis) owned by such Co-Sale Holder at the time of the transaction by (ii) a fraction, the numerator of which is the aggregate number of Offered Shares and the denominator of which is the aggregate number of Ordinary Shares (calculated on an as-converted but otherwise non-diluted basis) held by all the exercising Co-Sale Holders and the Selling Shareholder at the time of the transaction. For the avoidance of doubt, the co-sale right under this Section 6.4 shall not apply with respect to any Offered Shares Transferred or to be Transferred to the Preferred Holders pursuant to any right of first refusal under Section 6.3.

(b) Transferred Shares. A Co-Sale Holder shall effect its participation in the Transfer to the Transferee by promptly delivering to the Selling Shareholder for transfer to the Transferee one or more certificates, properly endorsed for transfer, which represent the Equity Securities to be sold by such Co-Sale Holder in such Transfer. If the Transferee objects to the Transfer of any of such Equity Securities in lieu of Ordinary Shares, such Co-Sale Holder shall convert, exercise or exchange such Equity Securities into Ordinary Shares, and the Company shall, to the extent possible, make any such conversion, exercise or exchange concurrent with the actual Transfer to the Transferee and deliver to the Selling Shareholder for transfer to the Transferee certificates for such Ordinary Shares.

(c) Payment to Co-Sale Holders; Registration of Transfer. The share certificate or certificates that a Co-Sale Holder or the Company delivers to the Selling Shareholder pursuant to Section 6.4(b) above shall be transferred to the Transferee upon consummation of the Transfer of the Offered Shares pursuant to the terms and conditions specified in the Transfer Notice, and the Selling Shareholder shall concurrently therewith remit to each Co-Sale Holder exercising its co-sale right that portion of the Transfer proceeds to which such Co-Sale Holder is entitled by reason of its participation in such Transfer. To the extent that the Transferee prohibits or otherwise refuses to purchase shares or other securities from any Co-Sale Holder exercising its co-sale right under this Section 6.4, the Selling Shareholder shall not Transfer to the Transferee any Offered Shares unless and until, simultaneously with such Transfer, the Selling Shareholder purchases such shares or other securities from such Co-Sale Holder. The Company shall, upon surrendering by the Transferee or the Selling Shareholder of the certificates representing the Equity Securities being Transferred by the Co-Sale Holders, make proper entries in the register of members of the Company and cancel the surrendered certificates and issue any new certificates in the name of the Transferee or the Selling Shareholder, as the case may be, as necessary to consummate the transactions in connection with the exercise by the Co-Sale Holders of their co-sale rights under this Section 6.4.

6.5 Right to Transfer.

The Selling Shareholder shall consummate the Transfer of any Offered Shares which remain after the Preferred Holders of their rights pursuant to Sections 6.3 or 6.4 to the Transferee, no later than one hundred and twenty (120) days (or such longer period as necessary to obtain any Regulatory Approvals required for such Transfer) following delivery to the Company and the Preferred Holders of the Transfer Notice. Such Transfer shall be bona fide, at a price per Offered Share not less than the price per Offered Share set forth in the Transfer Notice and otherwise on terms and conditions no less favorable to the Selling Shareholder than those set forth in the Transfer Notice. If such a Transfer does not occur within such one hundred and twenty-day (120- day) or longer period, as applicable, it shall again be subject to the respective rights of first refusal of the Company and Preferred Holders under Section 6.3 and the co-sale rights of the Preferred Holders under Section 6.4 and shall require compliance by the Selling Shareholder with the procedures described in Section 6.3 and Section 6.4 of this Agreement.

6.6 Permitted Transfers.

The rights of first refusal and the co-sale rights of the Preferred Holders provided in Section 6.3 and Section 6.4 of this Agreement shall not apply to (a) a Transfer of any Restricted Share by any Selling Shareholder to any Person (other than any Company's Competitor) of an aggregate of up to 4,576,120 Ordinary Shares (as appropriately adjusted to take into account any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event affecting the Shares after the date of this Agreement); (b) a Transfer of up to 6,477,612 Ordinary Shares of the Company (as appropriately adjusted to take into account any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event affecting the Shares after the date of this Agreement), by Founder to any director, officer or other employee, provided that such sale and transfer complies with all Applicable Law; (c) a Transfer of any Restricted Share to any employees, officers, directors, contractors, advisors or consultants of the Group Companies pursuant to the ESOP; (d) any Transfer of the Restricted Shares to a wholly-owned subsidiary of such person, the parents, children or spouse, or to trusts for the benefit of such persons, of the Selling Shareholders for bona fide estate planning purposes (e) a Transfer of any Restricted Share for the purposes of consummation of a Qualified IPO with prior written consent of the Preferred Majority (each Transfer referred to in the foregoing clauses (a) to (e), a "Permitted Transfer", and each transferee under the foregoing clauses (a) to (e), a "Permitted Transferee"); provided that such transferor shall at all times remain subject to the terms and restrictions set forth in this Agreement and remain liable for any breach by such Permitted Transferee of any provisions of this Agreement and the other relevant Transaction Documents; provided further that such transferor shall deliver to the Company and each Preferred Holder adequate documentation for each Permitted Transfer, that each Permitted Transferee (other than the Company) shall agree in writing to be bound by this Agreement (and each other relevant Transaction Documents then in effect) in place of the same capacity as such transferor and in respect of the Restricted Shares to be Transferred and shall execute a Deed of Accession and become a party to, and to be bound by, this Agreement and that each Permitted Transferee shall not Transfer any Restricted Share Transferred to it by such transferor except to such transferor or another Permitted Transferee of such transferor.

6.7 Restriction on Direct and Indirect Transfers of Securities.

(a) Notwithstanding anything to the contrary contained herein, prior to the consummation of a Qualified IPO, none of the Ordinary Holders shall, directly or indirectly, Transfer any Equity Securities in the Company, unless such Transfer (i) complies with this Section 6 and applicable Laws, and (ii) is a Permitted Transfer as provided in Section 6.6 above or is approved by the Preferred Majority in writing in advance.

(b) Any Transfer of Equity Securities in the Founder Holding Company or other Person directly or indirectly holding Equity Securities in the Company, and any issuance of Equity Securities in any Ordinary Holder other than on a pro rata basis to shareholders of such Ordinary Holder shall be deemed to be a Transfer of the Equity Securities in the Company directly or indirectly held by such Ordinary Holder.

(c) Any attempt to Transfer any Restricted Share by any Ordinary Holder in violation of this Section 6, either directly or indirectly, shall be void and each of the Company and the Ordinary Holders hereby agrees it will not effect, register or permit the registration of such a Transfer nor will it treat any alleged transferee of such Transfer as the direct or indirect holder of such Restricted Share, without the prior written approval of the Preferred Majority.

(d) Notwithstanding anything to the contrary contained herein, without the prior written consent of the Preferred Majority:

(i) Except for such Transfers of equity interest in any Domestic Company as required by PRC Laws (including the SAFE Rules and Regulations) to reflect any direct or indirect Transfer of Restricted Shares in compliance with this Section 6, the Founder shall not Transfer, and shall ensure that no Person Transfers, directly or indirectly, any equity interest held or controlled by him or such other Person in any Domestic Company to any Person. Any Transfer in violation of this Section 6.7(d)(i) shall be void and each Domestic Company hereby agrees it will not effect, register or permit the registration of such a Transfer nor will it treat any alleged transferee of such Transfer as the direct or indirect holder of such equity interest without the prior written approval of the Preferred Majority; and

(ii) None of the Domestic Companies shall issue, and each of the Founder and the Founder Holding Company shall ensure that none of the Domestic Companies issues, to any Person any Equity Securities.

6.8 Sale by Preferred Holder.

(a) Notwithstanding anything to the contrary contained herein, any Preferred Holder may Transfer any Equity Securities to any Person other than a Company's Competitor; provided that, (i) other than any Transfer to any Affiliate of the Preferred Holder that is not a Company's Competitor, the Transfer shall be subject to Section 6.8(b), (ii) the Transfer shall comply with applicable Laws, and (iii) the transferee shall agree in writing to be bound by this Agreement (and each other relevant Transaction Documents then in effect) in place of the same capacity as such transferor and in respect of the Preferred Shares or the Conversion Shares to be Transferred and shall execute a Deed of Accession and become a party to, and to be bound by, this Agreement.

(b) Founder First Offer Right.

(i) If any Preferred Holder (the "Selling Preferred Holder") proposes to Transfer any Equity Securities held by such Selling Preferred Holder, then the Selling Preferred Holder shall first give a written notice (the "Preferred Holder Transfer Notice") to the Founder and the Founder Holding Company, which notice shall state the number and class of Equity Securities to be Transferred (the "Preferred Holder Offered Shares").

(ii) The Founder and the Founder Holding Company shall have a right of first offer (the “Founder First Offer Right”), exercisable upon joint written notice (the “Offer Notice”) to the Selling Preferred Holder within twenty (20) Business Days (the “Offer Period”) after receipt of the Preferred Holder Transfer Notice, to elect to purchase all (but not less than all) of the Preferred Holder Offered Shares, which notice shall specify the material terms and conditions of the offer (the “Founder Offer”) for the Preferred Holder Offered Shares, including the purchase price (the “Offer Price”) and the allocation between the Founder and the Founder Holding Company, prior to the expiration of the Offer Period. The failure of the Founder and the Founder Holding Company to deliver the Offer Notice within the Offer Period shall be deemed a waiver of the Founder First Offer Right by the Founder and the Founder Holding Company.

(iii) In the event that (x) no Founder Offer for the purchase of all (but not less than all) of the Preferred Holder Offered Shares was duly made within the Offer Period, or (y) the Selling Preferred Holder has not accepted the Founder Offer in writing within thirty (30) days from receipt of the Founder Offer, the Selling Preferred Holder shall have a period of one hundred and twenty (120) days (or such longer period as necessary to obtain any Regulatory Approvals required for such Transfer) thereafter to sell the Preferred Holder Offered Shares to a third party transferee at a price per share higher than the price per share specified in the Offer Notice (if any) and on terms and conditions that, taken as a whole, are less favorable to a transferee than those specified in the Offer Notice (if any). If the Selling Preferred Holder does not consummate such Transfer within such one hundred and twenty-day (120-day) or longer period, as applicable, such Transfer shall again be subject to the Founder First Offer Right under this Section 6.8(b) and shall require compliance by the Selling Preferred Holder with the procedures described in this Section 6.8(b).

(iv) The closing of the purchase of Preferred Holder Offered Shares by the Founder and the Founder Holding Company shall be held at the time and place as the Selling Preferred Holder, the Founder and the Founder Holding Company jointly agree. At such closing, the Selling Preferred Holder shall deliver to the Founder certificates representing the Preferred Holder Offered Shares, accompanied by duly executed instruments of transfer and half of the requisite stamp duty or transfer taxes or fees payable on such Transfer, if any. The Founder and the Founder Holding Company shall procure at such closing payment in full of the Offer Price to the Selling Preferred Holder. At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of such Preferred Holder Offered Shares to the Founder and the Founder Holding Company. Any stamp duty or transfer taxes or fees payable on the transfer of Preferred Holder Offered Shares shall be borne and paid equally by (x) the Selling Preferred Holder, and (y) the Founder and the Founder Holding Company.

6.9 Legend.

(a) Each certificate representing the Restricted Shares shall be endorsed with the following legend:

THE SALE, GIFTING, ASSIGNMENT, TRANSFER, PLEDGE, HYPOTHECATION, MORTGAGE, ENCUMBRANCE, GRANTING OF A SECURITY INTEREST IN OR OTHERWISE DISPOSAL OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN A SHAREHOLDERS’ AGREEMENT, A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

(b) Each Party agrees that the Company may instruct its transfer agent to impose transfer restrictions on the shares represented by certificates bearing the legend referred to in Section 6.9(a) above to enforce the provisions of this Agreement and the Company agrees to promptly do so. The legend shall be removed upon termination of the provisions of this Section 6.

6.10 Accession to this Agreement.

Each Party agrees that, if any Shareholder or Founder (as the case may be) Transfers any Equity Securities in the Company or the Founder Holding Company (as the case may be) to any third party transferee (including by way of issuance or Transfer of Equity Securities in a Person holding, directly or indirectly, Equity Securities in the Company), such Shareholder or Founder (as the case may be) shall cause such third party to execute a Deed of Accession and become a party to, and be bound by, this Agreement in the same capacity as such Shareholder or Founder (as the case may be).

7. **DRAG-ALONG RIGHT.**

7.1 Drag-Along Sale.

From the date of the fifth (5th) anniversary of all Closings, if a sale (a “Drag-Along Sale”) of the Group (wholly or partially) to any Person which is a bona fide third party and not an Affiliate to any Investor (the “Offeror”) where whether by a sale of equity, merger or consolidation, in excess of fifty percent (50%) of the Company’s voting power outstanding before such transaction will be transferred, or all or substantially all of the assets of the Group will be sold or disposed at a post-money valuation of the Company of no less than US\$1,886,852,161 has been approved by (i) the Investors holding at least two-thirds (2/3) of then outstanding Preferred Shares, and (ii) only if in such Drag-Along Sale each of the Series C Preferred Shares receives less than 1.25 times the Applicable Issue Price (as defined in the Amended M&AA) of the Series C Preferred Shares, the Requisite Series C Holders (collectively, the “Drag Holders”), then at the request of the Drag Holders, the Company shall promptly notify in writing (the “Drag-Along Sale Notice”) each other Shareholder of the material terms and conditions of such proposed Drag-Along Sale, and each such Shareholder shall, in accordance with instructions received from the Company at the direction of the Drag Holders:

(a) vote all of its Shares (i) in favor of such Drag-Along Sale to the Offeror, (ii) against any other consolidation, recapitalization, amalgamation, merger, sale of securities, sale of assets, business combination, or transaction that would interfere with, delay, restrict, or otherwise adversely affect such Drag-Along Sale, and (iii) against any action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company under the definitive agreement(s) related to such Drag-Along Sale or that could result in any of the conditions to the closing obligations under such agreement(s) not being fulfilled, and, in connection therewith, to be present (in person or by proxy) at all relevant meetings of the Shareholders (or adjournments thereof) or to approve and execute all relevant written consents in lieu of a meeting;

(b) not exercise any dissenters’ or appraisal rights under applicable Law with respect to such Drag-Along Sale;

(c) take all necessary actions in connection with the consummation of such Drag-Along Sale to the Offeror as reasonably requested by the Drag Holders, including but not limited to the execution and delivery of any share transfer or other agreements (such as amendment to the Memorandum and Articles and the then existing charter documents of the Group Companies involved in the proposed Drag-Along Sale) prepared in connection with such Drag-Along Sale, and the delivery, at the closing of such Drag-Along Sale involving a sale of Equity Securities of the Company, of all certificates representing such Equity Securities held or Controlled by such holder of such Equity Securities, duly endorsed for transfer or accompanied by a duly executed share transfer form, or affidavits and indemnity undertakings with respect to lost certificates; and

(d) not to deposit, except as provided in the Amended M&AA or this Agreement, any voting securities owned by such Shareholder in a voting trust or subject any such voting securities to any arrangement or agreement with respect to the voting of such securities, unless specifically requested to do so by the acquiring party in connection with a Drag-Along Sale.

7.2 Further Undertakings.

(a) Drag-Along Sale Involving Sale of Equity Securities. In the event that the Drag-Along involves a sale of all or a portion of the Equity Securities of the Company held by any Shareholder:

(i) such shareholder agrees to sell such number of Equity Securities of the Company held by such Shareholder as determined by the Drag Holders on the terms and conditions approved by the Drag Holders;

(ii) such Shareholder agrees to make representations and warranties in connection with any proposed Drag Along Sale regarding (i) ownership and authorization to sell the shares or ownership interest in the Group Companies to be sold by itself and (ii) no existence of any material violation as a result of such sale under any material agreement to which such Shareholder is a party, and which would materially affect such Drag Along Sale; and

(iii) such Shareholder agrees to obtain any consents or approvals in order to facilitate the Transfer of its shares or ownership interest in the Group Companies pursuant to this Section 7 and to pay its pro rata share of expenses incurred in connection with the transaction contemplated pursuant to this Section 7.

(b) Authorization to the Company. In furtherance of the foregoing, each Shareholder irrevocably appoints the Company to take, and the Company is hereby expressly authorized by each Shareholder to take on such Shareholder's behalf (without receipt of any further consent by such Shareholder), any or all of the following actions:

(i) vote all of the voting shares or ownership interest in the Group Companies beneficially owned by such Shareholder in favor of any such proposed Drag Along Sale;

(ii) otherwise consent on such Shareholder's behalf to such proposed Drag Along Sale;

(iii) sell all of such Shareholder's shares or ownership interest in the Group Companies in such proposed Drag Along Sale, in accordance with the terms and conditions of this Section 7; and

(iv) act as such Shareholder's attorney-in-fact in relation to any such proposed Drag Along Sale and have the full authority to sign and deliver, on behalf such Shareholder, share transfer certificates, share sale or exchange agreements and certificates of indemnity relating to any Shares in the event that such Shareholder has lost or misplaced the relevant share certificate.

(c) Conditions. Notwithstanding anything to the contrary set forth herein, a Shareholder will not be required to comply with Section 7.1 or Section 7.2 above in connection with any proposed Drag-Along Sale:

(i) Any representations and warranties to be made by such Shareholder in connection with the Drag-Along Sale are limited to representations and warranties related to authority, ownership and the ability to convey title to such Equity Securities, including, but not limited to, representations and warranties that (i) the Shareholder holds all right, title and interest in and to the Equity Securities such Shareholder purports to hold, free and clear of all liens and encumbrances, (ii) the obligations of the Shareholder in connection with the transaction have been duly authorized, if applicable, (iii) the documents to be entered into by the Shareholder have been duly executed by the Shareholder and delivered to the acquirer and are enforceable (subject to customary limitations) against the Shareholder in accordance with their respective terms; and (iv) neither the execution and delivery of documents to be entered into by the Shareholder in connection with the transaction, nor the performance of the Shareholder's obligations thereunder, will cause a breach or violation of the terms of any agreement to which the Shareholder is a party, or any law or judgment, order or decree of any court or governmental agency that applies to the Shareholder;

(ii) such Shareholder is not required to agree (unless such Shareholder is a Company officer or employee) to any restrictive covenant in connection with the Drag-Along Sale (including, without limitation, any covenant not to compete or covenant not to solicit customers, employees or suppliers of any party to the Drag-Along Sale) or any release of claims other than a release in customary form of claims arising solely in such Shareholder's capacity as a shareholder of the Company;

(iii) such Shareholder and its Affiliates are not required to amend, extend or terminate any contractual or other relationship with the Company, the acquirer or their respective Affiliates, except that the Shareholder may be required to agree to terminate the investment-related documents between or among such Shareholder, the Company and/or other shareholders of the Company;

(iv) liability shall be limited to such Shareholder's applicable share (determined based on the respective proceeds payable to each Shareholder in connection with such Drag-Along Sale in accordance with the provisions Section 5 of the Amended M&AA) of a negotiated aggregate indemnification amount that applies equally to all Shareholders but that in no event exceeds the amount of consideration otherwise payable to such Shareholder in connection with such Drag-Along Sale, except with respect to claims related to fraud by such Shareholder, the liability for which need not be limited as to such Shareholder; and

(v) upon the consummation of the Drag-Along Sale (i) each holder of each class or series of the share capital of the Company will receive the same form of consideration for their shares of such class or series as is received by other holders in respect of their shares of such same class or series of shares, and if any holders of any share capital of the Company are given a choice as to the form of consideration to be received as a result of the Drag-Along Sale, all holders of such share capital will be given the same option, (ii) each holder of a series of Preferred Shares will receive the same amount of consideration per share of such series of Preferred Shares as is received by other holders in respect of their shares of such same series, (iii) each holder of Ordinary Shares will receive the same amount of consideration per share of Ordinary Shares as is received by other holders in respect of their Ordinary Shares, and (iv) unless waived pursuant to the terms of this Agreement and as may be required by law, the aggregate consideration receivable by all holders of the Preferred Shares and Ordinary Shares shall be allocated among the holders of Preferred Shares and Ordinary Shares on the basis of the relative liquidation preferences to which the holders of each respective series of Preferred Shares and the holders of Ordinary Shares are entitled in a Deemed Liquidation Event (assuming for this purpose that the Drag-Along Sale is a Deemed Liquidation Event) in accordance with the Amended M&AA; provided, however, that, notwithstanding the foregoing provisions of this Section 7.3(c), if the consideration to be paid in exchange for the Equity Securities held by any Founder or Investor, as applicable, pursuant to this Section 7.3(c) includes any securities and due receipt thereof by any Founder or Investor would require under applicable law (x) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities; or (y) the provision to any Founder or Investor of any information other than such information as a prudent issuer would generally furnish in an offering made solely to “accredited investors” as defined in Regulation D promulgated under the Securities Act of 1933, the Company may cause to be paid to any such Founder or Investor in lieu thereof, against surrender of the Equity Securities held by the Founder or Investor, as applicable, which would have otherwise been sold by such Founder or Investor, an amount in cash equal to the fair value (as determined in good faith by the Board, including two (2) Investor Directors) of the securities which such Founder or Investor would otherwise receive as of the date of the issuance of such securities in exchange for the Shares held by the Founder or Investor, as applicable.

8. PROTECTIVE PROVISIONS, VOTING AND BOARD.

8.1 Preferred Majority Matters.

Notwithstanding anything to the contrary in this Agreement or the Amended M&AA and in addition to such other limitations as may be provided in this Agreement, the Amended M&AA and any applicable Law, none of the Group Companies shall take, and the Company, the Founder and the Founder Holding Company shall ensure that no Group Company or director, committee, committee member, officer, employee, agent or representative of any Group Company may take, any of the following actions (or otherwise have any act or omission that may have the effect of any such actions) with respect to a Group Company without the prior written consent of the Preferred Majority other than for the consummation of any transactions contemplated by Section 11.3 and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

(a) Any amendment or change that would adversely impact the rights, preferences, privileges or powers attached to, or the restrictions provided for the benefit of the holders of the Preferred Shares;

(b) Any authorization, creation or issuance by any Group Company of any class or series of securities, or any instruments that are convertible into or exercisable or exchangeable for securities, or any increase or decrease in the share capital, issued share(s) or the registered capital of any Group Company, excluding (i) any issuance of Ordinary Shares upon conversion of any Preferred Share, (ii) any issuance of Equity Securities of the Company to any employee, officer, director, contractor, advisor or consultant of any Group Company pursuant to the ESOP or any other employee incentive plan consented to or approved in compliance with this Section 8.1 and the Amended M&AA; and (iii) any change on share capital, issued share(s) or registered capital of any Group Company in accordance with the Restructuring Plan;

(c) Any reclassification by the Company of any outstanding securities into securities having rights, preferences, privileges or powers (as to redemption, liquidation, voting, conversion or otherwise) senior to or on parity with those rights, preferences, privileges or powers of the Preferred Shares;

(d) The adoption of or any amendment (for the avoidance of doubt, excluding the amendments with respect to Gracell Shanghai's subscription of additional registered capital of Gracell Suzhou) to the Amended M&AA and other Charter Documents of any Group Company (other than administrative or immaterial amendments to the Charter Documents of any Group Company other than the Company);

(e) Any repurchase or redemption of any securities in any Group Company, other than (i) the redemption of any Shares as provided in the section 6 (*Redemption Right*) of exhibit A to the Amended M&AA, and (ii) the repurchase of any Equity Securities by the Company from any employee, officer, director, contractor, advisor or consultant of any Group Company upon termination of their employment or services or pursuant to the ESOP or any other employee incentive plan consented to or approved in compliance with this Section 8.1 and the Amended M&AA at the lesser of the original purchase price or the then current fair market value thereof;

(f) Any merger, consolidation, share acquisition or other corporate reorganization, or any transaction or series of transactions in which in excess of 50% of the voting rights in any Group Company is transferred;

(g) Any public offering or listing of securities, including determination of the timing, price, structure, listing vehicle and listing venue of such offering or listing;

(h) Any liquidation, dissolution, winding up of any Group Company, or any filing by or against any Group Company for the appointment of a receiver, administrator or other form of external manager;

(i) The declaration and/or payment of any dividends or other distributions (whether in cash or in kind) on any securities in any Group Company, or the determination, amendment or modification of any dividend policy of any Group Company;

(j) The adoption, amendment, termination or administration of the ESOP or any other employee incentive plan, or any increase of the total number of Equity Securities reserved for issuance under such plan;

(k) Any termination, modification or waiver of, or any amendment to, any of the Control Documents;

(l) Any action that results in the increase or decrease of the authorized size, or changes the composition, of the board of directors or similar body of any Group Company, as set out in Section 2.2;

(m) Any Transfer of any Equity Securities in any Group Company (excluding the Company);

(n) Any transaction involving any Group Company, on the one hand, and any Related Party of any Group Company, on the other hand, with an aggregate value in excess of US\$1,000,000 or which is not on arm's-length terms; and

(o) Approvals for, or agreements or covenants to commit to, any of the above.

8.2 Requisite Series C Holders Matters.

Notwithstanding anything to the contrary in this Agreement or the Amended M&AA and in addition to such other limitations as may be provided in this Agreement, the Amended M&AA and any applicable Law, none of the Group Companies shall take, and the Company, the Founder and the Founder Holding Company shall ensure that no Group Company or director, committee, committee member, officer, employee, agent or representative of any Group Company may take, any of the following actions (or otherwise have any act or omission that may have the effect of any such actions) with respect to a Group Company without the prior written consent of the Requisite Series C Holders other than for the consummation of any transactions contemplated by Section 11.3 and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

(a) Any action that adversely alter or change the rights, preferences and privileges of the Series C Preferred Shares other than layering in a senior or *pari passu* security in connection with a financing at a price per share no less than the Series C Issue Price (a "Qualified Financing");

(b) Any increase or decrease in the authorized number of Series C Preferred Shares;

(c) Effecting an IPO which is not a Qualified IPO;

(d) Waiver of anti-dilution protection with respect to the Series C Preferred Shares including waiver of g any rights with respect to the Series C Preferred Shares set Section 7.5(d) of Exhibit A of the Amended M&AA;

(e) Waiver of the treatment of a transaction as a Deemed Liquidation Event of the Company or a transaction that requires the proceeds from such transaction to be distributed pursuant to the liquidation preferences set forth in the Amended M&AA and any waiver or amendment to Section 5.2 of Exhibit A of the M&AA.;

(f) Amendment, alteration or reclassification of any existing security of the Company that has rights (economic or otherwise) that are junior or pari passu with the Series C Preferred Shares if such amendment, alteration or reclassification would render such other security pari passu or senior, as applicable, to the Series C Preferred Shares with respect to such rights other than layering in a senior or pari passu security in connection with a Qualified Financing; and

(g) Purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares capital of the Company other than (i) redemptions of or dividends or distributions on the Preferred Shares as expressly authorized in the Amended M&AA, (ii) dividends or other distributions payable on the Ordinary Shares solely in the form of additional Ordinary Shares, and (iii) repurchases of shares from former employees, officers, directors, consultants or other persons who performed services for the Company or any subsidiary in connection with the cessation of such employment or service at no greater than the original purchase price thereof.

8.3 Other Preferred Shareholder Matters.

Notwithstanding anything to the contrary in this Agreement or the Amended M&AA and in addition to such other limitations as may be provided in this Agreement, the Amended M&AA and any applicable Law, none of the Group Companies shall take, and the Company, the Founder and the Founder Holding Company shall ensure that no Group Company or director, committee, committee member, officer, employee, agent or representative of any Group Company may take any of the following actions (or otherwise have any act or omission that may have the effect of any such actions): (a) any action that adversely alters or changes the rights, preferences and privileges of (i) the Series A Preferred Shares other than layering in a senior or pari passu security in connection with a Qualified Financing, without the prior written consent of the holders of a majority of the then outstanding Series A Preferred Shares, (ii) the Series B-1 Preferred Shares other than layering in a senior or pari passu security in connection with a Qualified Financing, without the prior written consent of the holders of a majority of the then outstanding Series B-1 Preferred Shares, or (iii) the Series B-2 Preferred Shares other than layering in a senior or pari passu security in connection with a Qualified Financing, without the prior written consent of the holders of a majority of the then outstanding Series B-2 Preferred Shares, or (b) any Liquidation Event or Deemed Liquidation Event if in such Liquidation Event or Deemed Liquidation Event, (i) each of the Series A Preferred Shares receives less than 1.55 times of US\$1.0619 without the prior written consent of the holders of a majority of the then outstanding Series A Preferred Shares, (ii) each of the Series B-1 Preferred Shares receives less than 1.55 times of Series B-1 Issue Price without the prior written consent of the holders of a majority of the then outstanding Series B-1 Preferred Shares, or (iii) each of the Series B-2 Preferred Shares receives less than 1.55 times of Series B-2 Issue Price without the prior written consent of the holders of a majority of the then outstanding Series B-2 Preferred Shares, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect.

8.4 Investor Director Matters.

Notwithstanding anything to the contrary in this Agreement or the Amended M&AA and in addition to such other limitations as may be provided in this Agreement, the Amended M&AA and any applicable Law, none of the Group Companies shall take, and the Company, the Founder and the Founder Holding Company shall ensure that no Group Company or director, committee, committee member, officer, employee, agent or representative of any Group Company may take, any of the following actions (or otherwise have any act or omission that may have the effect of any such actions) with respect to a Group Company without the prior written consents of at least three (3) Investor Directors other than for the consummation of any transactions contemplated by Section 11.3, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

(a) Except indebtedness incurred pursuant to sales and purchase in the ordinary course of business or to the extent as approved in the annual budget, any making or applying for any loan borrowing to or from any Person (other than another Group Company), any extension of any guarantee or security to any Person or any activity that may create any Lien on any assets, in each case involving an aggregate amount in excess of US\$3,000,000 during any consecutive 12-month period or in excess of US\$1,000,000 in a single transaction;

(b) (i) Except in the ordinary course of business or to the extent as approved in the annual budget and subject to subsection (ii) below, any purchase, sale, transfer, disposal, pledge, mortgage, lease, license or otherwise create any Lien on any asset (including any Information Technology or Intellectual Property owned by any Group Company) or business of any Group Company involving a value of US\$1,000,000 or more, or which involves any lower value but would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; and (ii) notwithstanding anything to the contrary in subsection (i) above, any sale, transfer, disposal, pledge, mortgage, lease, exclusive license or otherwise create any Lien on any patent owned by any Group Company, in each case, other than any such transactions between the Group Companies which are wholly-owned or 100% Controlled by the Company.

(c) Subject to Section 8.1, determination of the total number of Equity Securities reserved for issuance under any employment incentive plan other than the ESOP;

(d) Any appointment or change of auditors and any adoption or material change of any treasury policy, accounting policy or fiscal policy, or any change to the fiscal year, of any Group Company;

(e) The adoption or material change of, or material deviation from, any business plan or annual budget of any Group Company, provided that for the purposes of this Section 8.4(e) a change or deviation by twenty-five percent (25%) or more shall be considered “material”;

(f) Any material change of the scope of the Principal Business, or expand into any new business area or conduct any transaction outside of the Principal Business, or any change of, or the adoption of any business that exceeds, the Principal Business;

- (g) Appointment, replacement or removal of the general manager, deputy general manager, and the chief financial officer of any Group Company;
- (h) The entry into of any licensing or sublicensing Contract of any Intellectual Property (whether as licensor or licensee), product cooperation, product research and development or product commercialization Contract involving all or substantial all Intellectual Properties of the or involving a value of US\$1,000,000 or more;
- (i) The establishment of any joint venture, partnership or non-wholly owned branch or Subsidiary;
- (j) The initiation, participation, or settlement of any material legal matters, including any lawsuit or arbitration;
- (k) Determination of the compensation (including without limitation cash and stock option compensation) of the general manager, deputy general manager, and the chief financial officer of any Group Company; and
- (l) Approvals for, or agreements or covenants to commit to, any action in Section 8.4(a) and Section 8.4(k) above.

8.5 Board Matters.

Except as otherwise provided in this Agreement (including Sections 8.1, 8.2, 8.4 and 8.4 above) or the Amended M&AA, at any Board meeting a resolution put to the vote of directors of the Board shall be decided by more than 50% of votes from the directors who present at a duly convened meeting of the Board at which a quorum is present. Each director has one vote. Any action that may be taken by the directors of the Board at a meeting may be taken by a written resolution signed by all of the directors. The expressions “written” and “signed” include writings or signatures transmitted by email.

8.6 Series of Transactions.

Unless otherwise specified hereunder, a series of related transactions shall be construed as a single transaction, and any amounts involved in the related transactions shall be aggregated, to determine whether an action is any of the actions set out in Sections 8.1, 8.2, 8.3 and 8.4.

9. CONFIDENTIALITY AND NON-DISCLOSURE.

9.1 Disclosure of Terms.

The terms and conditions of this Agreement and the other Transaction Documents, any term sheet or memorandum of understanding entered into pursuant to the transactions contemplated hereby and thereby, all exhibits and schedules attached hereto and thereto, the transactions contemplated hereby and thereby, the documents, materials, and other information obtained by the holders of the Preferred Shares upon exercising the Information Rights, Investor Access Rights and Investor Audit Rights (collectively, the “Financing Terms”), including their existence and all information of a confidential nature furnished by any Party hereto and by representatives of such Party to any other Party hereto or any of the representatives of such Party shall be considered confidential information (the “Confidential Information”) and shall not be disclosed by any Party hereto to any third party except in accordance with the provisions set forth below.

9.2 Press Releases.

Except as required by law, by any Governmental Authority (including any relevant stock exchange on which the shares in a Party or any of its parent companies is listed) or otherwise agreed by the Founder and the Preferred Majority in writing, no announcement regarding any of the Financing Terms in a press release, conference, advertisement, announcement, professional or trade publication, mass marketing materials or otherwise to the general public may be made without the prior written consent of the Founder and the Preferred Majority. The final form of any press release issued by the Company shall be approved in advance in writing by the Founder and the Preferred Majority.

9.3 Permitted Disclosures.

Notwithstanding Section 9.1, any Party may disclose (a) the Confidential Information to its current or bona fide prospective investors, Affiliates and their respective investors, shareholders, partners, partners of partners, fund managers, employees, bankers, lenders, accountants, legal counsels, business partners or representatives, advisors or any prospective limited partner of an investment entity formed (or to be formed) after the date hereof that is an advisory or subadvisory client of the investment adviser to such Investor, who need to know such information, in each case only where such Persons are informed of the confidential nature of the Confidential Information and are under appropriate nondisclosure obligations substantially similar to those set forth in this Section 9, (b) such Confidential Information as is required to be disclosed pursuant to routine examination requests from Governmental Authorities with authority to regulate such Party's operations, in each case as such Party reasonably deems appropriate, and (c) the Confidential Information to any Person to which disclosure is approved in writing by the other Parties hereto. Any Party hereto may also provide disclosure in order to comply with applicable Laws, as set forth in Section 9.4 below.

9.4 Legally Compelled Disclosure.

Except as set forth in Section 9.3 above, in the event that any Party is requested or becomes legally compelled (including pursuant to any applicable Tax, securities or other Laws of any jurisdiction) to disclose any Confidential Information, such Party (the "Disclosing Party") shall provide the other Parties hereto with prompt written notice of that fact and shall consult with the other Parties hereto regarding such disclosure. At the request of the other Parties, the Disclosing Party shall, to the extent reasonably and legally possible and with the cooperation and reasonable efforts of the other Parties, seek a protective order, confidential treatment or other appropriate remedy for such Confidential Information. In any event, the Disclosing Party shall furnish only that portion of Confidential Information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded to such Confidential Information.

9.5 Other Exceptions.

Notwithstanding any other provision of this Section 9, the confidentiality obligations of a Party under this Agreement shall not apply to (a) information which such Party learns from a third party having the right to make the disclosure, provided such Party complies with any restrictions imposed by the third party, (b) information which is rightfully in such Party's possession prior to the time of disclosure by the relevant other Party and not acquired by such Party under a confidentiality obligation and (c) information which enters the public domain through no breach of confidentiality by such Party.

9.6 Other Information.

The provisions of this Section 9 shall be in addition to, and not in substitution for, the provisions of any separate non-disclosure agreement executed by any of the Parties with respect to the transactions contemplated hereby.

9.7 Term.

The obligations under this Section 9 (other than Section 9.2), save for any of such obligations in respect of any trade secrets, clinical data, protocol, formula, quotation, supplier, client information or any other information related to the clinical research, clinical trial, manufacture, sale, finance and operation of the Group Companies disclosed furnished by or on behalf of any Group Company to any Investor that are considered Confidential Information, shall expire on the third anniversary upon termination of this Agreement with respect to such Investor without prejudice to the accrued rights and liabilities of the Parties at that time. The obligations under this Section 9 (other than Section 9.2) in respect of any clinical data, protocol, formula, quotation, supplier, client information or any other information related to the clinical research, clinical trial, manufacture, sale, finance and operation of the Group Companies disclosed furnished by or on behalf of any Group Company to any Investor, shall expire on the sixth anniversary upon termination of this Agreement with respect to such Investor without prejudice to the accrued rights and liabilities of the Parties at that time.

10. ASSIGNMENT, AMENDMENT AND WAIVER.

10.1 Assignment.

Except as otherwise provided herein, this Agreement and the rights and obligations of the Parties hereunder shall inure to the benefit of, and be binding upon, their respective successors, assigns and legal representatives, but shall not otherwise be for the benefit of any third party. The rights of any Shareholder hereunder (including registration rights) are assignable (together with the related obligations) in connection with the transfer of Equity Securities of the Company held by such Shareholder without the need for consent of any Party but only to the extent of such transfer in accordance with the provisions of this Agreement. Subject to the other provisions in Section 13.7, this Agreement and the rights and obligations of each Party hereunder shall not otherwise be assigned without the mutual written consent of the other Parties, except as expressly provided herein.

10.2 Amendment and Waiver.

(a) This Agreement may be amended, modified or supplemented only by a written instrument executed by the Company, the Founder, the Founder Holding Company and the Preferred Majority; provided, however, that (i) this Agreement may not be amended, modified or terminated, and no provision hereof may be waived, in each case, in any way which would materially adversely affect the rights of a specific Investor hereunder in a manner disproportionate to any adverse effect such amendment, modification, termination or waiver would have on the rights of all other Investors hereunder, without also the written consent of such Investor, and (ii) any provision that specifically and expressly gives a right to a named Party shall not be amended or waived without the prior written consent of such named Party. Notwithstanding the foregoing, the Right of Participation of any Investor as provided in Section 5 shall not be waived without prior written consent of such Investor, unless the Right of Participation of all Investors are being waived with respect to a particular issuance of New Securities; provided, however, that in the event that a Series C Lead Investor's Right of Participation is waived with respect to a specific issuance of New Securities without such Series C Lead Investor's consent, but any other Investor (or any Affiliate thereof) is offered the Right of Participation in such particular transactions, then such Series C Lead Investor shall also be offered the Right of Participation in such particular transactions to the same extent and on the same terms and conditions as the other participating Investors. Notwithstanding anything herein to the contrary, (i) any rights of the Series C Preferred Shares may not be amended, modified, terminated or waived without the written consent of the Requisite Series C Holders, (ii) any rights of the Series B-2 Preferred Shares may not be amended, modified, terminated or waived without the written consent of the holders of a majority of the then outstanding Series B-2 Preferred Shares, (iii) any rights of the Series B-1 Preferred Shares may not be amended, modified, terminated or waived without the written consent of the holders of a majority of the then outstanding Series B-1 Preferred Shares, and (iv) any rights of the Series A Preferred Shares may not be amended, modified, terminated or waived without the written consent of the holders of a majority of the then outstanding Series A Preferred Shares, unless in each case, such amendment, modification, termination or waiver applies to all Investors in the same fashion and is made in connection with a Qualified Financing.

(b) No waiver of any provision of this Agreement by a Party, and no consent or approval of a Party, shall be effective unless set forth in a written instrument signed by (i) with respect to any Group Company, the Company or (ii) with respect to the Founder, Founder Holding Company or any Investor, Founder, the Founder Holding Company or the Investor (as the case may be). No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by a Party of any breach by any other Party of any provision hereof shall be deemed to be a waiver of any subsequent breach of that or any other provision hereof.

(c) Any amendment, waiver, consent or approval effected in accordance with this Section 10.2 shall be binding upon the Parties and their respective Permitted Transferees. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of this Agreement unless the same consideration also is offered to all of the Investors. The Company shall give prompt notice of any amendment, modification or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, modification, termination, or waiver.

11. OTHER UNDERTAKINGS OF THE PARTIES.

11.1 Full Time Commitment.

The Founder undertakes and covenants that, as long as he remains an employee of any of the Group Companies or directly or indirectly holds any Equity Securities in any Group Company, he shall commit all of his efforts to furthering the Principal Business or other businesses of the Group Companies duly approved by the Board and shall not, without the prior written consent of the Preferred Majority, either on his own account or through any of his Affiliates, or in conjunction with or on behalf of any other Person, carry on or be engaged, concerned or interested, directly or indirectly (whether as shareholder, director, employee, partner, lender, agent or otherwise), in any business other than the Principal Business or such other businesses of the Group Companies duly approved by the Board.

11.2 Non-Competition and Non-Solicitation.

(a) The Founder hereby covenants and undertakes that, unless upon the prior written consent of the Preferred Majority, that commencing from the date of this Agreement until one (1) year after the later of (i) the date of on which the Founder ceases to hold, directly or indirectly, any Equity Securities in any Group Company; and (ii) the date on which the Founder ceases to be engaged by or holds any position as an officer or director or employee of any Group Company (the “Non-Competition Period”), he shall not, directly or indirectly, own, manage, be engaged in, operate, Control, work for, consult with, render services for, do business with, maintain any interest in (proprietary, financial or otherwise) or participate in the ownership, management, operation or Control of, any business, whether in corporate, proprietorship or partnership form or otherwise, that includes the business of any Group Company or any part thereof or that otherwise competes directly or indirectly with any Group Company, except that the Founder may have a passive investment of less than five percent (5%) of the stock of any publicly traded company that engages in the foregoing as a financial investor.

(b) During the Non-Competition Period, in the event any Person directly or indirectly established or managed by any Founder engages or proposes to engage in any business that includes the business of any Group Company or any part thereof or that otherwise competes directly or indirectly with any Group Company, such Founder shall disclose any and all information regarding such Person to the Investors upon request and shall cause the lawful portion of such Person’s business to be transferred immediately to the Company or any Subsidiary designated by the Company.

(c) The Founder further covenants and undertakes that, during the Non-Competition Period, he shall not (i) cause, solicit, induce or encourage any employee of any Group Company to leave the employment or hire of such Group Company, (ii) employ or otherwise engage any such individual nor (iii) cause, induce or encourage any material actual or prospective client, customer, supplier, licensee or licensor of any Group Company, or any other Person who has a material business relationship with any Group Company, to terminate or modify to the detriment of the Group Companies any such relationship.

(d) Each and every obligation under this Section 11.2 shall be treated as a separate obligation and shall be severally enforceable as such. In the event of any obligation being or becoming unenforceable in whole or in part, such part which is unenforceable shall be deleted from such clause and any such deletion shall not affect the enforceability of the remainder parts of such clause.

(e) The Parties agree that having regard to all the circumstances, the restrictive covenants contained in this Section 11.2 are reasonable and necessary for the protection of the Group Companies and the Investors, and further agree that having regard to those circumstances those covenants are not excessive or unduly onerous upon the Founder.

11.3 VIE Matters.

(a) Control Documents. The Founder, the Founder Holding Company, the Group Companies, the Series A Investors, and the Series B-1 Investors shall ensure that each party to the Control Documents perform its/his/her respective obligations thereunder and carry out the terms and the intent of the Control Documents. Without prejudice to Section 8.1, any termination, modification or waiver of any Control Document shall require the approval of the Board (including the affirmative votes or written approval of all Investor Directors).

(b) Control of Subsidiaries. The Company shall institute and keep in place such arrangements as are reasonably satisfactory to the Board such that the Company (i) will at all times control the operations of each other Group Company, and (ii) will at all times be permitted to properly consolidate the financial results for each other Group Company in the consolidated financial statements for the Company prepared in conformance with IFRS or PRC GAAP or, subject to compliance with Section 8.1, any other standard approved by the Board (including the affirmative votes or written approval of at least two (2) Investor Directors).

(c) VIE Restructuring. In the event of any change in the regulatory environment of the PRC or Laws that will cause, or if any Governmental Authority determines, the arrangements under the Control Documents to be invalid, illegal or unenforceable or if any such change or any determination made by a Governmental Authority would or would reasonably be expected to have a Material Adverse Effect, (i) the Group Companies shall propose, execute or implement any restructuring in connection with such change in regulatory environment or Laws or determination made by a Governmental Authority (including the termination, amendment or waiver of any provision of any Control Document, and any change in the ownership or business of any of the Company and the other Group Companies) (the “VIE Restructuring”), (ii) the Parties agree that each Investor will have a right to participate with substantially the same rights that they had immediately prior to the VIE Restructuring in the restructured entity(ies) that own(s), directly or indirectly, the business that was conducted by the Domestic Companies immediately prior to the VIE Restructuring, based on their respective pro rata ownership interest in the Company (on an as converted basis) immediately prior to the VIE Restructuring whether by contract or otherwise, and (iii) each of the Group Companies and the Shareholders shall act in good faith and use their respective reasonable efforts to take such actions as they may lawfully do to implement the VIE Restructuring. In the event that any then-existing Shareholders (or their designees), solely due to their status as a Shareholder, are granted any equity or other economic interest (“Grant”) in a business that would engage in a business substantially the same as that then conducted by the Domestic Companies (the “NewCo”), each of the Group Companies and any such Shareholders shall use their respective reasonable efforts to procure that each Investor will be granted substantially the same equity or economic interest in such NewCo on substantially the same terms as those granted to any such Shareholders (or their designees) based on their respective pro rata ownership interest in the Company (on an as converted basis) immediately prior to the Grant except to the extent of any variation consistent with the rights such Shareholders may have in the Company. Each of the Group Companies and (to the extent that it has knowledge or awareness thereof) the Shareholders agrees to provide to each other with reasonable notice before any such VIE Restructuring or Grant.

(d) Shareholding Structure of Record VIE Shareholders.

(i) To the extent any Party or any Affiliate of such Party is a record shareholder of Gracell Shanghai (each such Party's corresponding "Record VIE Shareholder"), such Party shall ensure that the direct and indirect shareholding structure of its corresponding Record VIE Shareholder (as applicable) shall not adversely affect the operations of any Domestic Company or the IPO of the Group.

(ii) Without prejudice to the generality of Section 11.3(d)(i), in the event the operations of any Domestic Company are deemed not to be fully compliant with applicable Laws due to the shareholding structure of any Record VIE Shareholder by any Governmental Authority (including any restrictions on the expansion of any business or application of any license or permit by any Domestic Company), or if such shareholding structure is deemed by sponsors or underwriters of any proposed IPO of the Group to adversely affect the IPO of the Group, then any Investor Director (other than the Investor Director appointed by such Party) shall be entitled to and shall have full power and authority to, at his/her sole discretion, (x) direct the Gracell Shanghai to replace such Party's corresponding Record VIE Shareholder as a record shareholder of Gracell

Shanghai in accordance with the applicable Control Documents with the Founder, or (y) effect the transfer of any business of the Domestic Companies to another Group Company indirectly Controlled by the Company via variable interest entity arrangements whose financial results are fully consolidated into the consolidated financial statements for the Company.

(iii) If any Investor Director elects to effect any transaction under Section 11.3(d)(ii):

(1) if such transaction requires any Shareholders' approval, with respect to all Shares that a Shareholder owns or over which such Shareholder otherwise exercises voting power, to vote (in person, by proxy or by action by written consent, as applicable) all Shares in favor of, and adopt, such transaction and to vote in opposition to any and all other proposals that could reasonably be expected to delay or impair the ability of the consummation of such transaction;

(2) each Shareholder shall take and shall procure any director it nominates or appoints to the Board and any board of directors (or similar body) of any other Group Company to take, and the Company shall procure each other Group Company to take, all necessary actions in connection with the consummation of such transaction, including but not limited to the execution and delivery of any transfer or other agreements and any resolutions in connection with such transaction; and

(3) if such transaction is the transaction contemplated by Section 11.3(d)(ii)(x), without prejudice to other provisions of this Section 11.3(d)(iii), the corresponding Record VIE Shareholder shall and the relevant Party shall procure its corresponding Record VIE Shareholder to promptly transfer to the Founder, and the Founder shall promptly acquire all of the equity interests held by the corresponding Record VIE Shareholder in Gracell Shanghai, in accordance with the applicable Control Documents.

11.4 Compliance with Laws; Ethical Business Practices.

The Founder, the Founder Holding Company and the Group Companies shall comply in all material respects with all applicable Laws, including Circular 37 and other applicable SAFE Rules and Regulations, Environmental and Health and Safety Laws (as defined in the Series C Share Subscription Agreement), and applicable PRC rules and regulations promulgated by the NMPA. Without limiting the generality of the foregoing, the Founder, the Founder Holding Company and the Group Companies shall jointly and severally (i) ensure that no Group Company, and no director or employee of a Group Company, and (ii) use their best efforts to procure that no agent or other representative of a Group Company, in each case takes any action in violation of any Anti-Corruption Laws or undertakes or causes to be undertaken any Anti-Corruption Prohibited Activity. The Group Companies shall use their best efforts to cause each of the holders of Equity Securities of the Company who is a Domestic Resident or who has one or more Domestic Residents (including the Founder) as its beneficial owners to fully comply on a continuing basis with all registration and reporting requirements of the Governmental Authorities of the PRC with respect to its holding of Equity Securities in the Company, including the registration obligations under the SAFE Rules and Regulations. None of the Group Companies shall carry out any foreign exchange activities unless it has complied with all applicable SAFE Rules and Regulations. The Group Companies shall use their best efforts to cause each of the holders of Equity Securities of the Company who is a Chinese company to fully comply with all approval and registration requirements under the PRC overseas direct investment (ODI) laws and regulations.

11.5 Anti-Corruption Policies and Procedures.

The Founder, the Founder Holding Company and the Group Companies shall jointly and severally ensure that each Group Company maintains such policies and procedures (including an appropriate system of internal controls) in relation to corruption and business ethics as may be required under Anti-Corruption Laws applicable to such Group Company and generally accepted standards of business conduct and ethics, including, where applicable, in relation to (a) bribery, gifts and entertainment, (b) political contributions and (c) monitoring, risk assessment and internal audit procedures. The Group Companies shall, and shall ensure that none of the Group Companies and their respective directors, officers, managers, employees, and shall use reasonable best efforts to ensure that none of the independent contractors, representatives or agents of the Group Companies and their respective Affiliates shall, directly or indirectly, violate any Anti-Corruption Laws.

11.6 Prohibited Persons.

The Founder, the Founder Holding Company and the Group Companies shall jointly and severally ensure that (a) the proceeds of the Investors' investment will not directly or indirectly be loaned, used, contributed or otherwise made available to any subsidiary, joint venture partner or other Person for any purposes relating to any sales or operations in any country or territory that is the subject of any U.S. Economic Sanctions or sanction imposed by any applicable jurisdiction or to financing the activities of any Sanctioned Person, (b) the use of such proceeds will be in compliance with and will not result in the breach by any Person of the U.S. Economic Sanctions or any embargos or sanctions regulations imposed by the United Nations or any applicable jurisdiction and (c) the Company will not engage, directly or indirectly, in any other activity that would result in such breach of U.S. Economic Sanctions or sanction imposed by any applicable jurisdiction by any Investor.

11.7 Additional Covenants to Investors.

(a) The Company hereby renounces any interest or expectancy of the Company in, or in being offered an opportunity to participate in, or in being informed about, an Excluded Opportunity. An "Excluded Opportunity" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, any of the Investors or any of their respective Affiliates, partners, members, equity holders, directors, stockholders, employees, agents or other related Persons (collectively, "Covered Persons"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and exclusively in such Covered Person's capacity as a director or shareholder of the Company.

(b) The Company acknowledges that each of the Investors and their respective Affiliates, partners, members, equity holders, directors, stockholders, employees, agents or other related Persons are engaged in the business of investing in private and public companies in a wide range of industries, including the industry segment in which the Company operates (the "Company Industry Segment"). Accordingly, the Company and the Investors hereby acknowledge and agree that a Covered Person shall:

(i) have no obligation or duty (contractual or otherwise) to the Company to refrain from participating as a director, investor or otherwise with respect to any Person that is engaged in the Company Industry Segment or is otherwise competitive with the Company; and

(ii) in connection with making investment decisions, to the fullest extent permitted by Law, have no obligation or duty (contractual or otherwise) to the Company to refrain from using any information, including market trend and market data, which comes into such Covered Person's possession, whether as a director or investor in the Company or otherwise.

11.8 Obligations to Comply with this Agreement and the Amended M&AA.

(a) The Founder, the Founder Holding Company and each Investor shall comply with the provisions of this Agreement in relation to its investment in the Group and in transacting business with any Group Company, and shall exercise its rights and powers in accordance with this Agreement and the Amended M&AA.

(b) The Company and each other Group Company that is a Party shall procure that each Group Company acts in a manner consistent with the terms of this Agreement and the Amended M&AA.

(c) The Founder and the Founder Holding Company shall procure the due performance by the Company of its obligations under this Agreement and the Amended M&AA. Except as expressly provided otherwise, the Founder and the Founder Holding Company shall be jointly and severally liable for their respective obligations hereunder.

11.9 Series C Liquidation Preference Provisions.

In the event that the Company issues a new series of preferred shares (the “***New Preferred Shares***”) after all Closings that is entitled to liquidation preference per share in an amount of more than 100% of the original issue price of the New Preferred Shares and/or that is entitled to participation rights that are more favorable than those of the Series C Preferred Shares (including a participation right), then concurrently with the issuance of such new series of preferred shares, the applicable liquidation preference terms of the Series C Preferred Shares shall be adjusted, such that the holders of Series C Preferred Shares shall be entitled to the liquidation preference and participation terms substantially identical to those of such new series of preferred shares (but with reference to the Series C Issue Price). For example, if the Company subsequently issues series D preferred shares with a liquidation preference equal to 115% of the Series D issue price, then the liquidation preference provisions of the Series C Preferred Shares would be adjusted to equal 115% of the Series C Issue Price rather than 100%.

11.10 PRC Taxes.

In connection with a transfer of any Equity Securities of the Company, each holder of the Equity Securities transferring Equity Securities as transferor hereby undertakes in favor of the Company and every other holder of Equity Securities to, in all material respects, comply with all applicable PRC Tax laws relating to the direct or indirect transfer of equity interests in PRC resident enterprises and timely make all such filings and pay all such Taxes (as defined in the Series C Share Subscription Agreement) or other payments as may be required thereunder.

12. **TERMINATION.**

12.1 Termination.

This Agreement shall terminate on (a) the date upon which the Investors cease to hold any Equity Securities in the Company, (b) with respect to a Shareholder, the date on which such Shareholder ceases to hold any Equity Securities in the Company following a Transfer in compliance with the provisions of this Agreement, and (c) any date agreed upon in writing by the Company, the Founder, the Founder Holding Company and the Preferred Majority.

12.2 Consequences of Termination.

If this Agreement is terminated pursuant to Section 12.1, it shall become void and of no further force and effect solely in respect of such relevant party, except for the provisions of this Section 12.2 and Sections 1, 3.9, 9, 10.2 and 13 (other than Sections 13.2 and 13.11); PROVIDED HOWEVER, that such termination shall be without prejudice to the rights of any Party in respect of a breach of this Agreement prior to such termination.

13. GENERAL PROVISIONS.

13.1 Notices.

Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the relevant Party, upon delivery; (b) when sent by facsimile at the number set forth in Schedule of Notice hereto, upon receipt of confirmation of error-free transmission; (c) seven (7) Business Days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid and addressed to the relevant Party as set forth in Schedule of Notice; or (d) three (3) Business Days after deposit with an international overnight delivery service, postage prepaid, addressed to the relevant Party as set forth in Schedule of Notice with next Business Day delivery guaranteed, provided that the sending Party receives a confirmation of delivery from the delivery service provider.

Each Person making a communication hereunder by facsimile shall promptly confirm by telephone to the Person to whom such communication was addressed for each communication made by it by facsimile pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A Party may change or supplement the addresses given in Schedule of Notice, or designate additional addresses, for purposes of this Section 13.1 by giving the other Parties written notice of the new address in the manner set forth above.

13.2 Further Assurances.

Each Party shall from time to time and at all times hereafter make, do, execute or cause to be made, done and executed such further acts, deeds, conveyances, consents and assurances, without further consideration, which may reasonably be required to give full effect to the terms of this Agreement or to vest in any other Party such other Party's full rights and entitlements hereunder.

13.3 Entire Agreement.

This Agreement, the other Transaction Documents and any other documents referred to herein or therein constitute the entire understanding and agreement among the Parties with regard to the subjects hereof and thereof; provided, however, that nothing in this Agreement or any other Transaction Document shall be deemed to terminate or supersede the provisions of any confidentiality or non-disclosure agreement executed by any Party prior to the date of this Agreement, which agreement shall continue in full force and effect until terminated in accordance with its terms.

13.4 Governing Law.

This Agreement shall be governed by and construed under the Laws of Hong Kong, without regard to principles of conflict of laws thereunder.

13.5 Severability.

If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render such provision valid and enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally intended by the Parties, and if no feasible construction would save such provision, such provision shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties. In such event, each of the Parties shall use commercially reasonable efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most closely effectuates the Parties' intent in entering into this Agreement.

13.6 Third Parties.

Nothing in this Agreement, express or implied, is intended to confer upon any Person other than the Parties and their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement pursuant to the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong).

13.7 Successors and Assigns.

The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties. This Agreement and the rights and obligations hereunder shall not be assigned or transferred without the prior written consent of the Preferred Majority; PROVIDED HOWEVER, that (a) subject to Section 10.1, each Investor may, without the consent of any other Party, assign or transfer its rights and obligations hereunder to any other Person and (b) no such prior written consent is required for any such assignment or transfer in connection with a Transfer in compliance with Section 6 of this Agreement.

13.8 No Partnership.

The Shareholders expressly do not intend hereby to form a partnership, either general or limited, under the partnership law of any jurisdiction. The Shareholders do not intend to be partners to one another, or partners as to any third party, or to create any fiduciary relationship among themselves, by virtue of their status as Shareholders.

13.9 Interpretation.

This Agreement shall be construed according to its fair language. The rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in interpreting this Agreement.

13.10 Counterparts.

This Agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. Facsimile, electronic signatures and e-mailed copies of signatures shall be deemed to be originals for purposes of the effectiveness of this Agreement.

13.11 Shareholders Agreement to Control.

If and to the extent that there are inconsistencies between the provisions of this Agreement and those of the Amended M&AA, the terms of this Agreement shall control with respect to the Shareholders only. The Parties shall take all actions necessary or advisable, as promptly as practicable after the discovery of such inconsistency, to amend the Amended M&AA so as to eliminate such inconsistency to the fullest extent permissible by law.

13.12 Dispute Resolution.

(a) Negotiation Between Parties; Mediations. The Parties agree to negotiate in good faith to resolve any dispute between them arising out of, relating to, or concerning any interpretation, construction, performance or breach of this Agreement (the "Dispute"). If the negotiations do not resolve the Dispute to the reasonable satisfaction of all Parties to the Dispute within thirty (30) days, Section 13.12(b) shall apply.

(b) Arbitration. Each of the Parties hereto irrevocably agrees that any Dispute or controversy arising out of, relating to, or concerning any interpretation, construction, performance or breach of this Agreement, shall be resolved by arbitration to be held in Hong Kong which shall be administered by the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules in force at the time of the commencement of the arbitration (the "Arbitration Rules") and as may be amended by the rest of this Section 13.12. For purposes of such arbitration, there shall be three (3) arbitrators. The claimant(s) shall jointly select one arbitrator and the respondent(s) shall jointly select one arbitrator. All selections shall be made within 30 days after the selecting Party or Parties gives or receives the demand for arbitration. The Chairman of the HKIAC shall select the third arbitrator. If any arbitrator to be appointed by a Party or Parties has not been appointed and consented to participate within 30 days after the selection of the first arbitrator, the relevant appointment shall be made by the Chairman of the HKIAC. Such arbitrators shall be freely selected, and the Parties and the Chairman of the HKIAC shall not be limited in their selection to any prescribed list; PROVIDED HOWEVER, that (a) all arbitrators shall be fluent in English and Chinese and (b) the third arbitrator selected by the Chairman of the HKIAC cannot be a citizen of the PRC. The arbitration shall be conducted in English and Chinese. The decision of the arbitration tribunal shall be in writing and be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitration tribunal's decision in any court having jurisdiction. The parties to the arbitration shall each pay an equal share of the costs and expenses of such arbitration, and each party shall separately pay for its counsel fees and expenses; PROVIDED HOWEVER, that the prevailing party or parties in any such arbitration shall be entitled to recover from the non-prevailing party or parties its or their reasonable costs and counsel fees and expenses. In addition to contract damages, the arbitration tribunal may award provisional and final equitable relief, including injunctions, specific performance and lost profits.

13.13 Remedies.

(a) The Parties acknowledge that damages may not be an adequate remedy for losses incurred by reason of a breach of this Agreement. Each Party shall have the right to an injunction or other equitable relief enjoining any breach of this Agreement and enforcing specifically the terms and provisions hereof, and each Party hereby waives any and all defenses it may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief. The existence of this right will not preclude a Party from pursuing any other rights or remedies that it may have at law or in equity.

(b) The rights of each Party under this Agreement are cumulative and in addition to all other rights or remedies that any Party may otherwise have at law or in equity.

13.14 Process Agent.

(a) Each of the Company, the WFOE, the Domestic Companies, the Founder and the Founder Holding Company hereby irrevocably designates and appoints the HK Company at Room 1907, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (the “Company Side Process Agent”), as its authorized agent upon whom process may be served in any such suit or proceeding, it being understood that the designation and appointment of the Company Side Process Agent as such authorized agent shall become effective immediately without any further action on the part of the Company, the WFOE, the Domestic Companies, the Founder and the Founder Holding Company. Each of the Company, the WFOE, the Domestic Companies, the Founder and the Founder Holding Company hereby represents that it has notified the Company Side Process Agent of such designation and appointment and that the Company Side Process Agent has accepted the same in writing. Each of the Company, the WFOE, the Domestic Companies, the Founder and the Founder Holding Company hereby irrevocably authorizes and directs the Company Side Process Agent to accept such service on its behalf. Each of the Company, the WFOE, the Domestic Companies, the Founder and the Founder Holding Company further agrees that service of process upon the Company Side Process Agent and notice of said service to such Person mailed by prepaid registered first-class mail or delivered to the Company Side Process Agent at its principal office, shall be deemed in every respect effective service of process upon such Person, in any such suit or proceeding. Each of the Company, the WFOE, the Domestic Companies, the Founder and the Founder Holding Company further agrees to take any and all actions, including the execution and filing of any and all such documents and instruments as may be necessary to continue such designation and appointment of the Company Side Process Agent in full force and effect so long as such Person has any outstanding obligations under this Agreement.

(b) Notwithstanding the foregoing, nothing herein shall affect the right of any Party to serve process in any other manner permitted by Law.

13.15 Additional Series C Investors.

Notwithstanding anything to the contrary contained herein, if the Company issues additional Series C Preferred Shares after the date hereof, any purchaser of such Series C Preferred Shares who is not already a Party may become a party to this Agreement by executing and delivering to the Company and the other Parties a Deed of Accession and thereafter shall be deemed a “Series C Investor” for all purposes hereunder.

13.16 Termination of Prior Shareholders Agreement.

This Agreement supersedes and replaces the Prior Shareholders Agreement in its entirety, and such Prior Shareholders Agreement shall be of no further force or effect upon execution of this Agreement by all parties hereto. Each of the Company and the Shareholders that is a party to the Prior Shareholders Agreement hereby expressly consents and agrees to this amendment and restatement of the Prior Shareholders Agreement and represents and warrants that this Agreement has been duly approved by consents of the parties to the Prior Shareholders Agreement sufficient to constitute a valid amendment to the Prior Shareholders Agreement that is binding on all parties to the Prior Shareholders Agreement.

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IN WITNESS WHEREOF, the parties have or have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

THE COMPANY

Gracell Biotechnologies Inc.

By: /s/ CAO Wei
Name: CAO Wei (曹伟)
Title: Director

THE BVI COMPANY

Gracell Biotechnologies Holdings Limited

By: /s/ CAO Wei
Name: CAO Wei (曹伟)
Title: Director

THE HK COMPANY

Gracell Biotechnologies (HK) Limited

By: /s/ CAO Wei
Name: CAO Wei (曹伟)
Title: Director

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE WFOE
Gracell Bioscience (Shanghai) Co., Ltd.
()
(official chop)

By: /s/ CAO Wei
Name: CAO Wei ()
Title: Legal Representative

THE DOMESTIC COMPANIES
Gracell Biotechnologies (Shanghai) Co., Ltd.
()
(official chop)

By: /s/ CAO Wei
Name: CAO Wei ()
Title: Legal Representative

Suzhou Gracell Biotechnologies Co., Ltd.
()
(official chop)

By: /s/ CAO Wei
Name: CAO Wei ()
Title: Legal Representative

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**THE FOUNDER AND FOUNDER HOLDING
COMPANY**

/s/ CAO Wei

CAO Wei (□□)

Gracell Venture Holdings Limited

By: /s/ CAO Wei

Name: CAO Wei (□□)
Title: Sole Director

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

Morningside Venture (I) Investments Limited

By: /s/ Frances Anne, Elizabeth Richard/Raymond Long Sing TANG

Name: Frances Anne, Elizabeth Richard/Raymond Long Sing TANG

Title: Authorized signatory

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**Wellington Biomedical Innovation Master Investors
(Cayman) I L.P.**

By: Wellington Management Company LLP,
as investment advisor

By: /s/ Peter McIsaac
Name: Peter McIsaac
Title: Managing Director and Counsel

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

ORBIMED NEW HORIZONS MASTER FUND, L.P.

By: OrbiMed New Horizons GP LLC, its General Partner
By: OrbiMed Advisors LLC, its Managing Member

By: /s/ Geoffrey Hsu
Name: Geoffrey Hsu
Title: Member

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

ORBIMED PARTNERS MASTER FUND LIMITED

By: OrbiMed Capital LLC, solely in its capacity as
Investment Advisor

By: /s/ Geoffrey Hsu

Name: Geoffrey Hsu

Title: Member

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

THE BIOTECH GROWTH TRUST PLC

By: OrbiMed Capital LLC, solely in its capacity as
Portfolio Manager

By: /s/ Geoffrey Hsu
Name: Geoffrey Hsu
Title: Member

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

ORBIMED GENESIS MASTER FUND, L.P.

By: OrbiMed Genesis GP LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

By: /s/ Geoffrey Hsu
Name: Geoffrey Hsu
Title: Member

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

LAV Granite Limited

By: /s/ Yu Luo
Name: Yu Luo
Title: Authorized Signatory

LAV Biosciences Fund V, L.P.

By: LAV GP V, L.P.
its General Partner


By: LAV Corporate V GP, Ltd.
its General Partner


By: /s/ Yu Luo
Name: Yu Luo
Title: Authorized Signatory

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

Suzhou Lirui Equity Investment Center (Limited Partnership)
()
official chop)

By: /s/ CHEN Fei
Name: CHEN Fei ()
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

TLS Beta Pte. Ltd.

By: /s/ Khoo Shih
Name: Khoo Shih
Title: Authorized Signatory

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

OrbiMed Asia Partners III, L.P.

By: OrbiMed Asia GP III, L.P.,
its General Partner

By: OrbiMed Advisors III Limited,
its General Partner


By: /s/ David Guowei WANG
Name: David Guowei WANG
Title: Director

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

Suzhou Kington Capital Holdings Co., Ltd.
(
(official chop)

By: /s/ LIN Xianghong
Name: LIN Xianghong ()
Title: Authorized Representative

King Star Med LP

By: /s/ LIN Xianghong
Name: LIN Xianghong ()
Title: Authorized Representative

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

Victory Treasure Limited


By: /s/ Shan LI
Name: Shan LI
Title: Director

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

Chengdu Miaoji Medical Technology Co., Ltd.
()
(official chop)

By: /s/ Fujun YU
Name: Fujun YU ()
Title: Authorized Representative

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

WINFAIR GLOBAL LIMITED

By: /s/ Shan LI
Name: Shan LI
Title: Director

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Vivo Panda Fund, L.P.

By: Vivo Panda, LLC, General Partner

By: /s/ Mahendra Shah
Name: Mahendra Shah
Title: Managing Member

Vivo Opportunity Fund, L.P.

By: Vivo Opportunity, LLC, General Partner

By: /s/ Albert Cha
Name: Albert Cha
Title: Managing Member

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Yili Kevin Xie

By: /s/ Yili Kevin Xie

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Martina Dr Sersch

By: /s/ Martina Dr Sersch

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE INVESTORS

Parkway Limited

By: /s/ Xie Yi Jing
Name: Xie Yi Jing
Title: Director

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Michelia Figo Holding Limited

By: /s/ Zhenlu LI
Name: Zhenlu LI
Title: Director

SIGNATURE PAGE TO GRACELL SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

SCHEDULE OF NOTICE

If to the Founder, the Founder Holding Company, or any of the Group Companies, or Michelia Figo Holding Ltd.

12th floor, Building No.1, No.926 Yishan Road, Xuhui District, Shanghai, PRC.

E-mail: [***]

Attention: Ms. Erin Li

If to the Investors

1. OrbiMed Asia

Unit 4706, Raffles City Shanghai Office Tower,

268 Xizang Middle Road, Shanghai 200001, P.R. China

E-mail: [***]

Attention: LIU Yifu (刘伊夫)

Tel: [***]

2. Kington Entities

Suite 801, North Suyue Square, 118 West Suzhou Ave. SIP China.

E-mail: [***]

Attention: Yao Huangfu (姚黄富) 姚黄富

3. Chengdu Miaoji and Victory Treasure Limited

3207A, ICBC Tower, 3 Garden Rd, Central, Hong Kong

E-mail: [***]

Attention: LI Shan

4. LAV USD Entities

Unit 902-904, Two Chinachem Central, 26 Des Voeux Road Central, Hong Kong

E-mail: [***] copying [***]

Attention: ZOU Jieyu

5. LAV RMB Entity

Room 2909, Infinitus Tower, 168 Hubin Road, Huangpu, Shanghai, PRC

E-mail: [***] copying [***]

Attention: ZOU Jieyu

6. Temasek

60B Orchard Road #06-18 Tower 2 The Atrium@Orchard Singapore 238891
Tel: [***]
Fax: +65 6821 1188
Attention: Miao Jingwen
Email: [***]

with a copy (which shall not constitute notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison
Unit 3601, Office Tower A, Beijing Fortune Plaza, No.7 Dongsanhuan Zhonglu,
Chaoyang, District, Beijing 100020, China
Facsimile No.: 86-10-6530-9070/9080
E-mail: [***]
Attention: Judie Ng Shortell

7. Morningside

Address: c/o 22/F, Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong
Attention: Ms. Florence Wong
Email: [***]
Telephone: Ms. Florence Wong

with a copy (which shall not constitute notice) to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attn: Jason Kropp
Email: [***]

8. Wellington

Address: c/o Wellington Management Company LLP
Legal and Compliance
280 Congress Street
Boston, MA 02210
Telephone number: [***]
Attn: Peter McIsaac, Managing Director and Counsel
Email: [***]

with a copy (which shall not constitute notice) to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attn: Jason Kropp
Email: [***]

9. OrbiMed Partners Master Fund Limited

Address: 601 Lexington Avenue, 54th Floor, New York, NY 10022
Attention: General Counsel
Email:[***]
Telephone: [***]
Tel: [***]

with a copy (which shall not constitute notice) to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attn: Jason Kropp
Email: [***]

10. The Biotech Growth Trust Plc

Address: 601 Lexington Avenue, 54th Floor, New York, NY 10022
Attention: General Counsel
Email: [***]
Telephone: [***]

with a copy (which shall not constitute notice) to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attn: Jason Kropp
Email: [***]

11. OrbiMed Genesis Master Fund, L.P.

Address: 601 Lexington Avenue, 54th Floor, New York, NY 10022
Attention: General Counsel
Email: [***]
Telephone: [***]

with a copy (which shall not constitute notice) to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attn: Jason Kropp
Email: [***]

12. OrbiMed New Horizons Master Fund, L.P.

Address: 601 Lexington Avenue, 54th Floor, New York, NY 10022

Attention: General Counsel

Email: [***]

Telephone: [***]

13. WINFAIR GLOBAL LIMITED

3207A, ICBC Tower, 3 Garden Rd, Central, Hong Kong

E-mail: [***]

Attention: LI Shan

14. Vivo Panda Fund, L.P. or Vivo Opportunity Fund, L.P.

Vivo Capital LLC

192 Lytton Avenue, Palo Alto, CA 94301

Attn: General Counsel

Email: [***]

15. Yili Kevin Xie

Address: [***]

Attention: [***]

Email: [***]

16. Martina Dr Sersch

Address: [***]

Attention: [***]

Email: [***]

17. Parkway Limited

Address: No.19. Lane 199 Tang An Road, Pudong, Shanghai, PRC

Attention: Kevin Xie

Email: [***]

EXHIBIT A

LIST OF INVESTORS

Part I: Series A Investors

1. OrbiMed Asia Partners III, L.P. (“OrbiMed Asia”);
2. King Star Med LP (“Kington USD Entity”);
3. LAV Granite Limited (“LAV Granite”);
4. LAV Biosciences Fund V, L.P. (“LAV Biosciences V”, together with LAV Granite, collectively, “LAV USD Entities”); and
5. Victory Treasure Limited.

Part II: Series B-1 Investors

1. Suzhou Kington Capital Holdings Co., Ltd. (苏州启通资本控股有限公司), a limited liability company organized and existing under the Laws of PRC (“Kington RMB Entity”, together with Kington USD Entity, collectively, “Kington Entities”);
2. Chengdu Miaoji Medical Technology Co., Ltd. (成都妙集医疗科技有限公司), a limited liability company organized and existing under the Laws of PRC (“Chengdu Miaoji”); and
3. Suzhou Lirui Equity Investment Center (Limited Partnership) (苏州睿瑞股权投资中心(有限合伙)), a limited partnership organized and existing under the Laws of PRC (“LAV RMB Entity”).

Part III: Series B-2 Investors

1. TLS Beta Pte. Ltd.;
2. LAV Granite; and
3. Kington USD Entity.

Part IV: Series C Investors

1. Morningside Venture (I) Investments Limited (“Morningside”);
2. Wellington Biomedical Innovation Master Investors (Cayman) I L.P. (“Wellington”);
3. OrbiMed Partners Master Fund Limited (“OrbiMed Partners”);

-
4. The Biotech Growth Trust Plc (“Biotech Growth”);
 5. OrbiMed Genesis Master Fund, L.P. (“OrbiMed Genesis”);
 6. OrbiMed New Horizons Master Fund, L.P. (“OrbiMed Horizons”, together with OrbiMed Partners, Biotech Growth and OrbiMed Genesis, collectively, “OrbiMed”);
 7. TLS Beta Pte. Ltd.;
 8. LAV Biosciences Fund V, L.P.;
 9. Kington USD Enity;
 10. WINFAIR GLOBAL LIMITED;
 11. Vivo Panda Fund, L.P.;
 12. Vivo Opportunity Fund, L.P.;
 13. Yili Kevin Xie;
 14. Martina Dr Sersch; and
 15. Parkway Limited.

EXHIBIT B

CAPITALIZATION TABLE

Part A: Capitalization Immediately prior to the Initial Closing

Shareholder	Class of Shares	Number of Shares	Percentage
Founder Holding Company	Ordinary Shares	92,090,000	42.0811%
Michelia Figo Holding Ltd.	Ordinary Shares	5,910,000	2.7006%
ESOP	Ordinary Shares	7,388,060	3.3760%
OrbiMed Asia Partners III, L.P.	Ordinary Shares	864,383	12.2445%
LAV Biosciences Fund V, L.P.	Series A Preferred Shares	25,931,497	
	Ordinary Shares	78,214	1.1079%
Victory Treasure Limited	Series A Preferred Shares	2,346,402	
	Ordinary Shares	19,331	0.2738%
King Star Med LP	Series A Preferred Shares	579,938	
	Ordinary Shares	55,232	4.2250%
LAV Granite Limited	Series A Preferred Shares	1,656,965	
	Series B-2 Preferred Shares	7,533,670	
Suzhou Kington Capital Holdings Co., Ltd. (苏州金通资本管理有限公司)	Ordinary Shares	27,616	6.8460%
	Series A Preferred Shares	828,482	
Chengdu Miaoji Medical Technology Co., Ltd. (成都妙集医疗科技有限公司)	Series B-2 Preferred Shares	14,125,632	
	Series B-1 Preferred Shares	9,879,873	4.5147%
Suzhou Lirui Equity Investment Center (Limited Partnership) (苏州睿瑞股权投资中心(有限合伙))	Series B-1 Preferred Shares	1,975,975	0.9029%
	Series B-1 Preferred Shares	9,879,873	4.5147%
TLS Beta Pte. Ltd.	Series B-2 Preferred Shares	37,668,351	17.2128%
Total	/	218,839,494	100%

Part B: Capitalization Immediately after the Initial Closing

Shareholder	Class of Shares	Number of Shares	Percentage
Founder Holding Company	Ordinary Shares	92,090,000	32.5370%
Michelia Figo Holding Ltd.	Ordinary Shares	5,910,000	2.0882%
ESOP	Ordinary Shares	10,216,234	3.6096%
OrbiMed Asia Partners III, L.P.	Ordinary Shares	864,383	
	Series A Preferred Shares	25,931,497	9.4674%
LAV Biosciences Fund V, L.P.	Ordinary Shares	78,214	
	Series A Preferred Shares	2,346,402	3.5505%
	Series C Preferred Shares	7,624,511	
Victory Treasure Limited	Ordinary Shares	19,331	
	Series A Preferred Shares	579,938	0.2117%
King Star Med LP	Ordinary Shares	55,232	
	Series A Preferred Shares	1,656,965	
	Series B-2 Preferred Shares	7,533,670	4.5630%
	Series C Preferred Shares	3,668,982	
LAV Granite Limited	Ordinary Shares	27,616	
	Series A Preferred Shares	828,482	5.2933%
	Series B-2 Preferred Shares	14,125,632	
Suzhou Kington Capital Holdings Co., Ltd. (苏州 启通资本 有限公司)	Series B-1 Preferred Shares	9,879,873	3.4907%
Chengdu Miaoji Medical Technology Co., Ltd. (成都 妙集 医疗 科技 有限公司)	Series B-1 Preferred Shares	1,975,975	0.6981%
Suzhou Lirui Equity Investment Center (Limited Partnership) (苏州 睿瑞 股权投资 中心 (有限合伙))	Series B-1 Preferred Shares	9,879,873	3.4907%
TLS Beta Pte. Ltd.	Series B-2 Preferred Shares	37,668,351	
	Series C Preferred Shares	10,525,561	17.0277%
	Series C Preferred Shares	11,312,694	3.9970%
Morningside Venture (I) Investments Limited	Series C Preferred Shares		
Wellington Biomedical Innovation Master Investors (Cayman) I L.P.	Series C Preferred Shares	9,172,455	3.2408%

OrbiMed Partners Master Fund Limited	Series C Preferred Shares	5,503,473	1.9445%
The Biotech Growth Trust Plc	Series C Preferred Shares	2,751,736	0.9722%
OrbiMed Genesis Master Fund, L.P.	Series C Preferred Shares	1,528,742	0.5401%
OrbiMed New Horizons Master Fund, L.P.	Series C Preferred Shares	1,528,742	0.5401%
WINFAIR GLOBAL LIMITED	Series C Preferred Shares	1,222,994	0.4321%
Vivo Panda Fund, L.P.	Series C Preferred Shares	4,280,479	1.5124%
Vivo Opportunity Fund, L.P.	Series C Preferred Shares	1,834,491	0.6482%
Yili Kevin Xie	Series C Preferred Shares	122,299	0.0432%
Martina Dr Sersch	Series C Preferred Shares	103,954	0.0367%
Parkway Limited	Series C Preferred Shares	183,449	0.0648%
Total	/	283,032,230	100%

EXHIBIT C

FORM OF DEED OF ACCESSION

DEED OF ACCESSION made on the [] day of, 20[]

BETWEEN:

- (1) Gracell Biotechnologies Inc., an exempted company duly incorporated under the Laws of the Cayman Islands (the “Company”); and
- (2) [Name of New Shareholder], a company incorporated under the Laws of [] (the “New Shareholder”).

RECITALS:

(A) On October 20, 2020, the Company, the Investors and other Parties entered into a Second Amended and Restated Shareholders Agreement (the “Shareholders Agreement”) to which a form of this Deed is attached as Exhibit C.

(B) The New Shareholder wishes to [be allotted/have transferred to him/her/it] [•] [Ordinary Shares] / [Preferred Shares] (the “Shares”) in the capital of the Company from the [Company/ [] (the “Original Shareholder”)] and in accordance with Section [•] of the Shareholders Agreement has agreed to enter into this Deed.

(C) The Company enters this Deed on behalf of itself and as agent and trustee for the other Parties to the Shareholders Agreement.

NOW THIS DEED WITNESSES as follows:

1. Interpretation. In this Deed, except as the context may otherwise require, all words and expressions defined in the Shareholders Agreement shall have the same meanings when used herein.
2. Covenant. The New Shareholder hereby covenants to the Company as agent and trustee for all other persons who are at present or who may hereafter become bound by the Shareholders Agreement, and to the Company itself to adhere to and be bound by all the duties, burdens and obligations of the Original Shareholder imposed pursuant to the provisions of the Shareholders Agreement and all documents expressed in writing to be supplemental or ancillary thereto as if the New Shareholder had been an original party to the Shareholders Agreement in the same capacity as the Original Shareholder since the date thereof.
3. Enforceability. Each of the Company and the other Parties to the Shareholders Agreement shall be entitled to enforce the Shareholders Agreement against the New Shareholder, and the New Shareholder shall be entitled to all rights and benefits of the Original Shareholder (other than those that are non-assignable) under the Shareholders Agreement in each case as if the New Shareholder had been an original party to the Shareholders Agreement since the date thereof.

4. Governing Law. THIS DEED OF ACCESSION SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF HONG KONG S.A.R.

[The remainder of this page is intentionally left blank.]

SIGNED SEALED AND DELIVERED)
as a DEED in the name of)
Gracell Biotechnologies Inc.)
by its duly authorized representative [•])
in the presence of:)

[NAME OF NEW SHAREHOLDER]

SIGNED SEALED AND DELIVERED)
as a DEED in the name of)
[name of New Shareholder])
by its duly authorized representative [•])
in the presence of:)



Harney Westwood & Riegels
3501 The Center
99 Queen's Road Central
Hong Kong
Tel: +852 5806 7800
Fax: +852 5806 7810

18 December 2020

054387.0002

Gracell Biotechnologies Inc.
c/o Building 12, Block B, Phase II
Biobay Industrial Park
218 Sangtian St.
Suzhou Industrial Park, 215123
People's Republic of China

Dear Sir or Madam

Gracell Biotechnologies Inc. (the Company)

We are lawyers qualified to practise in the Cayman Islands and have acted as Cayman Islands legal advisers to the Company in connection with the Company's registration statement on Form F-1, including all amendments or supplements thereto, and accompanying prospectus filed with the Securities and Exchange Commission (the **Commission**) under the United States Securities Act of 1933, as amended (the **Securities Act**) (the **Registration Statement**), relating to the offering by the Company of American depositary shares (the **Listing**) representing certain ordinary shares of par value US\$0.0001 per share of the Company (the **Shares**).

We are furnishing this opinion as Exhibit 5.1 to the Registration Statement.

For the purposes of giving this opinion, we have examined the Documents (as defined in Schedule 1). We have not examined any other documents, official or corporate records or external or internal registers and have not undertaken or been instructed to undertake any further enquiry or due diligence in relation to the transaction which is the subject of this opinion.

In giving this opinion we have relied upon the assumptions set out in Schedule 2 which we have not independently verified.

Based solely upon the foregoing examinations and assumptions and upon such searches as we have conducted and having regard to legal considerations which we deem relevant, and subject to the qualifications set out in Schedule 3, we are of the opinion that under the laws of the Cayman Islands:

- 1 **Existence and Good Standing.** The Company has been duly incorporated as an exempted company with limited liability and is validly existing and in good standing under the laws of the Cayman Islands. It is a separate legal entity and is subject to suit in its own name.

Resident Partners: M Chu | JP Engwirda | A Johnstone
P Kay | BJ King | MW Kwok | IN Mann | R Ng | ME Parrott
ATC Ridgers | PJ Sephton | X Yin
Bermuda legal services provided through an association with Zuill & Co.

Anguilla | Bermuda | British Virgin Islands | Cayman Islands
Cyprus | Hong Kong | London | Luxembourg | Montevideo
São Paulo | Shanghai | Singapore | Vancouver
www.harneys.com

- 2 **Authorised Share Capital.** Based on our review of the A&R M&A (as defined in Schedule 1), the authorized share capital of the Company, upon its coming into effect, will be US\$50,000 divided into 500,000,000 Shares, 400,000,000 of which shall be ordinary shares, US\$0.0001 par value per share, and 100,000,000 shares of which shall be undesignated shares, US\$0.0001 par value per share.
- 3 **Valid Issuance of Shares.** The issue and allotment of the Shares as contemplated by the Registration Statement have been duly authorised and, when allotted, issued and fully paid for in accordance with the Registration Statement, and when name of the shareholder is entered in the register of members of the Company, the Shares will be validly issued, allotted and fully paid and there will be no further obligation on the holder of any of the Shares to make any further payment to the Company in respect of such Shares.
- 4 **Cayman Islands Law.** The statements under the caption “Taxation” in the prospectus forming part of the Registration Statement, to the extent that they constitute statements of Cayman Islands law, are accurate in all material respects as at the date of this opinion and such statements constitute our opinion.

This opinion is confined to the matters expressly opined on herein and given on the basis of the laws of the Cayman Islands as they are in force and applied by the Cayman Islands courts at the date of this opinion. We have made no investigation of, and express no opinion on, the laws of any other jurisdiction. Except as specifically stated herein, we express no opinion as to matters of fact.

In connection with the above opinion, we hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference made to this firm in the Registration Statement under the headings “Enforceability of Civil Liabilities”, “Taxation” and “Legal Matters” and elsewhere in the prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act, as amended, or the Rules and Regulations of the Commission thereunder.

This opinion is limited to the matters referred to herein and shall not be construed as extending to any other matter or document not referred to herein.

This opinion shall be construed in accordance with the laws of the Cayman Islands.

Yours faithfully

/s/ Harney Westwood & Riegels

Harney Westwood & Riegels

SCHEDULE 1

List of Documents and Records Examined

- 1 The certificate of incorporation of the Company dated 10 May 2018;
- 2 The third amended and restated memorandum and articles of association of the Company as adopted by a special resolution passed on 14 October 2020;
- 3 The fourth amended and restated memorandum and articles of association of the Company as adopted by a special resolution passed on 18 December 2020 and effective immediately upon the Commission's declaration of effectiveness of the Company's Registration Statement on Form F-1 (the **A&R M&A**);
- 4 The register of members and register of directors of the Company provided to us on 17 December 2020,

(Copies of 1-4 above have been provided to us by the Company's registered office in the Cayman Islands (the **Corporate Documents**, and together with items 5-7 below, the **Documents**)) and

- 5 A copy of executed written resolutions of the directors of the Company dated 18 December 2020 and a copy of executed written resolutions of the shareholders of the Company dated 18 December 2020 (the **Resolutions**);
- 6 A certificate of good standing dated 23 September 2020 in respect of the Company, issued by the Registrar of Companies in the Cayman Islands (the **Certificate of Good Standing**); and
- 7 The Registration Statement.

SCHEDULE 2

Assumptions

- 1 **Authenticity of Documents.** Copy documents or drafts of documents provided to us are true and complete copies of, or in the final forms of, the originals. All original Documents are authentic, all signatures, initials and seals are genuine, all copies of the Registration Statement are true and correct copies and the Registration Statement conform in every material respect to the latest drafts of the same produced to us and, where the Registration Statement has been provided to us in successive drafts marked-up to indicate changes to such documents, all such changes have been so indicated.
- 2 **Corporate Documents.** All matters required by law to be recorded in the Corporate Documents are so recorded, and all corporate minutes, resolutions, certificates, documents and records which we have reviewed are accurate and complete, and all facts expressed in or implied thereby are accurate and complete as at the date of the passing of the Resolutions.
- 3 **Constitutional Documents.** The A&R M&A remain in full force and effect and are otherwise unamended.
- 4 **Conversion.** The conversion of any shares in the capital of the Company will be effected via legally available means under Cayman law.
- 5 **No Steps to Wind-up.** The directors and shareholders of the Company have not taken any steps to appoint a liquidator of the Company and no receiver has been appointed over any of the Company's property or assets.
- 6 **Resolutions.** The Resolutions have been duly executed (and where by a corporate entity such execution has been duly authorised if so required) by or on behalf of each director, or by or on behalf of each shareholder in respect of the shareholder resolutions, and the signatures and initials thereon are those of a person or persons in whose name the Resolutions have been expressed to be signed. The Resolutions remain in full force and effect.
- 7 **Unseen Documents.** Save for the Documents provided to us there are no resolutions, agreements, documents or arrangements which materially affect, amend or vary the transactions envisaged in the Registration Statement.

SCHEDULE 3

Qualifications

- 1 We express no opinion in relation to provisions making reference to foreign statutes in the Registration Statement.
- 2 Except as specifically stated herein, we make no comment with respect to any representations and warranties which may be made by or with respect to the Company in any of the documents or instruments cited in this opinion or otherwise with respect to the commercial terms of the transactions the subject of this opinion.
- 3 Our opinion as to good standing is based solely upon receipt of the Certificate of Good Standing. The Company shall be deemed to be in good standing under section 200A of the Companies Law (as amended) of the Cayman Islands (the ***Companies Law***) on the date of issue of the certificate if all fees and penalties under the Companies Law have been paid and the Registrar of Companies in the Cayman Islands has no knowledge that the Company is in default under the Companies Law.
- 4 We have undertaken no enquiry and express no view as to the compliance of the Company with the International Tax Co-operation (Economic Substance) Law (2020 Revision).

GRACELL BIOTECHNOLOGIES, INC.

Third Amended and Restated 2017 Employee Stock Option Plan

1. **PURPOSE:** The purposes the Third Amended and Restated 2017 Employee Stock Option Plan is to attract and retain the best available personnel, to provide additional incentive to Employees, Directors and Consultants and to promote the success of the Company's business.

2. **DEFINITIONS AND INTERPRETATION**

(A) The following definitions shall be applicable throughout this Plan:

"Auditors" the persons for the time being performing the duties of auditors of the Company;

"Board" the Board of Directors of the Company;

"business day" any day (excluding weekends) on which banks in China generally are open for business;

"Change in Control" a change in ownership or control of the Company after the consummation of such transaction effected through either of the following transactions: (i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders, or ii) the individual who constitute the members of the Board cease, by reason of a financing, merger, combination, acquisition, takeover or other non-ordinary course transaction affecting the Company, to constitute at least fifty-one percent (51%) of the members of the Board.

Notwithstanding the foregoing, the term Change in Control will not include (x) a Listing, (y) a transaction the primary purpose of which is to raise capital for the Company, or (z) other transaction effected exclusively for the purpose of changing the domicile of the Company.

“Committee”	means the compensation committee established under the Board as from time to time constituted;;
“Company”	Gracell Biotechnologies, Inc., a company incorporated in the Cayman Islands;
“Contract”	means, in relation to an Employee, his or her contract of Employment with the relevant company within the Group;
“Corporate Transaction”	<p>the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:</p> <p>(i) a sale or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries;</p> <p>(ii) a sale or other disposition of at least 50% of the outstanding securities of the Company;</p> <p>(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or</p> <p>(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the Shares outstanding immediately preceding such transaction are converted or exchanged by virtue of the transaction into other property, whether in the form of securities, cash or otherwise;</p> <p>(v) the complete liquidation or dissolution of the Company;</p>
“Eligible Employee”	any employee, Officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is an Eligible Employee by reason of their contribution to the Group;
“Employee”	any full-time or part-time employee (including, without limitation, an executive director, if applicable) of the Group and any consultant or adviser to the Group, and “Employment” has a corresponding meaning;
“Fair Market Value”	means, as of any date, the value of the Shares determined by the Board in good faith and in compliance with applicable law;

“Grantee”	any Eligible Employee who accepts a stock grant in accordance with the terms of this Plan by executing an Notice of Award with the Group, or (where the context so permits) any person who is entitled to any Option in consequence of the death of the original Grantee or other permitted transfer;
“Group”	the Company and its Subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Exit”	(i) a Listing, (ii) a sale of all or substantially all of the issued share capital of the Company, or (iii) a sale by the Company of all or substantially all of its assets (but excluding any Internal Reorganisation);
“Listing”	the admission of all or any part of the Company’s share capital to a recognized stock or other investment exchange or the grant of permission by any stock or other exchange to deal in the same and “Listed” has a corresponding meaning;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Memorandum and Articles”	the memorandum and articles of association of the Company for the time being in force;
“Notice of Award”	the stock option grant, the form of which shall be approved by the Board attached hereto as <u>Schedule I</u> , entered into by and among the Company and a Grantee regarding the grant of an Option;
“Officer”	means any person designated by the Company as an officer;
“Option”	a right granted to subscribe for Shares pursuant to an Award Agreement under this Plan;
“Option Period”	the period during which the Option can be exercised as set forth in the Notice of Award;
“Option Shares”	Shares allotted and issued to a Grantee pursuant to the exercise of an Option;
“Restricted Stock”	Shares issued under the Plan to the Grantee for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions as established by the Board.

“Plan”	this stock option plan in its present form or as amended from time to time in accordance with the provisions hereof;
“Pre-Listing Option Interests”	has the meaning defined in paragraph 11(A);
“PRC”	the People’s Republic of China, and for the purpose of this Agreement, does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary shares of US\$0.0001 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Stock Exchange”	any qualified stock exchange approved by the Board in accordance with the Memorandum and Articles of the Company;
“Exercise Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option;
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Listing Rules) of the Company, irrespective of where the company is incorporated;
“US\$”	US Dollar, the lawful currency of the United States;
“Vesting Schedule”	the vesting schedule according to which the Option to be issued to the Grantee, as described in paragraph 6.

(B) In this Plan, save where the context otherwise requires:

- (i) the headings are inserted for convenience only and shall not limit, vary, extend or otherwise affect the construction of any provision of this Plan;
- (ii) references to paragraphs are references to paragraphs of this Plan;
- (iii) references to any statute or statutory provision shall be construed as references to such statute or statutory provision as respectively amended, consolidated or re-enacted, or as its operation is modified by any other statute or statutory provision (whether with or without modification), and shall include any subsidiary legislation enacted under the relevant statute;

- (iv) expressions in the singular shall include the plural and vice versa;
- (v) expressions in any gender shall include other genders; and
- (vi) references to persons shall include bodies corporate, corporations, partnerships, sole proprietorships, organizations, associations, enterprises and branches.

3. CONDITION

This Plan shall, upon approval of the Board or the Committee (as the case may be), be subject to the administration of the chief executive officer of the Company or the Plan Administrator as designated by the Board whose decision as to all matters arising in relation to this Plan or its interpretation or effect shall (save as otherwise provided herein) be final, binding and conclusive on all parties.

4. DURATION AND ADMINISTRATION

- (A) The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the stock holders of the Company. It shall continue in effect for a term of ten (10) years unless sooner terminated.
- (B) Administration with Respect to Directors and Officers. With respect to grants of Awards to Directors and Employees who are also Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws.
- (C) Notwithstanding the foregoing, with respect to grants of Awards to any Consultant, Advisor, Employees and any Covered Employee intended to qualify as Performance-Based Compensation, the Plan shall be administered by Chief Executive Officer whose decision as to all matters arising in relation to this Plan or its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties.
- (D) Chief Executive Officer is authorized under the Plan to award any type of arrangement to an Employee, Director or Consultant that is not inconsistent with the provision of the Plan and that by its terms involved or might involve the issuance of (i) Shares, (ii) an Option, or similar right with a fixed or variable price related to the Fair Market Value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions, or (iii) any other security with the value derived from the value of the Shares. Such awards include, without limitation, Options, or sales or bonuses of Restricted Stock, and an Award may consist of one such security or benefit, or two (2) or more of them in any combination or alternative

5. OFFER AND GRANT OF OPTIONS

- (A) On and subject to the terms of this Plan, the Chief Executive Officer shall be entitled to grant to any Eligible Employee an option to subscriber for such number of Shares as he shall determine on the terms of this Plan, save that prior approval of the Board or the Committee (as the case may be) shall be obtained if the Employee to whom an Option is to be granted is the Officer or other member of the Board. Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (e.g. by linking their exercise to the attainment or performance of milestones by the Company, any Subsidiary, the Grantee or any group of Employees) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of this Plan.
- (B) An Option shall be granted to an Eligible Employee by delivery of a notice (the “Notice of Award”) in writing in such form as the Chief Executive Officer may from time to time determine to require the Eligible Employee to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of this Plan. The Notice of Award shall serve as evidence of the grant of the Option and accordingly no further certificate shall be issued to the Grantee.
- (C) A Grantee is not required to pay for the grant of any Option.

6. SUBSCRIPTION PRICE AND VESTING SCHEDULE

- (A) The Exercise Price shall be approved by the Board and shall be set out in the Notice of Award.
- (B) Unless otherwise approved by the Board, the Vesting Schedule shall be 48 month vesting schedule consisting of monthly vesting in equal instalments over the 48 months.

7. EXERCISE OF OPTIONS

- (A) Except as provided in Notice of Award, any Option shall become exercisable upon vesting. Notwithstanding the foregoing, the exercise shall be conditioned upon compliance in full with all applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise of the Options, including without limitation, in the case of a Grantee being a national or a resident of the PRC, PRC foreign exchange regulations and rules or, Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of Offshore Investment and Financing and Inbound Investment through Special Purpose Companies by PRC Residents. Notwithstanding anything to the contrary contained in the Plan, no Option may be exercised prior to the occurrence of an Exit, unless the Board shall otherwise agree and so notify the Grantee separately in writing.
- (B) An Option may be exercised in whole or in part by the Grantee giving notice in writing to the Company in the form of the notice attached hereto as Schedule II, or such other form as may be adopted by the Board from time to time, stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. In addition, a Grantee may be required to enter into a voting trust agreement, power of attorney or shareholders’ agreement as a condition to exercise of the Option.

- (C) Each notice of exercise of an Option must be accompanied by a remittance for the aggregate amount of the Exercise Price multiplied by the number of Shares in respect of which the notice is given. Within 30 days after receipt of the notice and remittance and, where appropriate, the Company shall allot and issue or procure the allotment and issue of the relevant Option Shares to the Grantee (or his or her personal representative) credited as fully paid and issue to the Grantee (or his or her personal representative) a share certificate in respect of the Option Shares so allotted.
- (D) Option Shares will be subject to the provisions of the Memorandum and Articles of the Company for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of exercise of the Option and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the Option, provided always that when the date of exercise of the Option falls on a date upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first business day on which the register of members of the Company is re-opened.
- (E) Prior to the expiry of the Option Period, any shares covered by an Award (or portion of an Award) which is forfeited or cancelled, expires may be re-issued after such cancellation has been approved, provided that re-issued Options shall only be granted in compliance with the terms of this Plan and applicable law.

8. LAPSE OF OPTION

- (A) General. An Option shall lapse automatically (to the extent not already exercised) upon the earliest of:
 - (i) the expiry of the Option Period;
 - (iii) subject to paragraph 8(B) to (F), on a Grantee's ceasing to be an Eligible Employee.
- (B) Lapse for Death or Illness. if any Grantee ceases to be an Eligible Employee by reason of:
 - (i) the Grantee's death; or
 - (ii) the Grantee's serious illness or injury which, in the opinion of the Board, renders the Grantee concerned unfit to perform the duties of his or her Employment and which in the normal course would render the Grantee unfit to continue performing the duties under his or her Contract provided such illness or injury is not self-inflicted or as a result of alcohol or drug abuse;

then, any unvested Option will immediately lapse and the Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested Options until the later of: (i) 90 days after the date when the Options become exercisable, or (ii) three (3) months after the date of cessation of Employment or directorship, or such longer period as the Board may determine. Any vested Option not exercised prior to the expiry of the above-mentioned period shall lapse.

- (C) **Lapse on Termination for Cause.** If the Board determines that any Grantee ceasing to be an Employee by any of the following reason, (i) any act of grave misconduct or wilful default or wilful neglect in the discharge of duties of the Grantee with the Group; (ii) without prejudice to the generality of (i) above, being proven to have carried out any fraudulent activity or have fraudulently failed to carry out any activity whether or not in connection with the affairs of the Group; (iii) being convicted of any offence; (iv) being proved to take advantages of such Grantee's position to make interest for him/herself or for others; (v) being proved to appropriate assets of the Group; (vii) serious violation or persistent breach of any terms of the employment agreement, the confidentiality and intellectual property rights assignment agreement, the non-compete and non-solicitation agreement, the anti-bribery agreement or any other agreements entered into by and between such Grantee and any member of the Group; and (viii) repeated drunkenness or use of illegal drugs or being addicted to gambling which adversely interferes with or is reasonably expected to adversely interfere with the performance of such Grantee's obligations and duties of Employment, then any Option (whether vested or unvested) held by the Grantee shall immediately lapse (unless the Board resolves otherwise in its absolute discretion).
- (D) **Lapse on Cessation for Other Reason.** If a Grantee ceases to be an Eligible Employee for any reason other than those set up in paragraph 8(B) or 8(C), then, any unvested Option will immediately lapse and the Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested Options until later of: (i) 90 days after the date when the Options become exercisable, or (ii) 30 days after the date of cessation of Employment or directorship, or such longer period as the Board may otherwise determine. Any vested Option not exercised prior to the expiry of the above-mentioned period shall immediately lapse.
- (E) **Lapse on a General Offer or Corporate Transaction.** An unexercised Option may lapse as provided in paragraphs 11(B) or 11(C) hereof in the case of a General Offer or a Corporate Transaction.
- (F) **Lapse on Winding-up.** If notice is duly given of a resolution for the voluntary winding-up of the Company, vested Options may be exercised prior to the date of the resolution. The Grantee shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her Option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolutions.

9. MAXIMUM NUMBER OF SHARES SUBJECT TO OPTIONS

- (A) The maximum number of Shares in respect of which Options may be granted under this Plan (including Incentive Stock Option) shall not exceed 10,216,234 Shares in the aggregate.
- (B) Any Shares covered by an Award (or portion of an Award) which is forfeited or cancelled, expires or is settled in cash, shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the Plan. Shares that actually have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan, except that if unvested Shares are forfeited, or repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the Plan.
- (C) The maximum number of Shares referred to in paragraphs 9(A) and 9(B) will be adjusted, in such manner as an independent financial adviser or the Auditors (acting as experts and not as arbitrators) shall confirm to the Board in writing in the terms set out in paragraph 10 below, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever.

10. REORGANISATION OF CAPITAL STRUCTURE AND OTHER CORPORATE EVENTS

- (A) Reorganisation of Capital Structure. In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division, or reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party or an issue of shares pursuant to, or in connection with, any share option plan, share appreciation rights plan or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any Subsidiary or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised;
- (ii) the Exercise Price;

or any combination thereof, as an independent financial adviser or the Auditors shall confirm to the Board in writing, either generally or as regard any particular Grantee, to have given a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled, but that no such adjustments be made to the extent that a share would be issued at less than its nominal value. The capacity of the independent financial adviser or Auditors (as the case may be) in this paragraph is that of experts and not of arbitrators and their confirmation shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the independent financial adviser or Auditors (as the case may be) shall be borne by the Company.

- (B) **General Offer.** If a general or partial offer, whether by way of take-over offer, share repurchase offer, or plan of arrangement or otherwise in like manner is made to all shareholders of the Company (or all such shareholders other than the offer or and/or any person controlled by the offer or and /or any person associated with or acting in connect with the offer or) (a "**General Offer**"), the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them which at the time vested, shareholders of the Company. If such offer becomes or is declared unconditional or such plan or arrangements is formally proposed to shareholders of the Company, the Grantee shall, notwithstanding any other terms on which his or her Options were granted (provided that any performance condition must first be satisfied), be entitled to exercise his or her vested Options at any time up until (i) the close of such offer (or any revised offer); or (ii) the record date for entitlements under a plan of arrangement, as applicable, and any unexercised Options will immediately lapse on the close of business on such date.
- (C) **Corporate Transaction.** The following provisions will apply to Options in the event of a Corporate Transaction (including a Change in Control) unless otherwise provided in the Notice of Award or any other written agreement between the Company or any Grantee or unless otherwise expressly provided by the Board at the time of grant of an Option. In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Options, contingent upon the closing or completion of the Corporate Transaction:
- (i) arrange for the surviving entity or acquiring company (or the surviving or acquiring company's parent company) to assume or continue the Option or to substitute a similar award for the Option (including, but not limited to, an option to acquire the same consideration paid to the shareholders of the Company pursuant to the Corporate Transaction);
 - (ii) accelerate the vesting, in whole or in part, of the Option (and, if applicable, the time at which the Option may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the Corporate Transaction), with such Option terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction; provided, however, that the Board may require Grantees to complete and deliver to the Company a notice of exercise before the effective date of a Corporate Transaction, which exercise is contingent upon the effectiveness of such Corporate Transaction;

- (iii) cancel or arrange for the cancellation of the Option, to the extent not vested prior to the effective time of the Corporate Transaction, and pay such cash consideration (or no consideration) as the Board, in its sole discretion, may consider appropriate; and
- (iv) make a payment for each vested Option, in such form as may be determined by the Board equal to the excess, if any, of (x) the per share amount payable to holders of Shares in connection with the Corporate Transaction, over (y) any exercise price payable by such holder in connection with such exercise, multiplied by the number of vested Shares under the Option.

The Board need not take the same action or actions with respect to all Options or portions thereof or with respect to all Grantees in a Corporate Transaction. The Board may take different actions with respect to the vested and unvested portions of an Option.

- (D) Accelerated Vesting on a Change in Control. The Option may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control or as may be provided in any other written agreement between the Company and the Grantee, but in the absence of such provision, no such acceleration will occur.

11. RIGHT OF REPURCHASE OF SHARES OR OPTIONS

- (A) Notwithstanding any provision herein to the contrary, unless otherwise approved by the Board, prior to a Listing, after a Grantee's termination of employment by or services to the Company or any of its Subsidiaries, any Option Share issued by the Company as a result of the exercise of an Option of such Grantee or any vested Option held by such Grantee (collectively, "Pre-Listing Option Interests") shall be subject to a right, but not an obligation, of repurchase by the Company and/or its assignee(s) (the "Right of Repurchase"), at the price equal to the Fair Market Value of the Shares on the date the Company exercises its Right of Repurchase, minus the per share Exercise Price in the case of an unexercised, vested Option (the "Repurchase Price").
- (B) If the Company wishes to exercise its Right of Repurchase, it shall give notice thereof to the Grantee, and, upon determination of the Fair Market Value of the Shares, the Grantee shall immediately endorse and deliver to the Company the share certificate(s) representing the Option Shares being repurchased (if applicable) and take all such actions and do all such things as necessary for effecting the Right of Repurchase, and the Company shall then promptly pay, pursuant to the provisions of clause 11(C) below, the total Repurchase Price to the Grantee. If the Company exercises its Right of Repurchase, it may exercise its right with respect to all of the Pre-Listing Option Interests.

- (C) The Repurchase Price shall be paid first by the cancellation of any obligation for accrued but unpaid interest outstanding under notes issued by the Grantee upon purchase of the Option Shares (if any), next by cancellation of principal outstanding under such notes (if any), and finally by payment in cash of the balance due.
- (D) The Right of Repurchase shall terminate upon the earlier to occur of (i) a Listing; or (ii) such other event and/or conditions as the Board may determine in its sole discretion.

12. SHARE CAPITAL

The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorized share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.

13. DISPUTES

Any dispute arising in connection with this Plan (whether as to the number of Shares which are the subject of an Option, the amount of the Exercise Price or otherwise) shall be referred to the decision of the Auditors, who shall act as experts and not as arbitrators and whose decision shall be final and binding upon all persons affected thereby.

14. ALTERATION OF THIS PLAN

This Plan may be altered in any respect by the prior approval of the Board, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the Memorandum and Articles for the time being of the Company for a variation of the rights attached to the Shares.

15. TAX LIABILITY

The Grantee shall be solely liable to pay all taxes and other levies which may be assessed or assessable on any payments made by the Company hereunder and all payments required to be made hereunder by the Company shall be subject to the deduction or withholding of such amounts as the Board may reasonably determine is necessary or desirable by reason of any liability to tax or obligation to account for tax or loss of any relief from tax which may fall on the Company or any Subsidiary in respect of, or by reason of such payment, and the Grantee agrees to indemnify and keep the Company (for itself and as trustee for its subsidiaries) indemnified in respect of any such liability, obligation or loss and accepts that any claim in respect of such indemnity may be satisfied by set-off against any sums due from the Company or any Subsidiary to such Grantee from time to time. In the event that any tax liability becomes due on the exercise of an Option for which the Company is required to account to, the Option may not be exercised unless the Grantee has made a payment to the Company an amount equal to such tax liability.

16. TERMINATION

The Board may at any time terminate the operation of this Plan and in such event no further Options will be offered but in all other respects the provisions of this Plan shall remain in full force and effect.

17. MISCELLANEOUS

- (A) This Plan shall not form part of any contract of employment between the Company or any Subsidiary and any Eligible Employee or Grantee, and the rights and obligations of any Eligible Employee or Grantee under the terms of his or her office or employment shall not be affected by his or her participation in this Plan or any right which he or she may have to participate in it and this Plan shall afford such Eligible Employee or Grantee no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- (B) This Plan shall not confer on any person any legal or equitable right (other than those rights constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.
- (C) The Company shall bear the costs of establishing and administering this Plan.
- (D) Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business or such other address as notified to the Grantee from time to time and, in the case of the Grantee, his or her address as notified to the Company from time to time or as indicated in his or her identity certificate provided by him or her to the Company or its Subsidiaries.
- (E) Any notice or other communication served by post:
 - (i) by the Company shall be deemed to have been served 24 hours after the same was put in the post; and
 - (ii) by the Grantee shall not be deemed to have been received until the same shall have been received by the Company.
- (F) All allotments and issues of Shares will be subject to all necessary consents under any relevant legislation for the time being in force in the Cayman Islands and a Grantee shall be responsible for obtaining any governmental or other official consent or approval that may be required by any country or jurisdiction in order to permit the grant or exercise of the Option. The Company shall not be responsible for any failure by a Grantee to obtain any such consent or approval or for any tax or other liability to which a Grantee may become subject as a result of his or her participation in this Plan.
- (G) This Plan and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.

GRACELL BIOTECHNOLOGIES, INC.

EMPLOYEE STOCK OPTION PLAN

ADDENDUM FOR U.S. GRANTEES

1. Purpose and Applicability

(a) This Addendum for U.S. Grantees (the “**U.S. Addendum**”) applies to Grantees of the Gracell Biotechnologies, Inc. Stock Option Plan (the “**Plan**”) who are either U.S. residents or U.S. taxpayers (each such Grantee, a “**U.S. Grantee**”). The purpose of the U.S. Addendum is to facilitate compliance with U.S. tax, securities and other applicable laws, and to permit the Company to issue tax-qualified Incentive Stock Options (as defined below) to eligible U.S. Grantees.

(b) Except as otherwise provided by the U.S. Addendum, all Options granted to U.S. Grantees will be governed by the terms of the Plan, when reading together with the U.S. Addendum. In any case of an irreconcilable contradiction (as determined by the Board) between the provisions of the U.S. Addendum and the Plan, the provisions of the U.S. Addendum will govern. Capitalized terms contained herein have the same meanings given to them in the Plan, unless otherwise provided by the U.S. Addendum.

(c) This Addendum is effective as of April 15, 2019 (the “**Effective Date**”).

2. Definitions

In the U.S. Addendum, the following words will have the meaning as defined below:

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended.

“**Incentive Stock Option**” or “**ISO**” means an Option that is intended to be, and qualifies as, an incentive stock option within the meaning of Section 422 of the Code.

“**Majority-Owned Subsidiary**” means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

“**Non-Qualified Stock Option**” or “**NSO**” means an Option that does not qualify as an Incentive Stock Option.

“**Parent**” means a corporation, whether now or hereafter existing, in an unbroken chain of corporations *ending* with the Company, if each corporation other than the Company owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain, as provided in the definition of a “parent corporation” contained in Section 424(e) of the Code.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Ten Percent Shareholder**” means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of outstanding securities of the Company or any Parent or Majority-Owned Subsidiary.

“**U.S.**” means the United States of America.

2. Additional Terms Applicable to All Options Granted to U.S. Grantees.

(a) **Grants to Consultants.** An Eligible Employee that is a consultant, contractor or advisor and that is a resident of the U.S. is not an Eligible Employee for the grant of an Option if, at the time of grant, either the offer or sale of the Option to such person is not exempt under Rule 701 of the Securities Act because the consultant is not a natural person, the services that the consultant is providing to the Company are in connection with a capital raising transaction or directly or indirectly serve to promote or maintain a market for the Company’s securities, or because of any other provision of Rule 701 of the Securities Act, *unless* the Company determines that such grant need not comply with the requirements of Rule 701 of the Securities Act and will satisfy another exemption under the Securities Act as well as comply with the securities laws of the U.S. state of residence of the consultant and all other applicable jurisdictions.

(b) **No Cash Settlement on Exercise of Options.** The Board may not grant to any U.S. Grantee an Option where the U.S. Grantee may receive a cash payment upon exercise of the Option in lieu of Shares if such Option would result in a violation of Section 457A of the Code. For clarity, this provision does not prohibit the Board from providing for the cancellation of Options pursuant to paragraph 10(C) of the Plan in connection with a Corporate Transaction.

(c) **Section 409A and Section 457A of the Code.** Unless otherwise expressly provided for in an Notice of Award, the terms applicable to Options granted under the U.S. Addendum will be interpreted to the greatest extent possible in a manner that makes the Options exempt from Section 409A and Section 457A of the Code, and, to the extent not so exempt, that brings the Options into compliance with Section 409A and Section 457A of the Code. Notwithstanding anything to the contrary in the Plan (and unless the Notice of Award or other written contract with the U.S. Grantee specifically provides otherwise), if the Shares are publicly traded, and if a U.S. Grantee of an Option that constitutes “deferred compensation” under Section 409A of the Code is a “specified employee” under Section 409A of the Code, no distribution or payment of any amount that is due because of a “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of such U.S. Grantee’s “separation from service” or, if earlier, the date of the U.S. Grantee’s death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

3. Provisions Applicable to Incentive Stock Options

(a) **Eligible Recipients of ISOs.** As provided in Section 422(a)(2) of the Code, Incentive Stock Options may be granted only to employees of the Company, a Parent or a Majority-Owned Subsidiary. Consultants, advisors and non-employee directors are not eligible to receive Incentive Stock Options.

(b) Designation of ISO Status. The Board action approving the grant of an Option to a U.S. Grantee and the Notice of Award must specify that such Option is intended to be an Incentive Stock Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Non-Qualified Stock Option.

(c) No Transfer. As provided by Section 422(b)(5) of the Code, an Incentive Stock Option may not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the U.S. Grantee only by the U.S. Grantee. If the Board elects to allow the transfer of an Option that is designated as an Incentive Stock Option, such transferred Option will automatically become a Non-Qualified Stock Option as of the date of transfer.

(d) Additional Limits for Ten Percent Stockholders. As provided by Section 422(c)(5) of the Code, a person is a Ten Percent Shareholder will not be eligible for the grant of an Incentive Stock Option *unless* (i) the exercise price is at least 110% of the Fair Market Value of a Share on the date of grant and (ii) such Incentive Stock Option by its terms is not exercisable after the expiration of five (5) years from the date of grant.

(e) US \$100,000 Limit. As provided by Section 422(d) of the Code and applicable regulations thereunder, to the extent that the aggregate Fair Market Value (determined at the time of grant) of Shares with respect to which Incentive Stock Options are exercisable for the first time by any U.S. Grantee during any calendar year (under all plans of the Company and any Affiliates) exceeds US\$100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Non-Qualified Stock Options, notwithstanding any contrary provision of the applicable Notice of Award(s).

(f) Post-Termination Exercise Period. To obtain the U.S. federal income tax advantages associated with an Incentive Stock Option, the U.S. Internal Revenue Code requires that at all times beginning on the date of grant and ending on the day three months before the date of exercise of the Option, the U.S. Grantee must be an employee of the Company or a Parent or a Majority-Owned Subsidiary (except in the event of the Grantee's death or disability, in which case longer periods may apply). Any Incentive Stock Option that provides for a post-termination exercise period in excess of three months from the termination of the U.S. Grantee's employment status will automatically be treated as Non-Qualified Stock Option following such three-month period.

(g) Leave of Absence. As provided by Section 422 of the Code and applicable regulations thereunder, if a U.S. Grantee is on an approved leave of absence that exceeds three months (unless reemployment upon expiration of such leave is required by statute or contract), then on the date six months following the first day of such leave, any Incentive Stock Option held by a U.S. Grantee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Non-Qualified Stock Option.

(h) Loss of ISO Status Upon a Reorganization or Repricing. In connection with the adjustment of Options in connection with a reorganization as provided in paragraph 10(A) of the Plan, or a repricing where the Exercise Price of such Options is higher than the the-current Fair Market Value of the Shares, the Board may provide for the adjustment of Options in a manner that results in the loss of Incentive Stock Option status without the consent of the U.S. Grantee, *provided* that such adjustment or repricing (i) complies with Section 409A of the Code, and (ii) the loss of Incentive Stock Option status is the only adverse change to the Option.

4. Shareholder Approval of U.S. Addendum

An Incentive Stock Option granted pursuant to the U.S. Addendum may not be exercised until such time as the Plan and the U.S. Addendum have been approved by at least a majority of the Shareholders of the Company.

5. Term, Amendment and Termination

(a) The Board may amend, suspend or terminate this U.S. Addendum at any time. Unless terminated sooner by the Board, the U.S. Addendum will terminate automatically upon the earlier of (i) 10 years after the Effective Date and (ii) the termination of the Plan. No Incentive Stock Options may be granted under the U.S. Addendum while either the Plan or the U.S. Addendum is suspended or after the Plan or the U.S. Addendum is terminated.

(b) If this U.S. Addendum is terminated, the provisions of this U.S. Addendum and any administrative guidelines, and other rules adopted by the Board and in force at the time of suspension or termination of this U.S. Addendum, will continue to apply to any outstanding Options as long as an Option issued pursuant to the U.S. Addendum remain outstanding.

(c) No amendment, suspension or termination of the U.S. Addendum may materially adversely affect any Options granted previously to any U.S. Grantee without the consent of the U.S. Grantee.

Schedule I

GRACELL BIOTECHNOLOGIES, INC.
THIRD AMENDED AND RESTATED 2017 EMPLOYEE STOCK OPTION PLAN
NOTICE OF STOCK OPTION AWARD

Participant's Name and Address: _____

You have been granted an option to purchase shares of Common Stock, subject to the terms and conditions of this Notice of Stock Option Award (the "Notice"), the Gracell Biotechnologies, Inc. Third Amended and Restated 2017 Employee Stock Option Plan, as amended from time to time (the "Plan") and the Stock Option Award Agreement (the "Option Agreement") attached hereto, as follows. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Notice and the Option Agreement.

Award Number _____

Date of Award ____/____/____

Vesting Commencement Date ____/____/____

Exercise Price _____

Total Number of Shares Subject
to the Option (the "Shares") _____

Total Exercise Price \$ _____

Type of Option: ☐ Incentive Stock Option
☒ Non-Qualified Stock Option

Expiration Date: ____/____/____

Post-Termination Exercise Period: Three (3) months if terminated for disability or death.
No post-termination exercise period if terminated for
Cause or Improper Termination.
Three (3) Months if terminated without Cause,
voluntary termination or reasons other than stated above.

Vesting Schedule:

Subject to Participant's continuous employment and other limitations set forth in this Notice, the Plan and the Option Agreement, the Option may be exercised, in whole or in part, in accordance with the following schedule:

This Option shall vest with respect to 100% of the shares subject hereto, and become exercisable for said shares, in 4 equal instalments on each anniversary of the Commencement Date and vesting in full on _____

During any authorized leave of absence, the vesting of the Option as provided in this schedule shall be suspended after the leave of absence exceeds a period of ninety (90) days. Vesting of the Option shall resume upon the Participant's termination of the leave of absence and return to service to the Company or a Related Entity. The Vesting Schedule of the Option shall be extended by the length of the suspension.

In the event of termination of the Participant's continuous employment for Cause or an Improper Termination, the Participant's right to exercise the Option shall terminate concurrently with the termination of the Participant's continuous employment, except as otherwise determined by the Committee.

IN WITNESS WHEREOF, the Company and the Participant have executed this Notice and agree that the Option is to be governed by the terms and conditions of this Notice, the Plan, and the Option Agreement.

GRACELL BIOTECHNOLOGIES, INC.

By: _____
Title: Chief Executive Officer

THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE SHARES SUBJECT TO THE OPTION SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE PARTICIPANT'S CONTINUOUS EMPLOYMENT (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THE OPTION OR ACQUIRING SHARES HEREUNDER). THE PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE OPTION AGREEMENT, OR THE PLAN SHALL CONFER UPON THE PARTICIPANT ANY RIGHT WITH RESPECT TO FUTURE AWARDS OR CONTINUATION OF PARTICIPANT'S CONTINUOUS EMPLOYMENT, NOR SHALL IT INTERFERE IN ANY WAY WITH THE PARTICIPANT'S RIGHT OR THE RIGHT OF THE PARTICIPANT'S EMPLOYER TO TERMINATE PARTICIPANT'S CONTINUOUS EMPLOYMENT PURSUANT TO PARTICIPANT'S WRITTEN EMPLOYMENT AGREEMENT. THE PARTICIPANT ACKNOWLEDGES THAT UNLESS THE PARTICIPANT HAS A WRITTEN EMPLOYMENT AGREEMENT WITH THE COMPANY TO THE CONTRARY, PARTICIPANT'S STATUS IS AT WILL.

The Participant acknowledges receipt of a copy of the Plan and the Option Agreement, and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Option subject to all of the terms and provisions hereof and thereof. The Participant has reviewed this Notice, the Plan, and the Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice, and fully understands all provisions of this Notice, the Plan and the Option Agreement. The Participant further agrees to notify the Company upon any change in the residence address indicated in this Notice.

Dated: _____

Signed: _____
Participant Signature

Name: _____

GRACELL BIOTECHNOLOGIES, INC.

**THIRD AMENDED AND RESTATED 2017 EMPLOYEE STOCK OPTION PLAN
STOCK OPTION AWARD AGREEMENT**

1. Grant of Option. Gracell Biotechnologies, Inc.(the “Company”), hereby grants to the Participant (the “Participant”) named in the Notice of Award (the “Notice”), an option (the “Option”) to purchase the Total Number of Shares of Common Stock subject to the Option (the “Shares”) set forth in the Notice, at the Exercise Price set forth in the Notice (the “Exercise Price”) subject to the terms and provisions of the Notice, this Stock Option Award Agreement (the “Option Agreement”) and the Company’s Third Amended and Restated 2017 Employee Stock Option Plan, as amended from time to time (the “Plan”), which are incorporated herein by reference. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Notice.

If designated in the Notice as an Incentive Stock Option, the Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of Shares subject to Options designated as Incentive Stock Options which become exercisable for the first time by the Grantee during any calendar year (under all plans of the Company or any parent or Subsidiary) exceeds \$100,000, such excess Options, to the extent of the Shares covered thereby in excess of the foregoing limitation, shall be treated as Non-Qualified Stock Options. For this purpose, Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the date the Option with respect to such Shares is awarded.

2. Exercise of Option.

(a) Right to Exercise. The Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice and with the applicable provisions of the Plan and this Option Agreement. The Grantee shall be subject to reasonable limitations on the number of requested exercises during any monthly or weekly period as determined by the Committee. In no event shall the Company issue fractional Shares.

(b) Method of Exercise. The Option may be exercised in whole or in part by giving notice in writing to the Company in the form of the notice attached hereto as Schedule II, The Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

(c) Taxes. No Shares will be delivered to the Participant or other person pursuant to the exercise of the Option until the Participant or other person has made arrangements acceptable to the Company for the satisfaction of applicable income tax and employment tax withholding obligations, including, without limitation, such other tax obligations of the Participant incident to the receipt of Shares or the disqualifying disposition of Shares received on exercise of an Incentive Stock Option. Upon exercise of the Option, the Company or the Participant’s employer may offset or withhold (from any amount owed by the Company or the Participant’s employer to the Participant) or collect from the Participant or other person an amount sufficient to satisfy such tax obligations and/or the employer’s withholding obligations.

3. Acceleration of Option Vesting Schedule Upon Change in Control. In the event of a Change in Control, the Option shall become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at fair market value), immediately prior to the specified effective date of such Change in Control, for all of the Shares at the time represented by the Option.

4. Method of Payment. Payment of the Exercise Price shall be made by any of the following, any combination thereof or any such other method as the Board or Committee may permit in accordance with applicable law, in its sole discretion, at the election of the Participant; provided, however, that such exercise method does not then violate any applicable law or the applicable rules and regulations of the Securities and Exchange Commission or the applicable rules or regulations of any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or traded (the “Applicable Rules”) and, provided further, that the portion of the Exercise Price equal to the par value of the Shares must be paid in cash or other legal consideration permitted by any applicable law or Applicable Rules:

(a) cash;

(b) check;

(c) surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Committee may require (including withholding of Shares otherwise deliverable upon exercise of the Option) which have a Fair Market Value on the date of surrender or attestation equal to the aggregate Exercise Price of the Shares as to which the Option is being exercised (but only to the extent that such exercise of the Option would not result in an accounting compensation charge with respect to the Shares used to pay the exercise price); or

5. Restrictions on Exercise. The Option may not be exercised if the issuance of the Shares subject to the Option upon such exercise would constitute a violation of any applicable laws or Applicable Rules.

6. Termination of Continuous Employment. In the event the Participant’s continuous employment terminates, other than for Cause, Improper Termination, mental or physical disability or death, the Grantee may, within three months after the date of such termination (the “Termination Date”), exercise the portion of the Option that was vested at the Termination Date. In the event of termination of the Grantee’s continuous employment for Cause or an Improper Termination, the Participant’s right to exercise the Option shall, except as otherwise determined by the Committee, terminate concurrently with the termination of the Participant’s continuous employment (also the “Termination Date”). In no event shall the Option be exercised later than the Expiration Date set forth in the Notice. Except as provided in Sections 7 and 8 below, to the extent that the Option was unvested on the Termination Date, or if the Grantee does not exercise the vested portion of the Option within the three month period, the Option shall terminate.

7. Disability of the Participant. In the event the Participant's continuous employment terminates as a result of his or her mental or physical disability, the Participant may, within three months after the date of such termination (the "Termination Date"), exercise the portion of the Option that was vested at the Termination Date. *provided, however*, that if such Disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code and the Option is an Incentive Stock Option, such Incentive Stock Option shall cease to be treated as an Incentive Stock Option and shall be treated as a Non-Qualified Stock Option on the day following the Termination Date. To the extent that the Option was unvested on the Termination Date, or if the Grantee does not exercise the vested portion of the Option within the time specified herein, the Option shall terminate.

8. Death of the Participant. In the event of the termination of the Participant's continuous employment as a result of his or her death, the Participant's estate, or a person who acquired the right to exercise the Option by bequest or inheritance, may exercise the portion of the Option that was vested at the Date of Termination, within three (3) months from the date of death (but in no event later than the Expiration Date). To the extent that the Option was unvested on the date of death, or if the vested portion of the Option is not exercised within the time specified herein, the Option shall terminate.

9. Transferability of Option. the Option, if an Incentive Stock Option, may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution and may be exercised, during the lifetime of the Participant, only by the Participant. The Option, if a Non-Qualified Stock Option may be transferred by will, by the laws of descent and distribution, and to the extent and in the manner authorized by the Committee, to Immediate Family Members or a Permitted Transferee. The terms of the Option shall be binding upon any Permitted Transferee, the executors, heirs and successors of the Participant.

10. Term of Option. The Option may be exercised no later than the Expiration Date set forth in the Notice or such earlier date as otherwise provided herein.

11. Entire Agreement: Governing Law. The Notice, the Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and the Participant. Nothing in the Notice, the Plan and this Option Agreement (except as expressly provided therein) is intended to confer any rights or remedies on any persons other than the parties. The Notice, the Plan and this Option Agreement are to be construed in accordance with and governed by the laws of Hong Kong and the Participant submits to the non-exclusive jurisdiction of the courts of Hong Kong. Should any provision of the Notice, the Plan or this Option Agreement be determined by a court of law to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

12. Headings. The captions used in the Notice and this Option Agreement are inserted for convenience and shall not be deemed a part of the Option for construction or interpretation.

13. Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company:

Email:

Attn:

Address:

if to Participant

Email:

Attn:

Address:

[Remainder of Page Left Blank Intentionally]

Schedule II

[Date]

[]

Gracell Biotechnologies, Inc.

Dear Sir,

Re: Employee Stock Option Plan

I hereby give notice that the Option granted to me under the Employee Stock Option Plan (the “Plan”) of Gracell Biotechnologies, Inc. adopted on [] as amended from time to time in accordance with the provisions thereof is hereby exercised in respect of [] Shares.

I enclose the remittance of US\$[], being the aggregate amount of the Exercise Price multiplied by the number of Shares in respect of which the Share Option is exercised.

Words and expressions not otherwise defined in this letter shall have the same meanings ascribed to them in the Plan.

Yours faithfully,

.....
[name of Grantee]

GRACELL BIOTECHNOLOGIES INC.

2020 Share Incentive Plan

(adopted by ordinary resolution passed on December 18, 2020 and effective immediately prior to the completion of the initial public offering of the ADSs representing the Company's ordinary shares)

ARTICLE 1

PURPOSE

The purpose of the Plan is to promote the success and enhance the value of Gracell Biotechnologies Inc., an exempted company formed under the laws of the Cayman Islands (the "Company"), by linking the personal interests of the Directors, Employees, and Consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company's shareholders.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders, and the rules of any applicable stock exchange or national market system, of any jurisdiction applicable to Awards granted to residents therein.

2.2 "Award" means an Option, Restricted Share, Restricted Share Units or other types of award approved by the Committee granted to a Participant pursuant to the Plan.

2.3 "Award Pool" has the meaning set forth in Section 3.1.

2.4 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.5 "Board" means the board of directors of the Company.

2.6 "Cause" with respect to a Participant means (unless otherwise expressly provided in the applicable Award Agreement, or another applicable contract with the Participant that defines such term for purposes of determining the effect that a "for cause" termination has on the Participant's Awards) a termination of employment or service based upon a finding by the Service Recipient, acting in good faith and based on its reasonable belief at the time, that the Participant:

(a) has been negligent in the discharge of his or her duties to the Service Recipient, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;

(b) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information;

(c) has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Service Recipient; or has been convicted of, or plead guilty or nolo contendere to, a felony or misdemeanor (other than minor traffic violations or similar offenses);

(d) has materially breached any of the provisions of any agreement with the Service Recipient;

(e) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Service Recipient; or

(f) has improperly induced a vendor or customer to break or terminate any contract with the Service Recipient or induced a principal for whom the Service Recipient acts as agent to terminate such agency relationship.

A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Committee) on the date on which the Service Recipient first delivers written notice to the Participant of a finding of termination for Cause.

2.7 “Code” means the Internal Revenue Code of 1986 of the United States, as amended.

2.8 “Committee” means a committee of the Board described in Article 10.

2.9 “Consultant” means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient, (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities, and (c) the consultant or adviser is a natural person who has contracted directly with the Service Recipient to render such services. For the avoidance of doubt, each member of the scientific advisory board of the Company is a Consultant.

2.10 “Corporate Transaction”, unless otherwise defined in an Award Agreement, means any of the following transactions; provided, however, that the Committee shall determine under paragraphs (d) and (e) below whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation or scheme of arrangement (i) in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or (ii) following which the holders of the voting securities of the Company do not continue to hold more than 50% of the combined voting power of the voting securities of the surviving entity;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the complete liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Company’s equity securities outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than 50% of the total combined voting power of the Company’s outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(e) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than 50% of the total combined voting power of the Company’s outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

2.11 “Director” means a member of the Board or a member of the board of directors of any Subsidiary of the Company.

2.12 “Disability”, unless otherwise defined in an Award Agreement, means that the Participant qualifies to receive long-term disability payments under the Service Recipient’s long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, “Disability” means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.13 “Effective Date” has the meaning set forth in Section 11.1.

2.14 “Employee” means any person, including an officer or a Director, who is in the employment of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director’s fee by a Service Recipient shall not be sufficient to constitute “employment” by the Service Recipient or cause such Service Recipient to be considered an “Employee” for purposes of the Plan.

2.15 “Exchange Act” means the Securities Exchange Act of 1934 of the United States, as amended.

2.16 “Fair Market Value” means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established stock exchanges or national market systems, including without limitation, the New York Stock Exchange or the Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported on the website maintained by such exchange or market system or such other source as the Committee deems reliable; or

(b) In the absence of an established market for the Shares of the type described in (a) above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company’s business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company’s business operation and the general economic and market conditions since such transaction, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value.

2.17 “Group Entity” means any of the Company and Subsidiaries of the Company.

2.18 “Incentive Share Option” means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.19 “Independent Director” means (i) if the Shares or other securities representing the Shares are not listed on a stock exchange, a Director of the Company who is a Non-Employee Director, and (ii) if the Shares or other securities representing the Shares are listed on one or more stock exchange, a Director of the Company who meets the independence standards under the applicable corporate governance rules of the stock exchange(s).

2.20 “Non-Employee Director” means a member of the Board who qualifies as a “Non-Employee Director” as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board.

2.21 “Non-Qualified Share Option” means an Option that is not intended to be an Incentive Share Option.

2.22 “Option” means a right granted to a Participant pursuant to Article 5 to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Share Option or a Non-Qualified Share Option.

- 2.23 “Participant” means a person who, as a Director, Consultant or Employee, has been granted an Award pursuant to the Plan.
- 2.24 “Parent” means a parent corporation under Section 424(e) of the Code.
- 2.25 “Plan” means this 2020 Share Incentive Plan of Gracell Biotechnologies Inc., as amended and/or restated from time to time.
- 2.26 “Related Entity” means any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial ownership interest, directly or indirectly, or controls through contractual arrangements and consolidates the financial results according to applicable accounting standards, but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.
- 2.27 “Restricted Share” means a Share awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.
- 2.28 “Restricted Share Unit” means the right granted to a Participant pursuant to Article 7 to receive a Share, cash or a combination of both at a future date.
- 2.29 “Securities Act” means the Securities Act of 1933 of the United States, as amended.
- 2.30 “Service Recipient” means the Company or Subsidiary of the Company to which a Participant provides services as an Employee, a Consultant or a Director.
- 2.31 “Share” means the ordinary shares of the Company, par value US\$0.0001 per share, and such other securities of the Company that may be substituted for Shares pursuant to Article 9.
- 2.32 “Subsidiary” means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company.
- 2.33 “Trading Date” means the closing of the first sale to the general public of the Shares pursuant to a registration statement filed with and declared effective by the U.S. Securities and Exchange Commission under the Securities Act.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to the provisions of Article 9 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) (the “Award Pool”) shall initially be three percent (3%) of the Shares outstanding immediately upon completion of the initial public offering of the Company. The Award Pool will be increased on an annual basis on the first calendar day of each fiscal year of the Company during the term of this Plan commencing on January 1st of the year following the year in which the initial public offering of the Company occurs, by the lesser of (i) an amount equal to one percent (1%) of the total number of Shares issued and outstanding on the last day of the immediately preceding fiscal year, and (ii) such number of Shares as may be determined by the Board.

(b) To the extent that an Award terminates, expires, lapses for any reason or is settled in cash, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form or combination by a Group Entity shall not be counted against Shares available for grant pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Restricted Shares are forfeited by the Participant or repurchased by the Company for any reason, including because of the failure to meet a contingency or condition required to vest such shares in the Participant, then such Shares will revert to and again become available for issuance under the Plan, subject to the limitations of Section 3.1(a). Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Share Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, at the discretion of the Committee, any Shares distributed pursuant to an Award may be represented by American Depositary shares. If the number of Shares represented by an American Depositary share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depositary shares in lieu of Shares.

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Persons eligible to participate in this Plan include the independent directors of the Company.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

4.3 Jurisdictions. In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; provided, however, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

ARTICLE 5

OPTIONS

5.1 General. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed price or a variable price related to the Fair Market Value of the Shares. The exercise price per Share subject to an Option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by Applicable Laws or any exchange rule, a downward adjustment of the exercise prices of Options mentioned in the preceding sentence shall be effective without the approval of the Company's shareholders or the approval of the affected Participants.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; provided, that the term of any Option granted under the Plan shall not exceed ten years, except as provided in Section 12.1. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. dollars, (ii) to the extent permissible under the Applicable Laws, cash or check in Chinese Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (v) after the Trading Date the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; provided that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a Fair Market Value equal to the exercise price, or (vii) any combination of the foregoing. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

(e) Effects of Termination of Employment or Service on Options. Termination of employment or service shall have the following effects on Options granted to the Participants:

(i) Dismissal for Cause. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient is terminated by the Service Recipient for Cause, the Participant's Options will terminate upon such termination, whether or not the Option is then vested and/or exercisable;

(ii) Death or Disability. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates as a result of the Participant's death or Disability:

(A) the Participant (or his or her legal representative or beneficiary, in the case of the Participant's Disability or death, respectively), will have until the date that is 12 months after the Participant's termination of employment to exercise the Participant's Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of employment on account of death or Disability;

(B) the Options, to the extent not vested and exercisable on the date of the Participant's termination of employment or service, shall terminate upon the Participant's termination of employment or service on account of death or Disability; and

(C) the Options, to the extent exercisable for the 12-month period following the Participant's termination of employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period.

(iii) Other Terminations of Employment or Service. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates for any reason other than a termination by the Service Recipient for Cause or because of the Participant's death or Disability:

(A) the Participant will have until the date that is 90 days after the Participant's termination of employment or service to exercise his or her Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of employment or service;

(B) the Options, to the extent not vested and exercisable on the date of the Participant's termination of employment or service, shall terminate upon the Participant's termination of employment or service; and

(C) the Options, to the extent exercisable for the 90-day period following the Participant's termination of employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 90-day period.

5.2 Incentive Share Options. Incentive Share Options may be granted to Employees of the Company or a Subsidiary of the Company. Incentive Share Options may not be granted to employees of a Related Entity or to Independent Directors or Consultants. The terms of any Incentive Share Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Share Options are first exercisable by a Participant in any calendar year may not exceed \$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Share Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Share Options.

(b) Exercise Price. The exercise price of an Incentive Share Option shall be equal to the Fair Market Value on the date of grant. However, the exercise price of any Incentive Share Option granted to any individual who, at the date of grant, owns Shares possessing more than 10% of the total combined voting power of all classes of shares of the Company or any Parent or Subsidiary of the Company may not be less than 110% of Fair Market Value on the date of grant and such Option may not be exercisable for more than five years from the date of grant.

(c) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Share Option within (i) two years from the date of grant of such Incentive Share Option or (ii) one year after the transfer of such Shares to the Participant.

(d) Expiration of Incentive Share Options. No Award of an Incentive Share Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(e) Right to Exercise. During a Participant's lifetime, an Incentive Share Option may be exercised only by the Participant.

ARTICLE 6

RESTRICTED SHARES

6.1 Grant of Restricted Shares. The Committee, at any time and from time to time, may grant Restricted Shares to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Shares to be granted to each Participant.

6.2 Restricted Shares Award Agreement. Each Award of Restricted Shares shall be evidenced by an Award Agreement that shall specify the period of restriction, the number of Restricted Shares granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine. Unless the Committee determines otherwise, Restricted Shares shall be held by the Company as escrow agent until the restrictions on such Restricted Shares have lapsed.

6.3 Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Shares or the right to receive dividends on the Restricted Shares). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.4 **Forfeiture/Repurchase.** Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the Award Agreement; provided, however, the Committee may (a) provide in any Restricted Share Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Shares.

6.5 **Certificates for Restricted Shares.** Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

6.6 **Removal of Restrictions.** Except as otherwise provided in this Article 6, Restricted Shares granted under the Plan shall be released from escrow as soon as practicable after the last day of the period of restriction. The Committee, in its discretion, may accelerate the time at which any restrictions shall lapse or be removed. After the restrictions have lapsed, the Participant shall be entitled to have any legend or legends under Section 6.5 removed from his or her Share certificate, and the Shares shall be freely transferable by the Participant, subject to applicable legal restrictions. The Committee, in its discretion, may establish procedures regarding the release of Shares from escrow and the removal of legends, as necessary or appropriate to minimize administrative burdens on the Company.

ARTICLE 7

RESTRICTED SHARE UNITS

7.1 **Grant of Restricted Share Units.** The Committee, at any time and from time to time, may grant Restricted Share Units to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Share Units to be granted to each Participant.

7.2 **Restricted Share Units Award Agreement.** Each Award of Restricted Share Units shall be evidenced by an Award Agreement that shall specify any vesting conditions, the number of Restricted Share Units granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

7.3 **Form and Timing of Payment of Restricted Share Units.** At the time of grant, the Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable. Upon vesting, the Committee, in its sole discretion, may pay Restricted Share Units in the form of cash, Shares or a combination thereof.

7.4 **Forfeiture/Repurchase.** Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Share Units that are at that time unvested shall be forfeited or repurchased in accordance with the Award Agreement; provided, however, the Committee may (a) provide in any Restricted Share Unit Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Share Units will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Share Units.

ARTICLE 8

PROVISIONS APPLICABLE TO AWARDS

8.1 **Award Agreement.** Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

8.2 No Transferability; Limited Exception to Transfer Restrictions.

(a) Limits on Transfer. Unless otherwise expressly provided in, or pursuant to, this Section 8.2, by Applicable Laws and by the Award Agreement, as the same may be amended:

(i) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge;

(ii) Awards will be exercised only by the Participant; and

(iii) amounts payable or Shares issuable pursuant to an Award will be delivered only to, or for the account of, and, in the case of Shares, registered in the name of, the Participant.

In addition, the shares shall be subject to the restrictions set forth in the applicable Award Agreement.

(b) Further Exceptions to Limits on Transfer. The exercise and transfer restrictions in Section 8.2(a) will not apply to:

(i) transfers to the Company or a Subsidiary;

(ii) transfers by gift to “immediate family” as that term is defined in Rule 16a-1(e) promulgated under the Exchange Act;

(iii) the designation of a beneficiary to receive benefits if the Participant dies or, if the Participant has died, transfers to or exercises by the Participant’s beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution;

(iv) if the Participant has suffered a Disability, permitted transfers or exercises on behalf of the Participant by the Participant’s duly authorized legal representative; or

(v) subject to the prior approval of the Committee or an executive officer or director of the Company authorized by the Committee, transfer to one or more natural persons who are the Participant’s family members or entities owned and controlled by the Participant and/or the Participant’s family members, including but not limited to trusts or other entities whose beneficiaries or beneficial owners are the Participant and/or the Participant’s family members, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee or may establish. Any permitted transfer shall be subject to the condition that the Committee receives evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes and on a basis consistent with the Company’s lawful issue of securities.

Notwithstanding anything else in this Section 8.2(b) to the contrary, but subject to compliance with all Applicable Laws, Incentive Share Options, Restricted Shares and Restricted Share Units will be subject to any and all transfer restrictions under the Code applicable to such Awards or necessary to maintain the intended tax consequences of such Awards. Notwithstanding paragraph (ii) above but subject to compliance with all Applicable Laws, any contemplated transfer by gift to “immediate family” as referenced in paragraph (ii) above is subject to the condition precedent that the transfer be approved by the administrator of the Plan in order for it to be effective.

8.3 Beneficiaries. Notwithstanding Section 8.2, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant’s death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant’s spouse as his or her beneficiary with respect to more than 50% of the Participant’s interest in the Award shall not be effective without the prior written consent of the Participant’s spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant’s will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

8.4 Performance Objectives and Other Terms. The Committee, in its discretion, shall set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of the Awards that will be granted or paid out to the Participants.

8.5 Share Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing the Shares pursuant to the exercise of any Award, unless and until the Committee has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with all Applicable Laws, and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Committee may place legends on any Share certificate to reference restrictions applicable to the Shares. In addition to the terms and conditions provided herein, the Committee may require that a Participant make such reasonable covenants, agreements, and representations as the Committee, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

8.6 Paperless Administration. Subject to Applicable Laws, the Committee may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website or interactive voice response system for the paperless administration of Awards.

8.7 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award was acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or other foreign currency, as permitted by the Committee, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the People's Republic of China, the exchange rate as selected by the Committee on the date of exercise.

ARTICLE 9

CHANGES IN CAPITAL STRUCTURE

9.1 Adjustments. In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1), (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto), and (c) the grant or exercise price per Share for any outstanding Awards under the Plan.

9.2 Corporate Transactions. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if the Committee anticipates the occurrence, or upon the occurrence, of a Corporate Transaction, the Committee may, in its sole discretion, provide for (i) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise the vested portion of such Awards during a period of time as the Committee shall determine, (ii) the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award (and, for the avoidance of doubt, if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award, then such Award may be terminated by the Company without payment), (iii) the replacement of such Award with other rights or property selected by the Committee in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a Parent or Subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and prices, or (iv) payment of such Award in cash based on the value of Shares on the date of the Corporate Transaction plus reasonable interest on the Award through the date as determined by the Committee when such Award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Code.

9.3 Outstanding Awards – Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 9, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

9.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, and no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to an Award or the grant or exercise price of any Award.

ARTICLE 10

ADMINISTRATION

10.1 Committee. The Plan shall be administered by the Board or a committee of one or more members of the Board (the “Committee”) to whom the Board shall delegate the authority to grant or amend Awards to Participants other than any of the Committee members, Independent Directors and executive officers of the Company. Reference to the Committee shall refer to the Board in absence of the Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office, shall conduct the general administration of the Plan if required by Applicable Laws, and with respect to Awards granted to the Committee members, Independent Directors and executive officers of the Company and for purposes of such Awards the term “Committee” as used in the Plan shall be deemed to refer to the Board.

10.2 Action by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved unanimously in writing all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of a Group Entity, the Company’s independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

10.3 Authority of the Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

- (a) designate Participants to receive Awards;
- (b) determine the type or types of Awards to be granted to each Participant;
- (c) determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(e) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) decide all other matters that must be determined in connection with an Award;

(h) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement;

(j) amend terms and conditions of Award Agreements; and

(k) make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan, including design and adopt from time to time new types of Awards that are in compliance with Applicable Laws.

10.4 **Decisions Binding.** The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 11

EFFECTIVE AND EXPIRATION DATE

11.1 **Effective Date.** The Plan shall become effective immediately prior to the completion of the initial public offering of the Company (the "**Effective Date**").

11.2 **Expiration Date.** The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 12

AMENDMENT, MODIFICATION, AND TERMINATION

12.1 **Amendment, Modification, and Termination.** At any time and from time to time, the Board may terminate, amend or modify the Plan; provided, however, that (a) to the extent necessary and desirable to comply with Applicable Laws or stock exchange rules, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 9 or Section 3.1(a)), or (ii) permits the Committee to extend the term of the Plan or the exercise period for an Option beyond ten years from the date of grant.

12.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 12.1, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 13

GENERAL PROVISIONS

13.1 No Rights to Awards. No Participant, employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants, employees, and other persons uniformly.

13.2 No Shareholders Rights. No Award gives the Participant any of the rights of a shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

13.3 Taxes. No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under Applicable Laws. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all applicable taxes (including the Participant's payroll tax obligations) required or permitted by Applicable Laws to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award after such Shares were acquired by the Participant from the Company) in order to satisfy any income and payroll tax liabilities applicable to the Participant with respect to the issuance, vesting, exercise or payment of the Award shall, unless specifically approved by the Committee, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for the applicable income and payroll tax purposes that are applicable to such supplemental taxable income.

13.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employment or services of any Service Recipient.

13.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the relevant Group Entity.

13.6 Indemnification. To the extent allowable pursuant to Applicable Laws, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; provided he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

13.7 Expenses. The expenses of administering the Plan shall be borne by the Group Entities.

13.8 Fractional Shares. No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down as appropriate.

13.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

13.10 Government and Other Regulations. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all Applicable Laws, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

13.11 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the Cayman Islands.

13.12 Section 409A. To the extent that the Committee determines that any Award granted under the Plan is or may become subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and the U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance.

13.13 Appendices. The Committee may approve such supplements, amendments or appendices to the Plan as it may consider necessary or appropriate for purposes of compliance with Applicable Laws or otherwise and such supplements, amendments or appendices shall be considered a part of the Plan; provided, however, that no such supplements shall increase the share limitation contained in Section 3.1 without the approval of the Board.

* * * * *

GRACELL BIOTECHNOLOGIES INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this “Agreement”) is made as of _____, by and between Gracell Biotechnologies Inc., an exempted company incorporated and existing under the laws of the Cayman Islands (the “Company”), and [**Name of Director**]([US passport/ID];[*])

WHEREAS, the Indemnatee has agreed to serve as a director or officer of the Company and in such capacity will render valuable services to the Company; and

WHEREAS, in order to induce and encourage highly experienced and capable persons such as the Indemnatee to render valuable services to the Company, the board of directors of the Company (the “Board”) has determined that this Agreement is not only reasonable and prudent, but necessary to promote and ensure the best interests of the Company and its shareholders;

NOW, THEREFORE, in consideration of the premises and mutual agreements hereinafter set forth, and other good and valuable consideration, including, without limitation, the service of the Indemnatee, the receipt of which hereby is acknowledged, and in order to induce the Indemnatee to render valuable services the Company, the Company and the Indemnatee hereby agree as follows:

I. DEFINITIONS.

As used in this Agreement:

A. “Change in Control” shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar or successor schedule or form) promulgated under the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the “Act”), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred (irrespective of the applicability of the initial clause of this definition) if (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Act, but excluding any trustee or other fiduciary holding securities pursuant to an employee benefit or welfare plan or employee share plan of the Company or any subsidiary or affiliate of the Company, or any entity organized, appointed, established or holding securities of the Company with voting power for or pursuant to the terms of any such plan) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities without the prior approval of at least two-thirds of the Continuing Directors (as defined below) in office immediately prior to such person’s attaining such interest; (ii) the Company is a party to a merger, consolidation, scheme of arrangement, sale of assets or other reorganization, or a proxy contest, as a consequence of which Continuing Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of the Company (or any successor entity) thereafter; or (iii) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of the Company (including for this purpose any new director whose election or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) (such directors being referred to herein as “Continuing Directors”) cease for any reason to constitute at least a majority of the Board of the Company.

B. “Disinterested Director” with respect to any request by the Indemnatee for indemnification or advancement of expenses hereunder shall mean a director of the Company who neither is nor was a party to the Proceeding (as defined below) in respect of which indemnification or advancement is being sought by the Indemnatee.

C. The term “Expenses” shall mean, without limitation, expenses of Proceedings, including attorneys’ fees, disbursements and retainers, accounting and witness fees, expenses related to preparation for service as a witness and to service as a witness, travel and deposition costs, expenses of investigations, judicial or administrative proceedings and appeals, amounts paid in settlement of a Proceeding by or on behalf of the Indemnatee, costs of attachment or similar bonds, any expenses of attempting to establish or establishing a right to indemnification or advancement of expenses, under this Agreement, the Company’s Memorandum of Association and Articles of Association as currently in effect (the “Articles”), applicable law or otherwise, and reasonable compensation for time spent by the Indemnatee in connection with the investigation, defense or appeal of a Proceeding or action for indemnification for which the Indemnatee is not otherwise compensated by the Company or any third party. The term “Expenses” shall not include the amount of judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are actually levied against or sustained by the Indemnatee to the extent sustained after final adjudication.

D. The term “Independent Legal Counsel” shall mean any firm of attorneys reasonably selected by the Board of the Company, so long as such firm has not represented the Company, the Company’s subsidiaries or affiliates, the Indemnatee, any entity controlled by the Indemnatee, or any party adverse to the Company, within the preceding five (5) years. Notwithstanding the foregoing, the term “Independent Legal Counsel” shall not include any person who, under applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnatee in an action to determine the Indemnatee’s right to indemnification or advancement of expenses under this Agreement, the Company’s Articles, applicable law or otherwise.

E. The term “Proceeding” shall mean any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, or other proceeding (including, without limitation, an appeal therefrom), formal or informal, whether brought in the name of the Company or otherwise, whether of a civil, criminal, administrative or investigative nature, and whether by, in or involving a court or an administrative, other governmental or private entity or body (including, without limitation, an investigation by the Company or its Board), by reason of (i) the fact that the Indemnatee is or was a director or officer of the Company, or is or was serving at the request of the Company as an agent of another enterprise, whether or not the Indemnatee is serving in such capacity at the time any liability or expense is incurred for which indemnification or reimbursement is to be provided under this Agreement, (ii) any actual or alleged act or omission or neglect or breach of duty, including, without limitation, any actual or alleged error or misstatement or misleading statement, which the Indemnatee commits or suffers while acting in any such capacity, or (iii) the Indemnatee attempting to establish or establishing a right to indemnification or advancement of expenses pursuant to this Agreement, the Company’s Articles, applicable law or otherwise.

F. The phrase “serving at the request of the Company as an agent of another enterprise” or any similar terminology shall mean, unless the context otherwise requires, serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, employee benefit or welfare plan or other enterprise, foreign or domestic. The phrase “serving at the request of the Company” shall include, without limitation, any service as a director/an executive officer of the Company which imposes duties on, or involves services by, such director/executive officer with respect to the Company or any of the Company’s subsidiaries, affiliates, employee benefit or welfare plans, such plan’s participants or beneficiaries or any other enterprise, foreign or domestic. In the event that the Indemnitee shall be a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, employee benefit or welfare plan or other enterprise, foreign or domestic, 50% or more of the ordinary shares, combined voting power or total equity interest of which is owned by the Company or any subsidiary or affiliate thereof, then it shall be presumed conclusively that the Indemnitee is so acting at the request of the Company.

G. **Services by the Indemnitee.** The Indemnitee agrees to serve as a director or officer of the Company under the terms of the Indemnitee’s agreement with the Company for so long as the Indemnitee is duly elected or appointed or until such time as the Indemnitee tenders a resignation in writing or is removed from the Indemnitee’s position; provided, however, that the Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or other obligation imposed by operation of law).

II. PROCEEDINGS BY OR IN THE RIGHT OF THE COMPANY.

The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that the Indemnitee is or was a director or officer of the Company, or is or was serving at the request of the Company as an agent of another enterprise, against all Expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in connection with the defense or settlement of such a Proceeding, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Company; except that no indemnification under this section shall be made in respect of any claim, issue or matter as to which such person shall have been adjudicated by final judgment by a court of competent jurisdiction to be liable to the Company for willful misconduct in the performance of his/her duty to the Company, unless and only to the extent that the court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such amounts which such other court shall deem proper.

III. PROCEEDING OTHER THAN A PROCEEDING BY OR IN THE RIGHT OF THE COMPANY

The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding (other than a Proceeding by or in the right of the Company), by reason of the fact that the Indemnitee is or was a director or officer of the Company, or is or was serving at the request of the Company as an agent of another enterprise, against all Expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in connection with such a Proceeding, to the fullest extent permitted by applicable law; provided, however, that any settlement of a Proceeding must be approved in advance in writing by the Company (which approval shall not be unreasonably withheld).

IV. INDEMNIFICATION FOR COSTS, CHARGES AND EXPENSES OF WITNESS OR SUCCESSFUL PARTY

Notwithstanding any other provision of this Agreement (except as set forth in subparagraph 9(a) hereof), and without a requirement for determination as required by Paragraph 8 hereof, to the extent that the Indemnatee (a) has prepared to serve or has served as a witness in any Proceeding in any way relating to (i) the Company or any of the Company's subsidiaries, affiliates, employee benefit or welfare plans or such plan's participants or beneficiaries or (ii) anything done or not done by the Indemnatee as a director or officer of the Company or in connection with serving at the request of the Company as an agent of another enterprise, or (b) has been successful in defense of any Proceeding or in defense of any claim, issue or matter therein, on the merits or otherwise, including the dismissal of a Proceeding without prejudice or the settlement of a Proceeding without an admission of liability, the Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnatee in connection therewith to the fullest extent permitted by applicable law.

A. Partial Indemnification. If the Indemnatee is entitled under any provision of this Agreement to indemnification by the Company for a portion of the Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnatee in the investigation, defense, appeal or settlement of any Proceeding, but not, however, for the total amount of the Indemnatee's Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, then the Company shall nevertheless indemnify the Indemnatee for the portion of such Expenses, judgments, fines, interest or penalties or excise taxes to which the Indemnatee is entitled.

B. Advancement of Expenses. The Expenses incurred by the Indemnatee in any Proceeding shall be paid promptly by the Company in advance of the final disposition of the Proceeding at the written request of the Indemnatee to the fullest extent permitted by applicable law; provided, however, that the Indemnatee shall set forth in such request reasonable evidence that such Expenses have been incurred by the Indemnatee in connection with such Proceeding, a statement that such Expenses do not relate to any matter described in subparagraph 9(a) of this Agreement, and an undertaking in writing to repay any advances if it is ultimately determined as provided in subparagraph 8(b) of this Agreement that the Indemnatee is not entitled to indemnification under this Agreement.

C. Indemnification Procedure; Determination of Right to Indemnification.

1. Promptly after receipt by the Indemnatee of notice of the commencement of any Proceeding, the Indemnatee shall, if a claim for indemnification or advancement of Expenses in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof in writing. The omission to so notify the Company will not relieve the Company from any liability which the Company may have to the Indemnatee under this Agreement unless the Company shall have lost significant substantive or procedural rights with respect to the defense of any Proceeding as a result of such omission to so notify.

2. The Indemnitee shall be conclusively presumed to have met the relevant standards of conduct, if any, as defined by applicable law, for indemnification pursuant to this Agreement and shall be absolutely entitled to such indemnification, unless a determination is made that the Indemnitee has not met such standards by a court of competent jurisdiction.

3. If a claim for indemnification or advancement of Expenses under this Agreement is not paid by the Company within thirty (30) days after receipt by the Company of written notice thereof, the rights provided by this Agreement shall be enforceable by the Indemnitee in any court of competent jurisdiction. Such judicial proceeding shall be made de novo. The burden of proving that indemnification or advances are not appropriate shall be on the Company. Neither the failure of the directors or shareholders of the Company or Independent Legal Counsel to have made a determination prior to the commencement of such action that indemnification or advancement of Expenses is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, if any, nor an actual determination by the directors or shareholders of the Company or Independent Legal Counsel that the Indemnitee has not met the applicable standard of conduct shall be a defense to an action by the Indemnitee or create a presumption for the purpose of such an action that the Indemnitee has not met the applicable standard of conduct. The termination of any Proceeding by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself (i) create a presumption that the Indemnitee did not act in good faith and in a manner which he reasonably believed to be in the best interests of the Company and/or its shareholders, and, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his conduct was unlawful or (ii) otherwise adversely affect the rights of the Indemnitee to indemnification or advancement of Expenses under this Agreement, except as may be provided herein.

4. If a court of competent jurisdiction shall determine that the Indemnitee is entitled to any indemnification or advancement of Expenses hereunder, the Company shall pay all Expenses actually and reasonably incurred by the Indemnitee in connection with such adjudication (including, but not limited to, any appellate proceedings).

5. With respect to any Proceeding for which indemnification or advancement of Expenses is requested, the Company will be entitled to participate therein at its own expense and, except as otherwise provided below, to the extent that it may wish, the Company may assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee. After notice from the Company to the Indemnitee of its election to assume the defense of a Proceeding, the Company will not be liable to the Indemnitee under this Agreement for any Expenses subsequently incurred by the Indemnitee in connection with the defense thereof, other than as provided below. The Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on the Indemnitee without the Indemnitee's written consent. The Indemnitee shall have the right to employ his/her own counsel in any Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense of the Proceeding shall be at the expense of the Indemnitee, unless (i) the employment of counsel by the Indemnitee has been authorized by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of the defense of a Proceeding, or (iii) the Company shall not in fact have employed counsel to assume the defense of a proceeding, in each of which cases the fees and expenses of the Indemnitee's counsel shall be advanced by the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Indemnitee has reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee.

6. Limitations on Indemnification. No payments pursuant to this Agreement shall be made by the Company:

a. To indemnify or advance funds to the Indemnitee for Expenses with respect to (i) Proceedings initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under applicable law or (ii) Expenses incurred by the Indemnitee in connection with preparing to serve or serving, prior to a Change in Control, as a witness in cooperation with any party or entity who or which has threatened or commenced any action or proceeding against the Company, or any director, officer, employee, trustee, agent, representative, subsidiary, parent corporation or affiliate of the Company, but such indemnification or advancement of Expenses in each such case may be provided by the Company if the Board finds it to be appropriate;

(a) **b.** To indemnify the Indemnitee for any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, sustained in any Proceeding for which payment is actually made to the Indemnitee under a valid and collectible insurance policy, except in respect of any excess beyond the amount of payment under such insurance;

b. To indemnify the Indemnitee for any Expenses, judgments, fines, interest or penalties sustained in any Proceeding for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Act or similar provisions of any foreign or United States federal, state or local statute or regulation;

c. To indemnify the Indemnitee for any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, for which the Indemnitee is indemnified by the Company otherwise than pursuant to this Agreement;

d. To indemnify the Indemnitee for any Expenses (including without limitation any Expenses relating to a Proceeding attempting to enforce this Agreement), judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, on account of the Indemnitee's conduct if such conduct shall be finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct, including, without limitation, breach of the duty of loyalty; or

e. If a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful. In this respect, the Company and the Indemnitee have been advised that the Securities and Exchange Commission takes the position that indemnification for liabilities arising under securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication;

f. To indemnify the Indemnitee in connection with Indemnitee's personal tax matter; or

g. To indemnify the Indemnitee with respect to any claim related to any dispute or breach arising under any contract or similar obligation between the Company or any of its subsidiaries or affiliates and such Indemnitee.

D. Continuation of Indemnification. All agreements and obligations of the Company contained herein shall continue during the period that the Indemnitee is a director or officer of the Company (or is or was serving at the request of the Company as an agent of another enterprise, foreign or domestic) and shall continue thereafter so long as the Indemnitee shall be subject to any possible Proceeding by reason of the fact that the Indemnitee was a director or officer of the Company or serving in any other capacity referred to in this Paragraph 10.

E. Indemnification Hereunder Not Exclusive. The indemnification provided by this Agreement shall not be deemed to be exclusive of any other rights to which the Indemnitee may be entitled under the Company's Articles, any agreement, vote of shareholders or vote of Disinterested Directors, provisions of applicable law, or otherwise, both as to action or omission in the Indemnitee's official capacity and as to action or omission in another capacity on behalf of the Company while holding such office.

F. Successors and Assigns.

1. This Agreement shall be binding upon the Indemnitee, and shall inure to the benefit of, the Indemnitee and the Indemnitee's heirs, executors, administrators and assigns, whether or not the Indemnitee has ceased to be a director or officer, and the Company and its successors and assigns. Upon the sale of all or substantially all of the business, assets or share capital of the Company to, or upon the merger of the Company into or with, any corporation, partnership, joint venture, trust or other person, this Agreement shall inure to the benefit of and be binding upon both the Indemnitee and such purchaser or successor person. Subject to the foregoing, this Agreement may not be assigned by either party without the prior written consent of the other party hereto.

2. If the Indemnitee is deceased and is entitled to indemnification under any provision of this Agreement, the Company shall indemnify the Indemnitee's estate and the Indemnitee's spouse, heirs, executors, administrators and assigns against, and the Company shall, and does hereby agree to assume, any and all Expenses actually and reasonably incurred by or for the Indemnitee or the Indemnitee's estate, in connection with the investigation, defense, appeal or settlement of any Proceeding. Further, when requested in writing by the spouse of the Indemnitee, and/or the Indemnitee's heirs, executors, administrators and assigns, the Company shall provide appropriate evidence of the Company's agreement set out herein to indemnify the Indemnitee against and to itself assume such Expenses.

V. SUBROGATION

In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

VI. SEVERABILITY

Each and every paragraph, sentence, term and provision of this Agreement is separate and distinct so that if any paragraph, sentence, term or provision thereof shall be held to be invalid, unlawful or unenforceable for any reason, such invalidity, unlawfulness or unenforceability shall not affect the validity, unlawfulness or enforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Agreement may be modified by a court of competent jurisdiction to preserve its validity and to provide the Indemnatee with the broadest possible indemnification permitted under applicable law. The Company's inability, pursuant to a court order or decision, to perform its obligations under this Agreement shall not constitute a breach of this Agreement.

VII. SAVINGS CLAUSE

If this Agreement or any paragraph, sentence, term or provision hereof is invalidated on any ground by any court of competent jurisdiction, the Company shall nevertheless indemnify the Indemnatee as to any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are incurred with respect to any Proceeding to the fullest extent permitted by any (a) applicable paragraph, sentence, term or provision of this Agreement that has not been invalidated or (b) applicable law.

VIII. INTERPRETATION; GOVERNING LAW

This Agreement shall be construed as a whole and in accordance with its fair meaning and any ambiguities shall not be construed for or against either party. Headings are for convenience only and shall not be used in construing meaning. This Agreement shall be governed and interpreted in accordance with the laws of the Cayman Islands without regard to the conflict of laws principles thereof.

IX. AMENDMENTS

No amendment, waiver, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by the party against whom enforcement is sought. The indemnification rights afforded to the Indemnatee hereby are contract rights and may not be diminished, eliminated or otherwise affected by amendments to the Company's Articles, or by other agreements, including directors' and officers' liability insurance policies, of the Company.

X. COUNTERPARTS

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to the other.

XI. NOTICES.

Any notice required to be given under this Agreement shall be directed to [*] of the Company, at Building 12, 218 Sangtian Road, Suzhou BioBay Park, Suzhou, 215000, People's Republic of China and to the Indemnatee at ***[Note: to fill in address of the Indemnatee]*** or to such other address as either shall designate to the other in writing.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Indemnification Agreement as of the date first written above.

GRACELL BIOTECHNOLOGIES INC.

By: _____
Name: _____
Title: _____

INDEMNITEE

By: _____
Name: _____

GRACELL BIOTECHNOLOGIES INC.

DIRECTOR AGREEMENT

This Director Agreement (the "Agreement") is made and entered into as of _____, by and between Gracell Biotechnologies Inc., a Cayman Islands company (the "Company"), and _____ (ID Card No.: _____) (the "Director").

I. SERVICES

A. Board of Directors. The Director is appointed to serve as a director of the Company's Board of Directors (the "Board"), effective as of the date (the "Effective Date") when the Securities and Exchange Commission (the "SEC") declares effectiveness the Company's registration statement on Form F-1 which was initially submitted to the SEC confidentially on October 19, 2020, until the earlier of (i) _____ year[s] after the Effective Date or (ii) the date of termination of this Agreement in accordance with Section 5.2 hereof (such earlier date being the "Expiration Date"). The Board shall consist of the Director and such other members as are nominated and elected pursuant to the then-current Memorandum and Articles of Association of the Company (the "Memorandum and Articles").

B. Director Services. The Director's services to the Company hereunder shall include service on the Board and service on the _____ committee of the Board in accordance with applicable law and stock exchange rules as well as the Memorandum and Articles, and such other services mutually agreed to by the Director and the Company (the "Director Services").

II. COMPENSATION

A. Expense Reimbursement. The Company shall reimburse the Director for all reasonable travel and other out-of-pocket expenses incurred in connection with the Director Services rendered by the Director.

B. Compensation to Director. The Director shall receive from the Company compensation pursuant to Exhibit A hereto.

C. Director and Officer Liability Insurance. The Company shall maintain a customary director and officer liability insurance policy to insure the Director against any losses incurred in lawsuits or other legal proceedings brought against the Director in connection with the Director Services.

III. DUTIES OF DIRECTOR

A. Fiduciary Duties. In fulfilling his/her managerial responsibilities, the Director shall be charged with a fiduciary duty to the Company. The Director shall be attentive and inform himself/herself of all material facts regarding a decision before taking action. In addition, the Director's actions shall be motivated solely by the best interests of the Company.

B. Confidentiality. During the Term of this Agreement, and for a period of one (1) year after the Expiration Date, the Director shall maintain in strict confidence all information he/she has obtained or shall obtain from the Company that the Company has designated as “confidential” or that is by its nature confidential, relating to the Company’s business, operations, properties, assets, services, condition (financial or otherwise), liabilities, employee relations, customers (including customer usage statistics), suppliers, prospects, technology, or trade secrets, except to the extent such information (i) is in the public domain through no act or omission of the Director, (ii) is required to be disclosed by law or a valid order by a court or other governmental body, or (iii) is independently learned by the Director outside of his/her relationship with the Company and its affiliates (the “Confidential Information”).

C. Nondisclosure and Nonuse Obligations. The Director will use the Confidential Information solely to perform the Director Services for the benefit of the Company. The Director will treat all Confidential Information of the Company with the same degree of care as the Director treats his/her own Confidential Information, and the Director will use his/her best efforts to protect the Confidential Information. The Director will not use the Confidential Information for his/her own benefit or the benefit of any other person or entity, except as may be specifically permitted in this Agreement. The Director will immediately give notice to the Company of any unauthorized use or disclosure by or through him/her, or of which he/she becomes aware, of the Confidential Information. The Director agrees to assist the Company in remedying any such unauthorized use or disclosure of the Confidential Information.

D. Return of the Company Property. All materials furnished to the Director by the Company, whether delivered to the Director by the Company or made by the Director in the performance of Director Services under this Agreement (the “Company Property”), are the sole and exclusive property of the Company. The Director agrees to promptly deliver the original and any copies of the Company Property to the Company at any time upon the Company’s request. Upon termination of this Agreement by either party for any reason, the Director agrees to promptly deliver to the Company or destroy, at the Company’s option, the original and any copies of the Company Property. The Director agrees to certify in writing that the Director has so returned or destroyed all such Company Property.

IV. COVENANTS OF DIRECTOR

A. No Conflict of Interest. During the Term of this Agreement, the Director shall not be employed by, own, manage, control or participate in the ownership, management, operation or control of any business entity that is competitive with the Company or otherwise undertake any obligation inconsistent with the terms hereof, provided that Director may continue the Director’s current affiliation or other current relationships with the entity or entities described on Exhibit B (all of which entities are referred to collectively as “Current Affiliations”). This Agreement is subject to the current terms and agreements governing the Director’s relationship with Current Affiliations, and nothing in this Agreement is intended to be or will be construed to inhibit or limit any of the Director’s obligations to Current Affiliations. The Director represents that nothing in this Agreement conflicts with the Director’s obligations to Current Affiliations. A business entity shall be deemed to be “competitive with the Company” for purpose of this Article IV only if and to the extent it engages in the business substantially similar to the Company’s business. If the Director undertakes any duty, investment or other obligation that may present a conflict of interest prohibited under this Section 4.1, the Director shall inform the Board in advance. If the Board decides such proposed new obligation would present an actual conflict of interest prohibited hereunder and the Director still undertakes the new obligation, the Board shall have the right to remove the Director from the Board.

B. Noninterference with Business. During the Term of this Agreement, and for a period of one (1) year after the Expiration Date, the Director agrees not to interfere with the business of the Company in any manner. By way of example and not of limitation, the Director agrees not to solicit or induce any employee, independent contractor, customer, supplier or business partner of the Company to terminate or breach his/her/its employment, contractual or other relationship with the Company.

V. TERM AND TERMINATION

A. Term. This Agreement is effective as of the Effective Date as provided for in Section 1.1 above and will continue until the Expiration Date (the “Term”).

B. Termination. Either party may terminate this Agreement at any time upon thirty (30) days prior written notice to the other party, or such shorter period as the parties may agree upon.

C. Survival. The rights and obligations contained in Articles III and IV will survive any termination or expiration of this Agreement.

VI. MISCELLANEOUS

A. Assignment. Except as expressly permitted by this Agreement, neither party shall assign, delegate, or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party. Subject to the foregoing, this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

B. No Waiver. The failure of any party to insist upon the strict observance and performance of the terms of this Agreement shall not be deemed a waiver of other obligations hereunder, nor shall it be considered a future or continuing waiver of the same terms.

C. Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (i) by personal delivery when delivered personally; (ii) by overnight courier upon written verification of receipt; (iii) by facsimile transmission upon acknowledgment of receipt of electronic transmission; or (iv) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to the addresses set forth on the signature page of this Agreement or such other address as either party may specify in writing.

D. Governing Law. This Agreement shall be governed in all respects by the laws of the Cayman Islands without regard to conflicts of law principles thereof.

E. Severability. Should any provisions of this Agreement be held by a court of law to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby.

F. Entire Agreement. This Agreement constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter. The terms of this Agreement will govern all Director Services undertaken by the Director for the Company.

G. Amendments. This Agreement may only be amended, modified or changed by an agreement signed by the Company and the Director. The terms contained herein may not be altered, supplemented or interpreted by any course of dealing or practices.

H. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Company:
Address:
Building 12, 218 Sangtian Road
Suzhou BioBay Park, Suzhou, 215000
People’s Republic of China

GRACELL BIOTECHNOLOGIES INC.

By: _____
Name:
Title:

[Insert name of director]

Director:
Address:

[Signature Page to Director Agreement]

GRACELL BIOTECHNOLOGIES INC.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into as of _____, by and between Gracell Biotechnologies Inc., a Cayman Islands company (the "Company"), and _____ (ID Card No.: _____) (the "Employee").

ARTICLE 1: TERM & NATURE

A. This Employment Agreement: _____

(a) Is a fixed term Employment Agreement and, the period of employment commences from _____ (YY/MM/DD) (the "Effective Date"), to _____ (YY/MM/DD), and until _____ (YY/MM/DD) shall be the probation period.

(b) Has a perpetual term of employment without defined expiry or termination date, and the period of employment commences at (YY/MM/DD).

(c) Has an effective term of __ months on a project basis, with reference to a pre-defined scope of work with effect from _____ (YY/MM/DD).

B. Working Hours

The Employee has _____ taking into account the nature of his senior management position, and therefore shall not be entitled to any overtime pay. The Company guarantees the Employee the right of adequate rest hours and leave of absence.

ARTICLE 2: JOB CONTENTS

A. Subject to the terms and provisions of this Agreement, the Employee is hereby employed by the Company as _____ (position/title) of the Company. The Employee shall have full responsibility and authority for such duties as customarily are associated with service as the Chief Financial Officer of the Company at the direction of the Board of Directors of the Company (the "Board"). The Employee shall faithfully and diligently perform, on a full-time basis, such duties assigned to the Employee.

B. Employee shall devote substantially all of his business time, attention, energies, skills, learning and efforts to the Company's business.

C. In accordance with job requirements, the Employee accepts that he/she might be required to travel domestically and internationally. The Employee is expected to abide by the travel policy with the applicable exceptions as agreed to with the Company's CEO.

ARTICLE 3: COMPENSATION

A. Base Salary: The Employee's annual base salary under this Agreement shall be USD _____ (gross) per year (i.e. \$ _____ per month, total 12 months), prorated for any partial year, commencing upon the Effective Date; provided however that the Employee's Base Salary shall be reviewed annually by the Board of Directors and/or its Compensation Committee and adjusted based on fair market value. The annual base salary shall be payable monthly in twelve equal instalments prorated from the Effective Date in accordance with the ordinary payroll procedures of the Company.

B. Annual Bonus: The Employee will be awarded an annual bonus targeted at ____% of his/her annual base salary, with the final amount subject to the review and approval made annually by the Board and/or its Compensation Committee (as applicable) based on the results of annual milestone, the Employee's performance and company annual target achievements of the whole year.

C. The Employee will be granted _____ shares of stock option in total of Gracell Biotechnologies, Inc., with _____ equal installments through _____ years. Option granted to the Employee shall be controlled by the terms and conditions set forth in a Notice of Grant and Stock Option Agreement approved by the Board of Directors ("Option Agreement").

D. Subject to the submission of application and provision of valid invoices by the Employee, and pursuant to the Company's financial procedures, the Company shall reimburse the Employee for:

(a) the Employee's annual housing allowance for which the reimbursable amount shall be determined in accordance with the invoice amount but no more than USD _____ in any year.

(b) the Employee's annual transportation allowance, for which the reimbursable amount shall be determined in accordance with the invoice amount but no more than USD _____ in any year; and

(c) the Employee is eligible to participate in high-end global Health Insurance plan, for which the reimbursement amount shall be determined in accordance with the invoice amount but no more than USD _____ in any year.

E. The Employee shall be entitled to _____ working days paid annual leave during each calendar year (prorated for any partial year) to be taken at times agreed with the Company and pursuant to the Company's annual leave policies.

F. During the term of the employment, the Employee shall be entitled to participate in all of the employee benefit plans and arrangements made available by the Company to its similarly situated employees, including, but not limited to, any retirement plan, medical insurance plan and travel/holiday policy, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements.

ARTICLE 4: EDUCATION & TRAINING

Should the Company sponsor the Employee for professional training courses, the Employee shall serve the Company for a fixed term of service years and this period is to be determined in accordance with the value of the training curriculum and tangible/intangible investment sum. Otherwise the Employee is required to refund the Company the training cost amortized in accordance with term of service. The Company and the Employee are required to mutually agree on such details and may enter into a separate "Supplementary Training Agreement" under this Article.

ARTICLE 5: CONDITIONS FOR TERMINATION

- A.** The Agreement can be terminated through mutual agreement between both Parties.
- B.** The Employee may terminate this Agreement by giving to the Company _____ days written notice (or payment in lieu of notice).
- C.** The Company may terminate this Agreement by giving to the Employee three months written notice (or payment in lieu of notice).
- D.** The Company may without notice terminate this Agreement if the Employee:
 - (a)** willfully disobeys a lawful and reasonable order of the Company;
 - (b)** misconducts himself, such conduct being inconsistent with the due and faithful discharge of his duties;
 - (c)** is guilty of fraud or dishonesty; or
 - (d)** is habitually neglectful in his duties.

ARTICLE 6: REPRESENTATIONS AND WARRANTIES

The Employee hereby represents and warrants to Company that as of the date of execution of this Agreement:

- A.** this Agreement will not cause or require the Employee to breach any obligation to, or agreement or confidence with, any other person;
- B.** The Employee is not representing, or otherwise affiliated in any capacity with, any other research organizations, lines of products, manufacturers, vendors or customers of the Company; and
- C.** The Employee has not been induced to enter into this Agreement by any promise or representation other than as expressly set forth in this Agreement.

ARTICLE 7: NON-SOLICITATION, NON-COMPETITION AND AVOIDANCE OF CONFLICTS

During the term of this Agreement, the Employee agrees that, without the prior written consent of the Company, the Employee will not, directly or indirectly, on its, his or her behalf or on behalf of any other person or entity:

- A.** call upon, solicit, divert or take away or attempt to solicit, divert or take away any of the customers, vendors, business or patrons of the Company;
- B.** solicit or attempt to solicit for employment or consultancy any person who is an employee of or consultant to the Company; or

C. own, operate, manage, join, control, participate in the ownership, management, operation or control of, or be paid or employed by, or acquire any securities of, or otherwise become associated with or provide assistance to, as an employee, consultant, director, officer, shareholder, partner, agent, associate, principal, representative or in any other capacity, any business entity which engages in any competitive line of business in which the Company is engaged.

The Employee further agrees that the obligations under above Article 7A&B shall survive the termination of this Contract for any reason and last until the expiry of _____ years following the termination of employment.

ARTICLE 8: CONFIDENTIALITY

A. The Employee hereby acknowledges that the Company has made and will make available to The Employee certain customer lists, product design information, performance standards and other confidential and/or proprietary information of the Company or licensed to the Company, including without limitation trade secrets, copyrighted materials and/or financial information of the Company (or any of its Affiliates), including without limitation, financial statements, reports and data (collectively, the “Confidential Material”); however, Confidential Material does not include any of the foregoing items which has become publicly known or made generally available through no wrongful act of the Employee or of others who were under confidentiality obligations as to the item or items involved.

B. Except as essential to the Employee’s obligations under this Agreement or for the purpose of seeking professional advice, the Employee shall not make any disclosure of this Agreement, the terms of this Agreement, or any of the Confidential Material nor to make any duplication or other copy of any of the Confidential Material. Immediately upon request from the Company, the Employee shall return to the Company all Confidential Material. The Employee shall notify each person to whom any disclosure is made that such disclosure is made in confidence that the Confidential Material shall be kept in confidence by such person. Nothing contained in this Article 8 shall be construed as preventing The Employee from providing Confidential Material in compliance with a valid court order issued by a court of competent jurisdiction, provided that the Employee takes reasonable steps to prevent dissemination of such Confidential Material.

ARTICLE 9: PROPRIETARY INFORMATION

A. For purposes of this Agreement, “Proprietary Information” shall mean any information, observation, data, written material, record, document, software, firmware, invention, discovery, improvement, development, tool, machine, apparatus, appliance, design, promotional idea, customer list, practice, process, formula, method, technique, trade secret, product and/or research related to the actual or anticipated research, marketing strategies, pricing information, business records, development, products, organization, business or finances of the Company.

B. Proprietary Information shall not include information in the public domain as of execution of this Agreement except through any act or omission of the Employee. All right, title and interest of every kind and nature whatsoever in and to the Proprietary Information made, discussed, developed, secured, obtained or learned by the Employee during the term of this Agreement shall be the sole and exclusive property of the Company for any purposes or uses whatsoever, and shall be disclosed promptly by the Employee to the Company.

C. The covenants set forth in the preceding sentence shall apply regardless of whether any Proprietary Information is made, discovered, developed, secured, obtained or learned (a) solely or jointly with others, (b) during the usual hours of work or otherwise, (c) at the request and upon the suggestion of the Company or otherwise, or (d) with the Company's materials, tools, instruments or on the Company's premises or otherwise. All Proprietary Information developed, created, invented, devised, conceived or discovered by the Employee that is subject to copyright protection is explicitly considered by the Employee and the Company to be works made for hire to the extent permitted by law.

D. Save as provided by law, the Employee shall make no claims against the Company and its respective officers, directors and employees, for additional remuneration arising out of, or relating to, any Proprietary Information. The Employee shall execute any documents and take any action the Company may deem necessary or appropriate to effectuate the provisions of this Agreement, including without limitation assisting the Company in obtaining and/or maintaining patents, copyrights or similar rights to any Proprietary Information assigned to the Company, if the Company, in its sole discretion, requests such assistance. The Employee shall comply with any reasonable rules established from time to time by the Company for the protection of the confidentiality of any Proprietary Information.

E. The Employee agrees to perform all acts necessary to obtain and/or maintain patents, copyrights and similar rights to any Proprietary Information assigned by the Employee to the Company under this Agreement.

F. The Employee shall promptly disclose to the Company, in confidence (a) all Proprietary Information that the Employee creates during the term of this Agreement, and (b) all patent applications, copyright registrations or similar rights filed or applied for by the Employee within six months after termination of this Agreement. Any application for a patent, copyright registration or similar right filed by the Employee within six months after termination of this Agreement shall be presumed to relate to Proprietary Information created by the Employee during the term of this Agreement, unless the Employee can prove otherwise.

G. Nothing contained in this Agreement shall be construed to preclude the Company from exercising all of its rights and privileges as sole and exclusive owner of all of the Proprietary Information owned by or assigned to the Company under this Agreement. The Company, in exercising such rights and privileges with respect to any particular item of Proprietary Information, may decide not to file any patent application or any copyright registration on such Proprietary Information, may decide to maintain such Proprietary Information as secret and confidential, or may decide to abandon such Proprietary Information or dedicate it to the public. The Employee shall have no authority to exercise any rights or privileges with respect to the Proprietary Information owned by or assigned to the Company under this Agreement.

ARTICLE 10: BUSINESS OPORTUNITIES

Not applicable.

ARTICLE 11: MISCELLANEOUS

A. Section Headings. The section headings or captions in this Agreement are for convenience of reference only and do not form a part hereof, and do not in any way modify, interpret or construe the intent of the parties or affect any of the provisions of this Agreement.

B. Survival. Should any one or more of the provisions of this Agreement be determined to be illegal or unenforceable in any relevant jurisdiction, then such illegal or unenforceable provision shall be modified by the proper court, if possible, but only to the extent necessary to make such provision enforceable, and such modified provision and all other provisions of this Agreement shall be given effect separately from the provision or portion thereof determined to be illegal or unenforceable and shall not be affected thereby; provided that, any such modification shall apply only with respect to the operation of this Agreement in the particular jurisdiction in which such determination of illegality or unenforceability is made.

C. Employment Policies. The Employee acknowledges and agrees that he will be bound to follow all Company Policies as may be implemented by the Company from time to time, and as may be revised in the Company's sole discretion from time to time.

D. Drafting Ambiguities; Conflicts. Each party to this Agreement has reviewed and revised this Agreement. The rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or of any amendments or exhibits to this Agreement. To the extent the Employee has entered into a separate employment agreement with an operating subsidiary of the Company and there is any conflict between such employment agreement and this Agreement, the terms under such employment agreement shall prevail.

E. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

F. Governing Law; Dispute Resolution. This Agreement is made in accordance with and shall be governed by and construed according to the laws of Hong Kong (excluding the conflict of law provisions thereof). To the extent that any part of this agreement is deemed invalid, the remainder of this agreement will remain in force as written. The Parties agree to submit to the non-exclusive jurisdiction of the Labour Tribunal and Courts of Hong Kong in respect of any dispute arising in connection with this employment.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Agreement has been executed as of the date first written above.

COMPANY:

GRACELL BIOTECHNOLOGIES INC.
a Cayman Islands exempted company

By: _____
Name:
Title:

EXECUTIVE:

Name:
Address:

配偶同意書
Spouse Consent Letter

本人CAO Jacqueline Jie [***] [***] [***] [***] [***] [***] [***]

The undersigned, CAO Jacqueline Jie (a [***] citizen with Passport No.: [***]), is the lawful spouse of CAO Wei (a [***] citizen with [***] No.: [***]).

本人於2020年11月10日簽署“ ” 同意書“ ”

I hereby unconditionally and irrevocably agree to the execution of the following documents (hereinafter referred to as the “**Transaction Documents**”) by CAO Wei on November 10, 2020, and the disposal of the equity interests of Gracell Biotechnologies (Shanghai) Co., Ltd. (“**Gracell Shanghai**”) held by CAO Wei and registered in his name according to the following documents:

- (1) 本人同意“ ”
The Equity Pledge Supplementary Agreement entered into with Gracell Bioscience (Shanghai) Co., Ltd. (hereinafter referred to as the “**WFOE**”) and Gracell Shanghai;
- (2) 本人同意
The Amendment to Call Option Agreement entered into with the WFOE and Gracell Shanghai; and
- (3) 本人同意
The Amendment to Voting Rights Proxy Agreement entered into with the WFOE and Gracell Shanghai.

本人同意“ ”

I hereby undertake not to make any assertions in connection with the equity interests of Gracell Shanghai which are held by CAO Wei.

本人同意“ ”

I hereby further confirm that CAO Wei can perform the Transaction Documents and further amend or terminate the Transaction Documents without the authorization or consent from me.

本人同意“ ”

I hereby undertake to execute all necessary documents and take all necessary actions to ensure appropriate performance of the Transaction Documents (as may be amended from time to time).

By: /s/ CAO Jacqueline Jie
CAO Jacqueline Jie

Technical Consultation and Service Agreement

Technical Consultation and Service Agreement

This Technical Consulting and Services Agreement (the “Agreement”) is entered into as of January 3, 2019 in Shanghai, People’s Republic of China (“PRC” or “China”) between the following two parties:

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

Address: [***]

Party B: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

Whereas,

1. Party A is a wholly-foreign-owned enterprise established in China, and has the necessary resources to provide consulting services;

2. Party B is a company with exclusively domestic capital registered in China and needs Party A’s support and services during its business.

Party A is a wholly-foreign-owned enterprise established in China, and has the necessary resources to provide consulting services;

Party B is a company with exclusively domestic capital registered in China and needs Party A’s support and services during its business.

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Technical Consultation and Service Agreement

Technical Consultation and Service Agreement

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3. 本協議の期間は二十年間である。当事者は、この協議を延長する場合は、延長する前に当事者Aが書面による延長の同意を、当事者Bは延長に同意するものとする。延長の同意は、延長の必要が生じた場合、当事者Bがその最善の努力を尽して、その業務のライセンスを延長し、その業務の期間を延長し、当事者Aの事前の書面による指示に従うものとする。

The term of this Agreement is twenty (20) years. The Parties agree that, this Agreement can be extended only if Party A gives its written consent of the extension of this Agreement before the expiration of this Agreement and Party B shall agree with this extension without reserve. If Party B's operation term is required to extended, Party B shall use its best efforts to renew its business license and extend its operation term until and unless otherwise instructed in Party A's prior written notice.

4. 当事者Aは、当事者Bの専任の技術的・業務的支援を提供するものとする。当事者Bは、当事者Aの技術的・業務的支援に代わる他の第三者からの技術的・業務的支援を利用しないものとする。

Party A is the exclusive consultation and services provider of Party B; Party B shall not utilize third party to provide services which are same as or similar with Party A's services and shall not establish similar corporation relationship with any third party regarding the matters contemplated by this Agreement without the prior written consent of Party A. Party A may appoint other parties to provide Party B with the consultations and/or services under this Agreement.

第 3 条

SERVICES FEES

当事者は、当事者Bは、当事者Aが提供する技術的・業務的支援に対して、当事者Aが定める技術的・業務的支援料を支払うものとする。

The Parties agree that, Party B shall pay relevant services fees to Party A as the consideration of support/services provided by Party A under Section 1, which shall be determined according to the Appendix of this Agreement. This Appendix can be amended by the Parties in considering the circumstances.

第 4 条

INTELLECTUAL PROPERTY AND CONFIDENTIALITY

1. [REDACTED]
[REDACTED] / [REDACTED] [REDACTED] / [REDACTED]
[REDACTED]

Unless otherwise stipulated in writing by the Parties, Party A shall be the sole and exclusive owner of all rights and interests to any and all intellectual property rights arising from the performance of this Agreement, including, but not limited to, any copyrights, patent, know-how and otherwise, whether developed by Party A or Party B. Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, render all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A in its sole discretion for the purposes of vesting any ownership, right or interest of any such intellectual property rights in Party A, and/or perfecting the protections for any such intellectual property rights in Party A. The Parties agree that this Section shall survive changes to, and rescission or termination of, this Agreement.

2. [REDACTED] (i) [REDACTED] (ii) [REDACTED]
[REDACTED] (iii) [REDACTED]
[REDACTED]

For the purpose of this Agreement, Confidential Information includes, but not limited to, (i) technical information, materials, program, drawing, data, parameter, standard, software, computer program, web design in connection with the development, design, research, produce and maintenance of technology disclosed by one Party to the other Party; (ii) any contracts, agreement, memo, annexes, draft or record (including this Agreement) entered into by the Parties for the purpose of this Agreement; and (iii) any information designated to be proprietary or confidential when it is disclosed by one Party to the other Party. Upon termination or expiration of this Agreement, Party B shall, return all and any documents, materials or software contained any of such Confidential Information to Party A or destroy it, delete all of such Confidential Information from memory devices, and cease to use them.

3. Any Party shall not disclose any Confidential Information to any third party in any way without the other Party's prior written consent.
4. The Parties may disclose Confidential Information solely to its employees, agents or consultant who must know such information, subject to such employees, agents or consultant being bound by confidentiality obligations at least as restrictive as this Section 3.
5. Notwithstanding the foregoing, Confidential Information shall not be deemed to include the following information:
1. is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); or
2. is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities, in which case the receiving Party will promptly notify the disclosing Party, and will take reasonable and lawful steps to minimize the extent of the disclosure.
- 6.

1.

Party A hereby represents and warrants as follows:

[illegible]

Party A is a wholly owned foreign enterprise legally registered and validly existing in accordance with the laws of China.

☐ 20 ☐

Party A has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution and performance of this Agreement. Party A's execution and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party A.

[illegible]

This Agreement constitutes Party A's legal, valid and binding obligations, enforceable in accordance with its terms.

2.

Party B hereby represents and warrants as follows:

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2.

No waiver of rights in respect of any default hereunder shall be valid unless it was made in writing. Any failure to exercise or delay in exercising any rights or remedy by any Party under this Agreement shall not be deemed as a waiver of such Party. Any partial exercise of any right or remedy shall not affect the exercise of any other rights and remedies.
3.

Notwithstanding Article 5.1 above, the Parties agree and confirm that in no circumstance shall Party B early terminate this Agreement unless the applicable law provides otherwise or it has obtained the prior written consent of Party A.
4.

The validity of this Section shall not be affect by the suspension or termination of this Agreement.

FORCE MAJEURE

1.

In this Agreement, “Force Majeure” will mean war, earthquake and other events which are unforeseen, inevitable and beyond the control of the Parties.
2.

If the Force Majeure causes any one party to the Agreement the impossibility to further perform this Agreement, the Parties agree that the suffering party will waive any liability to the other party for any loss that result from any such Force Majeure, provided that the suffering party shall continue to perform this Agreement after the Force Majeure.

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AMENDMENT AND TERMINATION

1.

Any amendment of this Agreement shall come into force only after a written agreement is signed by both Parties.

2. 30

During the term of this Agreement, unless Party A commits gross negligence, or a fraudulent act, against Party B, Party B shall not terminate this Agreement prior to its expiration date. Nevertheless, Party A shall have the right to terminate this Agreement upon giving 30 days' prior written notice to Party B at any time.

3.

During the term of this Agreement, if any Party is going into liquidation (either voluntary or compulsory), or is prohibited to conduct business by the governmental authority, the other Party shall be entitled to terminate this Agreement. The termination notice shall come into force upon the notice is sent.

4. SSA

The termination of this Agreement shall also be subject to the provisions of the SSA (as defined below).

5.

[illegible]

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NOTICES

1. 所有通知及其他根据本协议要求或允许而应给予的通知，应通过本协议规定的地址，以本协议规定的方式给予。

All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

1.1 所有通知及其他根据本协议要求或允许而应给予的通知，应通过本协议规定的地址，以本协议规定的方式给予。

Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of acceptance or refusal at the address specified for notices.

1.2 所有通知及其他根据本协议要求或允许而应给予的通知，应通过本协议规定的地址，以本协议规定的方式给予。

Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

2. 通知的地址如下：

For the purpose of notices, the addresses of the Parties are as follows:

地址 通知的地址

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

地址 [***]

Address: [***]

名称： 公司
Attn: CAO Wei
名称： [***]
E-mail: [***]

名称： 上海格赛尔生物科技有限公司
Party A: Gracell Biotechnologies (Shanghai) Co., Ltd.
名称： [***]
Address: [***]
名称： 公司
Attn: CAO Wei
名称： [***]
E-mail: [***]

3. 任何一方变更其地址或通知或联系人，应依照本协议条款向另一方发出通知。
- If any Party change its address for notices or its contact person, a notice shall be delivered to the other Party in accordance with the terms hereof.

名称： 公司

ASSIGNMENT

1. 任何一方未经另一方事先书面同意，不得将本协议项下的权利和义务转让给任何第三方。
- Without Party A's prior written consent, Party B shall not assign its rights and obligations under this Agreement to any third party.
2. 任何一方未经另一方事先书面同意，不得将本协议项下的权利和义务转让给任何第三方。

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2019年1月3日 Share Subscription and Framework Agreement“SSA” B-2 Series B-2 Closing

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Technical Consultation and Service Agreement

4. 本協議之任何條款如被發現為無效、非法或不可執行，則本協議之其餘條款之有效性、合法性或可執行性不應受任何影響。雙方應盡誠信之努力，以符合法律及雙方之意向，以有效之條款取代無效、非法或不可執行之條款，且該等有效之條款之經濟效果應與無效、非法或不可執行之條款之經濟效果盡可能接近。

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

5. 本協議應以中文及英文簽署，具有同等法律效力。如中英文版本存在不一致之處，以中文版本為準。本協議應有兩份，每份由雙方各持一份。

This Agreement shall be signed in Chinese and English language bearing the same legal effect. In the event of any inconsistency between the Chinese and English language, the Chinese version of this Agreement shall prevail. This Agreement shall have two counterparts, with each party holding one original. All counterparts shall be given the same legal effect.

[SIGNATURE]

[THE SIGNATURE PAGE]

此协议一式两份，甲乙双方各执一份，具有同等法律效力。

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Technical Consultation and Service Agreement as of the date first above written.

甲方 上海葛莱生物科技有限公司

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

乙方

By: /s/ CAO Wei

姓名

Name: CAO Wei

职位

Title: Legal Representative

此协议一式两份，甲乙双方各执一份，具有同等法律效力。

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Technical Consultation and Service Agreement as of the date first above written.

甲方 上海格赛尔生物科技有限公司

Party B: Gracell Biotechnologies (Shanghai) Co., Ltd.

甲方

By:

/s/ CAO Wei

甲方

Name:

CAO Wei

甲方

Title:

Legal Representative

Attachment: Payment Standard and Method for Technical Service Fee

1. 甲乙双方, 兹就 1.1 条约定的技术服务费, 达成如下约定:

Party A and Party B hereby agree that Party B shall pay service fee to Party A in accordance with the following provisions as the consideration to the technical support and service provided by Party A agreed in Article 1.1 under this Agreement:

(1) 基本费

Basic annual fee

甲乙双方约定, 乙方(50%), 乙方应在每个季度开始前, 向甲方支付技术服务费, 乙方应在每个季度开始前15个工作日内
 支付

As the annual fee of technical support and services provided under this Agreement, Party B shall pay equally in four quarters to Party A the fees (the “Service Fees”) equal to 50% of the after-tax income of Party B. Party B shall deliver the Service Fees within 15 business days after the beginning of each quarter to the designed bank account by Party A.

(2) 浮动费

Float fee

除(1) 约定的基本费外, 乙方还应根据具体的技术服务条件, 向甲方支付浮动技术服务费, 乙方应在每个季度开始前
 支付:

Besides the basic annual fees mentioned above in item (1), Party B also shall pay float service fees to Party B according to specific conditions of the technical support and service. Float fees shall not more than the after-tax income after deducting paid basic annual fees. The float fees shall be determined by both parties after considering the following factors and paid in quarter:

A. 乙方应在每个季度开始前 支付 浮动费:

Attachment for the inconsistent between the agreed fees and the objective conditions, Party B shall consultant with Party B within 7 business days after the receipt of the written requirement for adjustment provided by Party A and determine a new payment standard or mechanism after such consultation.

中英文对照

Business Cooperation Agreement

甲乙双方于“本协议”签署日期 2019 年 1 月 3 日在中华人民共和国上海市签署“本协议”

This Business Cooperation Agreement (this “**Agreement**”) is made and entered into by and between the following parties on January 3, 2019 in Shanghai, the People’s Republic of China (“**China**” or the “**PRC**”).

甲方 乙方

乙方 [***]

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

Address: [***]

甲方 乙方

乙方 [***]

Party B: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

甲乙双方于“本协议”签署日期“本协议”

Each of Party A and Party B shall be hereinafter referred to as a “**Party**” respectively, and as the “**Parties**” collectively.

Whereas,

1. 甲方为一家在中国境内设立的独资企业，具有必要的资源提供技术和咨询服务；

Party A is a wholly-foreign-owned enterprise established in China, and has the necessary resources to provide technical and consulting services;

2. 乙方为一家在中国境内注册并具有 exclusively domestic capital 的公司（以下简称“**Principal Business**”）

Party B is a company with exclusively domestic capital registered in China and engages in development, consultation and transfer of technology of Biological and Medical and other businesses (the “**Principal Business**”);

3. 甲乙双方同意，甲方将提供乙方技术、咨询及其他商业服务，乙方同意接受甲方或其指定人提供的上述服务，双方特此约定。

Party A is willing to provide Party B with technical support, consulting services and other commercial services on exclusive basis in relation to the Principal Business during the term of this Agreement, utilizing its advantages in technology, human resources, and information, and Party B is willing to accept such services provided by Party A or Party A's designee(s), each on the terms set forth herein.

甲乙双方同意，甲方将提供乙方技术、咨询及其他商业服务，乙方同意接受甲方或其指定人提供的上述服务，双方特此约定。

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

1. 服务

Services Provided by Party A

1.1 乙方特此任命甲方为乙方独家服务提供商，为乙方提供完整的技术支持、业务支持及相关咨询服务，在符合本协议条款及条件的情况下，甲方可能提供的所有必要服务均在甲方业务范围内，甲方业务可能随时间而有所调整，包括但不限于技术咨询、企业商务咨询及营销规划。

Party B hereby appoints Party A as Party B's exclusive services provider to provide Party B with complete technical support, business support and related consulting services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, which may include all necessary services within the scope of the Principal Business as may be determined from time to time by Party A, such as but not limited to technical information consultations, enterprises business consultations and marketing planning.

1.2 甲方应遵守乙方制定的各项规章制度，并应遵守乙方所在国家/地区的法律法规。1.3 甲方应遵守乙方所在国家/地区的法律法规，并应遵守乙方所在国家/地区的法律法规。甲方应遵守乙方所在国家/地区的法律法规，并应遵守乙方所在国家/地区的法律法规。

1.3 □□□□□□□□

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The Calculation and Payment of the Service Fees

[illegible]

Both Parties agree that, in consideration of the services provided by Party A, Party B shall pay to Party A the fees (the “**Service Fees**”) equal to 50% of the after-tax income of Party B, provided that upon mutual discussion between the Parties and the prior written consent by Party A, the rate of Service Fees may be adjusted based on the services rendered by Party A in that month and the operational needs of Party B. All out-of-pocket expenses (including without limitation the travelling expenses, accommodation, transportation, printing and postage fees etc) that Party A may incur as a result of the provision of the Services hereunder shall be solely borne by Party B. The Service Fees shall be due and payable on a monthly basis; within 30 days after the end of each month, Party B shall (a) deliver to Party A the management accounts and operating statistics of Party B for such month, including the after-tax income of Party B during such month (the “**Monthly Income**”), and (b) pay 50% of such Monthly Income, or other amount agreed by Party A, to Party A (each such payment, a “**Monthly Payment**”). Within ninety (90) days after the end of each fiscal year, Party B shall (a) deliver to Party A audited financial statements of Party B for such fiscal year, which shall be audited and certified by an independent certified public accountant approved by Party A, and (b) pay an amount to Party A equal to the shortfall, if any, of the net income of Party B for such fiscal year, as shown in such audited financial statements, as compared to the aggregate amount of the Monthly Payments paid by Party B to Party A in such fiscal year. Unless the Parties agree otherwise or the law provides otherwise, the Service Fees payable by Party B hereunder shall not be subject to any deduction or set-off (e.g. bank handling fees etc). In addition, Party B shall, (i) prepare a report summarizing changes of the Party B’s intellectual properties for each calendar year, which shall include a list of intellectual properties newly purchased, developed or otherwise acquired for such calendar year, and a list of intellectual properties transferred (including any intellectual property that are solely owned by Party B becoming being jointly owned by another party) for such calendar year (the “**IP Report**”), and (ii) submit the IP Report to Party A for review within forty-five (45) days after the end of each calendar year. The management report, operation data, financial statements and the IP Report provided by Party B shall be true, valid, accurate and complete. If Party A suffers any losses as a result of any defect of the aforesaid documents, Party B shall be fully responsible for such losses. In the event that Party B’s payment obligation hereunder is reduced or released because of the provision by Party B of any fraudulent materials to Party A, Party B hereby irrevocably undertakes to compensate Party A accordingly for the amount so reduced or released.

3. □□□□□□□□

Intellectual Property Rights and Confidentiality Clauses

3.1 本報告係根據本會所屬之「國家發展委員會」及「國家安全委員會」之資料，並參考相關機關、團體、個人之資料及意見，經本會研究、分析、綜合、評定後，予以彙編而成。本報告之內容，除引用相關機關、團體、個人之資料外，其餘均為本會之研究、分析、綜合、評定結果，其內容之真實性、客觀性、公正性，由本會負責。本報告之內容，除引用相關機關、團體、個人之資料外，其餘均為本會之研究、分析、綜合、評定結果，其內容之真實性、客觀性、公正性，由本會負責。

To the extent permitted under the PRC laws, Party A shall have exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technical secrets, trade secrets and others. Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, render all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A in its sole discretion for the purposes of vesting any ownership, right or interest of any such intellectual property rights in Party A, and/or perfecting the protections for any such intellectual property rights in Party A.

4.1.1 甲方为依法设立并有效存续的法人

Party A is a wholly owned foreign enterprise legally registered and validly existing in accordance with the laws of China.

4.1.2 甲方已经取得所有必要的授权并获得了第三方的同意和批准

Party A has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution and performance of this Agreement. Party A's execution and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party A.

4.1.3 本协议构成甲方合法、有效且可执行的义务

This Agreement constitutes Party A's legal, valid and binding obligations, enforceable in accordance with its terms.

4.2 乙方

Party B hereby represents and warrants as follows:

4.2.1 乙方为依法设立并有效存续的法人

Party B is a company legally registered and validly existing in accordance with the laws of China and has obtained the relevant permit and license for engaging in the Principal Business in a timely manner. It has independent legal person status, and has full and independent civil and legal capacity to execute, deliver and perform this Agreement. It can sue and be sued as a separate entity.

4.2.2 乙方已经取得所有必要的授权并获得了第三方的同意和批准

Party B has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution and performance of this Agreement. Party B's execution and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party B.

4.2.3 本協議書は、本協議書の締結に必要とされるすべての条件が満たされた場合にのみ有効となる。

This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it.

5. 一般規定

Effectiveness and Term

5.1 本協議書の有効性

This Agreement shall become effective upon satisfaction of all the following conditions:

5.1.1 本協議書の締結

Each Party has duly executed this Agreement, and

5.1.2 2019年1月3日付の株式 Subscription and Framework Agreement（“SSA”）のB-2シリーズのSeries B-2 Closingの完了

The Series B-2 Closing (as defined in the Share Subscription and Framework Agreement entered into by and among the Parties and other parties named thereto on January 3, 2019 (“SSA”)) has occurred.

5.2 本協議書の有効期間

This Agreement shall maintain effective unless terminated in accordance with Section 6 or was compelled to terminate under applicable PRC laws and regulations.

6. 终止

Termination

6.1 在本协议有效期内，除非一方对另一方构成重大过失或欺诈行为，否则任何一方不得在本协议到期前单方终止本协议。尽管如此，任何一方均可随时提前30天书面通知另一方终止本协议。

During the term of this Agreement, unless Party A commits gross negligence, or a fraudulent act, against Party B, Party B shall not terminate this Agreement prior to its expiration date. Nevertheless, Party A shall have the right to terminate this Agreement upon giving 30 days' prior written notice to Party B at any time.

6.2 本协议的终止还应受SSA条款的约束。

The termination of this Agreement shall also be subject to the provisions of the SSA.

6.3 本协议终止后，本协议第3、7和8条规定的权利和义务将继续有效。

The rights and obligations of the Parties under Sections 3, 7 and 8 shall survive the termination of this Agreement.

7. 适用法律和争议解决

Governing Law and Resolution of Disputes

7.1 本协议的履行、效力、解释、执行、修改和终止以及争议的解决均适用中国法律。

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.

7.2 在本协议有效期内，如双方就本协议的履行或效力发生争议，应首先通过友好协商解决。如果协商不成，任何一方均可在争议发生后30天内向上海国际经济贸易仲裁委员会申请仲裁。仲裁应在上海进行，仲裁语言应为中文。仲裁裁决是终局的，对双方均有约束力。

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on both Parties.

7.3 除本条另有规定外，在本协议有效期内，任何一方不得单方变更、修改、补充、中止或终止本协议。

Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

8. 违约责任

8.1 任何一方违反本协议项下的任何义务，即构成违约。违约方应当赔偿守约方因此遭受的全部损失。守约方有权选择以下任何一种救济方式：(a) 终止本协议并要求违约方赔偿其全部损失和费用；(b) 要求违约方继续履行本协议项下的义务并要求其赔偿守约方因此遭受的全部损失和费用。

The Parties agree and confirm that, if either Party (the “**Defaulting Party**”) is in breach of any provisions herein or fails to perform its obligations hereunder, such breach or failure shall constitute a default under this Agreement (the “**Default**”), which shall entitle the non-defaulting Party to request the Defaulting Party to rectify or remedy such Default with a reasonable period of time. If the Defaulting Party fails to rectify or remedy such Default within the reasonable period of time or within 30 days of non-defaulting Party’s written notice requesting for such rectification or remedy, then the non-defaulting Party shall be entitled to elect any one of the following remedial actions: (a) to terminate this Agreement and request the Defaulting Party to fully compensate its losses and damages; (b) to request the specific performance by the Defaulting Party of its obligations hereunder and request the Defaulting Party to fully compensate non-defaulting Party’s losses and damages.

8.2 本协议项下的任何条款如与本协议的标题、定义、解释、适用法律、争议解决、违约责任、不可抗力、通知、其他条款相冲突，应以本协议的标题、定义、解释、适用法律、争议解决、违约责任、不可抗力、通知、其他条款为准。

No waiver of rights in respect of any Default hereunder shall be valid unless it was made in writing. Any failure to exercise or delay in exercising any rights or remedy by any Party under this Agreement shall not be deemed as a waiver of such Party. Any partial exercise of any right or remedy shall not affect the exercise of any other rights and remedies.

8.3 ☐ 8.1

Notwithstanding Clause 8.1 above, the Parties agree and confirm that in no circumstance shall Party B early terminate this Agreement unless the applicable law or this Agreement provides otherwise.

8.4 ☐

Notwithstanding any other provisions under this Agreement, the validity of this Clause shall not be affected by the suspension or termination of this Agreement.

9. ☐

Notices

9.1 ☐

All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

9.1.1 ☐

Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.

9.1.2 通知的发送和接收

Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 通知的地址

For the purpose of notices, the addresses of the Parties are as follows:

甲方 上海格赛尔生物科技有限公司

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

电话: [***]

Address: [***]

姓名: 曹伟

Attn: CAO Wei

电话: [***]

E-mail: [***]

乙方 上海格赛尔生物科技有限公司

Party B: Gracell Biotechnologies (Shanghai) Co., Ltd.

电话: [***]

Address: [***]

姓名: 曹伟

Attn.: CAO Wei

电话: [***]

E-mail: [***]

9.3 通知的变更

If any Party change its address for notices or its contact person, a notice shall be delivered to the other Party in accordance with the terms hereof.

10. 转让

Assignment

10.1 未经甲方事先书面同意，乙方不得将其在本协议项下的权利和义务转让给任何第三方。

Without Party A's prior written consent, Party B shall not assign its rights and obligations under this Agreement to any third party.

10.2 乙方同意甲方可以将其在本协议项下的权利和义务转让给任何第三方，但须事先书面通知乙方，而无需征得乙方同意。

Party B agrees that Party A may assign its obligations and rights under this Agreement to any third party upon a prior written notice to Party B but without the consent of Party B.

11. 不可抗力

Severability

如果本协议的任何条款被认定为无效、非法或不可执行，则本协议的其余条款的有效性、合法性或可执行性不应受到影响或损害。本协议的其余条款应继续有效，并应尽可能接近于被认定为无效、非法或不可执行的条款的经济效果。

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

12. 修改和补充

Amendments and Supplements

本协议的任何修改或补充必须是书面的，并且必须由双方签署。

Any amendments and supplements to this Agreement shall be in writing. The amendment agreements and supplementary agreements that have been signed by the Parties and that relate to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

13. 语言

Language and Counterparts

本协议以中英文两种语言书写，一式两份，每份具有同等法律效力；如中英文版本存在冲突，以中文版本为准。

This Agreement is written in both Chinese and English language in two copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

[THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Business Cooperation Agreement as of the date first above written.

上海格锐尔生物科技有限公司
 Party A: Gracell Bioscience (Shanghai) Co., Ltd.

上海格锐尔生物科技有限公司
 By: /s/ CAO Wei
 上海格锐尔生物科技有限公司
 Name: CAO Wei
 上海格锐尔生物科技有限公司
 Title: Legal Representative

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Business Cooperation Agreement as of the date first above written.

乙方: 上海格锐生物科技有限公司
Party B: Gracell Bioscience (Shanghai) Co., Ltd.

代表人: /s/ CAO Wei
 姓名: CAO Wei
 职位: 法定代表人
 Title: Legal Representative

Amendment to Voting Rights Proxy Agreement

Amendment to Voting Rights Proxy Agreement

This Amendment to Voting Rights Proxy Agreement (the “Agreement”) is made in Shanghai on November 10, 2020 among the following parties:

This Amendment to Voting Rights Proxy Agreement (the “Agreement”) is made in Shanghai on November 10, 2020 among the following parties:

Party A: CAO, Wei (hereinafter “Entrusting Party “)

ID No.: [***]

Party B: Gracell Bioscience (Shanghai) Co., Ltd.

Address: [***]

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

Address: [***]

Address: [***]

Address: [***]

Address: [***]

Address: [***]

Address: [***]

(In this Agreement, each of Party A, Party B and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”).

(In this Agreement, each of Party A, Party B and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”).

Whereas:

- □ □ □ □ □ □ □ □ □ □ □ □ □ □ □

Therefore, the Parties hereby agree as follows:

□□□ □□□□

Proxy of Voting Rights

- Entrusting Party hereby irrevocably covenants that, he/she shall execute the Power of Attorney (“POA”) set forth in Exhibit A upon signing this Agreement and entrust Party B or Party B’s designee (“Designee”) to exercise all his or her rights as the shareholders of Party C under the Articles of Association of Party C, including without limitation to:

- 1.1.1 ☐ propose to hold a shareholders' meeting in accordance with the Articles of Association of Party C and attend shareholders' meetings of Party C as the agent and attorney of Entrusting Party;
- 1.1.2 ☐ exercise all shareholder's voting rights with respect to all matters to be discussed and voted in the shareholders' meeting of Party C, including but not limited to designate and appoint the director, the chief executive officer and other senior management members of Party C;

1.1.3

exercise other voting rights the shareholders are entitled to under the laws of China promulgated from time to time; and

1.1.4

exercise other voting rights the shareholders are entitled to under the Articles of Association of Party C amended from time to time.

[illegible]

Party B hereby agrees to accept such proxy as set forth in Clause 1.1. Upon receipt of the written notice of change of Designee from Party B, the Entrusting Party shall immediately entrust such person to exercise the rights set forth in Clause 1.1. Except the aforesaid situation, the proxy shall be irrevocable and continuously valid.

1.2 □□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□

The Entrusting Party hereby acknowledges and ratify all the actions associated with the proxy conducted by the Designee.

1.3

The Parties hereby confirm that, Designee is entitled to exercise all proxy rights without the consent of Entrusting Party.

□□□ □□□

Rights to Information

2.1

For the purpose of this Agreement, the Designee is entitled to request relevant information of Party C and inspect the materials of Party C. Party C shall provide appropriate assistance to the Designee for his/her work.

2.2 □□□□□□□□□□□□□□□□□□□□□□

The Entrusting Party and Party C shall immediately inform Party B once the proxy matter happens.

- The Entrusting Party shall provide appropriate assistance to the Designee for the performance of proxy rights provided in this Agreement, including signing and executing the shareholders' resolution and other relevant legal documents (if applicable) which have been confirmed by the Designee.

- In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

- The Entrusting Party hereby represents and warrants to Party B as follows:

- The Entrusting Party has full power and legal right to enter into this Agreement and perform his or her obligations under this Agreement and in executing the POA; This Agreement and the POA constitute legal, valid, binding and enforceable obligation of each Entrusting Party.

- Each Entrusting Party has necessary authorization for the execution and delivery of this Agreement, and the execution, delivery and performance of this Agreement will not conflict with or violate any and all constitutional documents of Party C.

- 4.1.3 每个受托方是依法注册和受益的所有权的股份为C方，并且由受托方持有的股份不受任何质押或其他限制，除非在股权质押补充协议和认购权协议中另有规定。根据本协议，受托方拥有行使代理权的充分权力和法律权利，根据C方章程的规定。
- 4.2 受托方
- Party C hereby represents and warrants as follows:
- 4.2.1 受托方
- Party C is a company legally registered and validly existing in accordance with the laws of China and has independent legal person status, and has full and independent civil and legal capacity to execute, deliver and perform this Agreement. It can sue and be sued as a separate entity.
- 4.2.2 受托方
- Party C has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution and performance of this Agreement. Party C's execution and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party C.
- 4.2.3 每个受托方是依法注册和受益的所有权的股份为C方，并且由受托方持有的股份不受任何质押或其他限制，除非在股权质押补充协议和认购权协议中另有规定。根据本协议，受托方拥有行使代理权的充分权力和法律权利，根据C方章程的规定。

Term of this Agreement

- 5.1

This Agreement shall become effective upon satisfaction of all the following conditions: (a) each Party has duly executed this Agreement, and (b) the Entrusting Party is registered as the shareholder of Party C. After this Agreement takes effect, the Voting Rights Proxy Agreement by and among the Parties dated December 20, 2019 and the Power of Attorney dated December 20, 2019 issued by the Entrusting Party shall automatically expire.
- 5.2

The term of this Agreement shall be twenty (20) years. The Parties agree that, this Agreement can be extended only if Party B gives its written consent of the extension of this Agreement before the expiration of this Agreement and the other Parties shall agree with this extension without reserve.
- 5.3

If the Entrusting Party has transferred all his or her equity interests in Party C subject to the prior consent of Party B, the obligations and warranties under this Agreement of the Entrusting Party shall be undertaken by the assignee.

Notices

- 6.1

All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered in written.
- 6.2

Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of acceptance or refusal at the address specified for notices. Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.1
The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party’s unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

Liability for Breach of Agreement

8.1
The Parties agree and confirm that, if either Party (the “Defaulting Party”) is in breach of any provisions herein or fails to perform its obligations hereunder, such breach or failure shall constitute a default under this Agreement (the “Default”),, which shall entitle the non-defaulting Party to request the defaulting Party to rectify or remedy such default with a reasonable period of time. If the defaulting Party fails to rectify or remedy such default within the reasonable period of time or within 10 days of non-defaulting Party’s written notice requesting for such rectification or remedy, then the non-defaulting Party shall be entitled to elect the following remedial actions:

8.1.1

If the defaulting Party is any Entrusting Party or Party C, then Party B has the right to terminate this Agreement and request the defaulting Party to fully compensate its losses and damages;

- 8.1.2

如果违约方是B方，则非违约方有权要求违约方对其损失和损害进行全额赔偿，但非违约方不得提前终止本协议，除非适用法律另有规定。

If the defaulting Party is Party B, then the non-defaulting Party has the right to request the defaulting Party to fully compensate its losses and damages, but in no circumstance shall the non-defaulting Party early terminate this Agreement unless the applicable law provides otherwise.
- 8.2

尽管如此，本协议下其他规定，本协议下本节的效力不受本协议中止或终止的影响。

Notwithstanding otherwise provided under this Agreement, the validity of this Section shall not be affected by the suspension or termination of this Agreement.

其他规定

Miscellaneous

- 9.1

本协议以中文和英文签署，具有同等法律效力。如中英文版本存在不一致，以中文版本为准。本协议一式三份，各方各执一份，具有同等法律效力。

This Agreement shall be signed in Chinese and English language bearing the same legal effect. In the event of any inconsistency between the Chinese and English language, the Chinese version of this Agreement shall prevail. This Agreement shall have three counterparts, with each party holding one original. All counterparts shall be given the same legal effect.
- 9.2

本协议的签署、效力、解释、履行、修改、终止及争议解决均适用中华人民共和国法律。

The execution, effectiveness, interpretation, performance, amendment, termination and dispute resolution shall be governed by the law of the People's Republic of China.

- 9.3

In the event of any dispute with respect to this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute, either Party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.
- 9.4

The rights and remedies provided for in this Agreement shall be accumulative and shall not affect any other rights and remedies stipulated at law.
- 9.5

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.
- 9.6

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.
- 9.7

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.
- 9.8

Without Party B’s prior written consent, other Parties shall not assign its rights and obligations under this Agreement to any third party. Entrusting Party and Party C agrees that Party B may assign its obligations and rights under this Agreement to any third party upon a prior written notice to Entrusting Party and Party C.
- 9.9

This Agreement shall be binding on the legal successors of the Parties.

[REDACTED]

[SIGNATURE PAGE FOLLOWS]

10

XXXXXXXXXXXX

Amendment to Voting Rights Proxy Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Voting Rights Proxy Agreement as of the date first above written.

Party A: CAO, Wei

By: /s/ CAO, Wei

Signature Pages of Amendment to Voting Rights Proxy Agreement

Exhibit A

Power of Attorney

I, CAO, Wei, a [***] citizen with [***] No.: [***], and a holder of 99.9% of the entire registered capital in Gracell Biotechnologies (Shanghai) Co., Ltd. (“**My Shareholding**”), hereby irrevocably authorize Gracell Bioscience (Shanghai) Co., Ltd. (“**Designee**”) to exercise the following rights relating to My Shareholding during the term of this Power of Attorney:

The Designee is hereby authorized to act on behalf of myself as my exclusive agent and attorney with respect to all matters concerning My Shareholding, including without limitation to: 1) attend shareholders’ meetings of Gracell Biotechnologies (Shanghai) Co., Ltd.; 2) exercise all the shareholder’s rights and shareholder’s voting rights I am entitled to under the laws of China and Articles of Association of Gracell Biotechnologies (Shanghai) Co., Ltd., including but not limited to the sale or transfer or pledge or disposition of My Shareholding in part or in whole; and 3) designate and appoint on behalf of myself the legal representative (chairperson), the director, the supervisor, the chief executive officer and other senior management members of Gracell Biotechnologies (Shanghai) Co., Ltd..

Without limiting the generality of the powers granted hereunder, the Designee shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Call Option Agreement, to which I am required to be a party, on behalf of myself, and to effect the terms of the Equity Pledge Supplementary Agreement and Call Option Agreement, both dated the date hereof, to which I am a party.

All the actions associated with My Shareholding conducted by the Designee shall be deemed as my own actions, and all the documents related to My Shareholding executed by the Designee shall be deemed to be executed by me. I hereby acknowledge and ratify those actions and/or documents by the Designee.

Unless Gracell Bioscience (Shanghai) Co., Ltd. issues an instruction to me to change the Designee, this Power of Attorney is coupled with an interest and shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as I am a shareholder of Gracell Biotechnologies (Shanghai) Co., Ltd..

During the term of this Power of Attorney, I hereby waive all the rights associated with My Shareholding, which have been authorized to the Designee through this Power of Attorney, and shall not exercise such rights by myself.

This Power of Attorney is written in Chinese and English; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

□□□□

[Signature pages]

□□

CAO, Wei

□□□

By: /s/ CAO, Wei _____

□□□ 2020□11□10□

Date: November 10, 2020

□□□□□□□□

Signature Pages of Power of Attorney

Gracell

Accepted by:

Gracell Biotechnologies (Shanghai) Co., Ltd.

Gracell Biotechnologies (Shanghai) Co., Ltd.

Gracell

By: /s/ CAO, Wei

Name: CAO, Wei

Title: Legal Representative

Date: 20201110

Date: November 10, 2020

20201110

Date: November 10, 2020

Gracell

Acknowledged by:

Gracell Bioscience (Shanghai) Co., Ltd.

Gracell Bioscience (Shanghai) Co., Ltd.

Gracell

By: /s/ CAO, Wei

Name: CAO, Wei

Title: Legal Representative

Date: 20201110

Date: November 10, 2020

20201110

Date: November 10, 2020

投票代理协议

Voting Rights Proxy Agreement

投票代理协议(以下简称“协议”)于2020年11月10日由以下各方达成

This Voting Rights Proxy Agreement (the “Agreement”) is made in Shanghai on November 10, 2020 among the following parties:

投票代理协议“协议”

投票代理协议[***]

Party A: HUA, Xiaomi (hereinafter “**Entrusting Party**”)

ID No.: [***]

投票代理协议投票代理协议

投票代理协议[***]

Party B: Gracell Bioscience (Shanghai) Co., Ltd.

Address: [***]

投票代理协议投票代理协议

投票代理协议[***]

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

(投票代理协议投票代理协议“协议”投票代理协议“协议”)

(In this Agreement, each of Party A, Party B and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”).

Whereas:

1. 0.1%

The Entrusting Party, the shareholder of Party C, owns 0.1% of the equity interest in Party C in record.
2.

The Entrusting Party is willing to unconditionally entrust Party B or Party B’s designee to vote on his or her behalf at the shareholders’ meeting of Party C, and Party B is willing to accept such proxy on behalf of Entrusting Party.

Therefore, the Parties hereby agree as follows:

Proxy of Voting Rights

- 1.1

Entrusting Party hereby irrevocably covenants that, he/she shall execute the Power of Attorney (“POA”) set forth in Exhibit A upon signing this Agreement and entrust Party B or Party B’s designee (“Designee”) to exercise all his or her rights as the shareholders of Party C under the Articles of Association of Party C, including without limitation to:

 - 1.1.1

propose to hold a shareholders’ meeting in accordance with the Articles of Association of Party C and attend shareholders’ meetings of Party C as the agent and attorney of Entrusting Party;
 - 1.1.2

exercise all shareholder’s voting rights with respect to all matters to be discussed and voted in the shareholders’ meeting of Party C, including but not limited to designate and appoint the director, the chief executive officer and other senior management members of Party C;

- 1.1.3 除行使其他投票权外，该等股东有权根据中国法律不时颁布的规定行使其他投票权；并
- 1.1.4 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。
- 1.1 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。
- 1.1.1 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。
- 1.1.2 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。
- 1.1.3 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。
- 1.1.4 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。
- 1.2 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。
- 1.3 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。

除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。

Rights to Information

2.1 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。

2.2 除行使其他投票权外，该等股东有权根据《公司章程》不时修订的规定行使其他投票权。

Performance of Proxy Rights

3.1 投票人应当按照本协议的规定履行其投票义务。

The Entrusting Party shall provide appropriate assistance to the Designee for the performance of proxy rights provided in this Agreement, including signing and executing the shareholders’ resolution and other relevant legal documents (if applicable) which have been confirmed by the Designee.

3.2 投票人应当按照本协议的规定履行其投票义务。

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

Representations and Warranties

4.1 投票人应当作出如下陈述和保证：

The Entrusting Party hereby represents and warrants to Party B as follows:

4.1.1 投票人具有完全民事行为能力。

The Entrusting Party has full power and legal right to enter into this Agreement and perform his or her obligations under this Agreement and in executing the POA; This Agreement and the POA constitute legal, valid, binding and enforceable obligation of each Entrusting Party.

4.1.2 投票人具有必要的授权。

Each Entrusting Party has necessary authorization for the execution and delivery of this Agreement, and the execution, delivery and performance of this Agreement will not conflict with or violate any and all constitutional documents of Party C.

- 4.1.3 每个受托方是依法注册和受益的所有权的股份为C方，并且由受托方持有的股份均不受任何质押或其他限制，除非根据股权质押协议和认购协议另行约定。根据本协议，受托方拥有充分权力和合法权利按照C方公司章程行使代理权。
- 4.2 代表和保证
- Party C hereby represents and warrants as follows:
- 4.2.1 代表和保证
- Party C is a company legally registered and validly existing in accordance with the laws of China and has independent legal person status, and has full and independent civil and legal capacity to execute, deliver and perform this Agreement. It can sue and be sued as a separate entity.
- 4.2.2 代表和保证
- Party C has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution and performance of this Agreement. Party C's execution and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party C.
- 4.2.3 代表和保证
- Each Entrusting Party is the lawfully registered and beneficial owner of the shares of Party C, and none of the shares held by the Entrusting Party is subject to any encumbrance or other restrictions, except as otherwise provided under the Equity Pledge Agreement and Call Option Agreement entered into by and between Party B, Party C and the Entrusting Party. According to this Agreement, the Designee has full power and legal rights to exercise the proxy rights according to the Articles of Association of Party C.

Term of this Agreement

5.1 a b

This Agreement shall become effective upon satisfaction of all the following conditions: (a) each Party has duly executed this Agreement, and (b) the Entrusting Party is registered as the shareholder of Party C.

[illegible]

The term of this Agreement shall be twenty (20) years. The Parties agree that, this Agreement can be extended only if Party B gives its written consent of the extension of this Agreement before the expiration of this Agreement and the other Parties shall agree with this extension without reserve.

5.3

If the Entrusting Party has transferred all his or her equity interests in Party C subject to the prior consent of Party B, the obligations and warranties under this Agreement of the Entrusting Party shall be undertaken by the assignee.

Notices

[illegible]

All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered in written.

[illegible]

Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of acceptance or refusal at the address specified for notices. Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

Liability for Breach of Agreement

[illegible]

8.1.1

If the defaulting Party is any Entrusting Party or Party C, then Party B has the right to terminate this Agreement and request the defaulting Party to fully compensate its losses and damages;

- 8.1.2

如果违约方为乙方，则非违约方有权要求违约方对其全部损失和损害进行充分赔偿，但非违约方不得在适用法律另有规定的情况下提前终止本协议。

If the defaulting Party is Party B, then the non-defaulting Party has the right to request the defaulting Party to fully compensate its losses and damages, but in no circumstance shall the non-defaulting Party early terminate this Agreement unless the applicable law provides otherwise.
- 8.2

本协议的有效性

Notwithstanding otherwise provided under this Agreement, the validity of this Section shall not be affected by the suspension or termination of this Agreement.

其他事项

Miscellaneous

- 9.1

本协议以中文和英文签署，具有同等法律效力。如中英文版本存在不一致，以中文版本为准。本协议一式三份，各方各执一份，具有同等法律效力。

This Agreement shall be signed in Chinese and English language bearing the same legal effect. In the event of any inconsistency between the Chinese and English language, the Chinese version of this Agreement shall prevail. This Agreement shall have three counterparts, with each party holding one original. All counterparts shall be given the same legal effect.
- 9.2

本协议的履行、效力、解释、执行、修改、终止及争议解决均适用中华人民共和国法律。

The execution, effectiveness, interpretation, performance, amendment, termination and dispute resolution shall be governed by the law of the People’s Republic of China.

- 9.3 在本协议下，各方同意，任何因本协议引起的或与本协议有关的争议，应首先通过友好协商解决。如果协商不成，任何一方均有权将争议提交上海国际经济贸易仲裁委员会（上海国际仲裁中心）进行仲裁。仲裁裁决是终局的，对各方均有约束力。仲裁费用按照该委员会的规则执行。
- In the event of any dispute with respect to this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute, either Party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.
- 9.4 本协议项下的权利和救济应当累积，并且不影响法律规定的其他权利和救济。
- The rights and remedies provided for in this Agreement shall be accumulative and shall not affect any other rights and remedies stipulated at law.
- 9.5 任何一方均可以书面形式放弃本协议中的任何条款，但放弃必须是书面的，并且需要各方当事人的签署。任何一方在某些情况下对另一方违约的放弃，不得作为对类似违约行为的放弃。
- Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.
- 9.6 本协议的标题仅为方便起见，并不用于解释、说明或以其他方式影响本协议条款的含义。
- The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.
- 9.7 任何对本协议的修改、变更和补充，须经各方当事人书面同意。
- Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.
- 9.8 未经乙方事先书面同意，其他各方不得将本协议下的权利和义务转让给任何第三方。受托方和丙方同意，乙方可以将本协议下的义务和权利转让给任何第三方，但须事先书面通知受托方和丙方。
- Without Party B's prior written consent, other Parties shall not assign its rights and obligations under this Agreement to any third party. Entrusting Party and Party C agrees that Party B may assign its obligations and rights under this Agreement to any third party upon a prior written notice to Entrusting Party and Party C.
- 9.9 本协议对各方当事人具有约束力。
- This Agreement shall be binding on the legal successors of the Parties.

() () () () ()

[SIGNATURE PAGE FOLLOWS]

10

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Voting Rights Proxy Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Voting Rights Proxy Agreement as of the date first above written.

Party A: HUA, Xiaomi

By: /s/ HUA, Xiaomi

Signature Pages of Voting Rights Proxy Agreement

Signature Pages of Voting Rights Proxy Agreement

Signature Pages of Voting Rights Proxy Agreement

Exhibit A

Power of Attorney

I, HUA, Xiaomi, a [***] citizen with [***] No.: [***], and a holder of 0.1% of the entire registered capital in Gracell Biotechnologies (Shanghai) Co., Ltd. (“**My Shareholding**”), hereby irrevocably authorize Gracell Bioscience (Shanghai) Co., Ltd. (“**Designee**”) to exercise the following rights relating to My Shareholding during the term of this Power of Attorney:

The Designee is hereby authorized to act on behalf of myself as my exclusive agent and attorney with respect to all matters concerning My Shareholding, including without limitation to: 1) attend shareholders’ meetings of Gracell Biotechnologies (Shanghai) Co., Ltd.; 2) exercise all the shareholder’s rights and shareholder’s voting rights I am entitled to under the laws of China and Articles of Association of Gracell Biotechnologies (Shanghai) Co., Ltd., including but not limited to the sale or transfer or pledge or disposition of My Shareholding in part or in whole; and 3) designate and appoint on behalf of myself the legal representative (chairperson), the director, the supervisor, the chief executive officer and other senior management members of Gracell Biotechnologies (Shanghai) Co., Ltd..

Without limiting the generality of the powers granted hereunder, the Designee shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Call Option Agreement, to which I am required to be a party, on behalf of myself, and to effect the terms of the Share Interests Pledge Agreement and Call Option Agreement, both dated the date hereof, to which I am a party.

All the actions associated with My Shareholding conducted by the Designee shall be deemed as my own actions, and all the documents related to My Shareholding executed by the Designee shall be deemed to be executed by me. I hereby acknowledge and ratify those actions and/or documents by the Designee.

Unless Gracell Bioscience (Shanghai) Co., Ltd. issues an instruction to me to change the Designee, this Power of Attorney is coupled with an interest and shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as I am a shareholder of Gracell Biotechnologies (Shanghai) Co., Ltd..

During the term of this Power of Attorney, I hereby waive all the rights associated with My Shareholding, which have been authorized to the Designee through this Power of Attorney, and shall not exercise such rights by myself.

This Power of Attorney is written in Chinese and English; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

□□□□

[Signature pages]

□□

HUA, Xiaomi

□□

By: /s/ HUA, Xiaomi

□□ 2020□11□10□

Date: November 10, 2020

□□□□□□

Signature Pages of Power of Attorney

Gracell

Accepted by:

Gracell Biotechnologies (Shanghai) Co., Ltd.

Gracell Biotechnologies (Shanghai) Co., Ltd.

Gracell

By: /s/ CAO, Wei

Name: CAO, Wei

Title: Legal Representative

Date: 20201110

Date: November 10, 2020

20201110

November 10, 2020

Gracell

Acknowledged by:

Gracell Bioscience (Shanghai) Co., Ltd.

Gracell Bioscience (Shanghai) Co., Ltd.

Gracell

By: /s/ CAO, Wei

Name: CAO, Wei

Title: Legal Representative

Date: 20201110

Date: November 10, 2020

20201110

November 10, 2020

中英文对照

Equity Pledge Supplementary Agreement

Gracell Bioscience (Shanghai) Co., Ltd. (“Gracell”) 于 2020 年 11 月 10 日与 Gracell Biotechnologies (Shanghai) Co., Ltd. (“Gracell”) 签署

This Equity Pledge Supplementary Agreement (this “**Agreement**”) has been executed by and among the following parties on November 10, 2020 in Shanghai, the People’s Republic of China (“**China**” or the “**PRC**”):

Party A: Gracell Bioscience (Shanghai) Co., Ltd. (hereinafter “**Pledgee**”)

Address: [***]

Party B: CAO Wei (hereinafter “**Pledgor**”)

Address: [***]

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

Party D: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

Party E: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

Party F: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

Gracell Bioscience (Shanghai) Co., Ltd. (“Gracell”) 与 Gracell Biotechnologies (Shanghai) Co., Ltd. (“Gracell”) 签署

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to as a “**Party**” respectively, and they shall be collectively referred to as the “**Parties**”.

Whereas:

Pledgor is a [***] citizen, with [***] No.: [***]. The Pledgor originally held 86.9926% of the equity interest in Party C in record and now holds 99.9% of the equity interest in Party C in record. Party C is a limited liability company registered in Shanghai, China. Party C acknowledges the respective rights and obligations of Pledgor and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge.

Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee, Pledgor and Party C owned by Pledgor have executed a Technical Consultation and Service Agreement and other control agreements (the “**Control Agreements**”).

To ensure that Pledgor and Party C fully perform their obligations under the Control Agreements, and pay the consulting and service fees thereunder to the Pledgee when the sum becomes due, Pledgor hereby pledges to the Pledgee all of the equity interest he holds in Party C as security for payment of the consulting and service fees by Party C under the Control Agreements.

To perform the provisions of the Control Agreements, the Parties have mutually agreed to execute this Agreement upon the following terms.

1. ☐

Definitions

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Unless otherwise provided herein, the terms below shall have the following meanings:

[illegible]

Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Section 2 of this Agreement, i.e., the right of Pledgee to be compensated on a preferential basis with the conversion, auction or sales price of the Equity Interest.

- 1.2 股权质押
Equity Interest: shall refer to all of the equity interest lawfully now held and hereafter acquired by Pledgor in Party C.
- 1.3 质押期限 3 个月
Term of Pledge: shall refer to the term set forth in Section 3 of this Agreement.
- 1.4 本协议自 2019 年 1 月 3 日签署之日起至 2020 年 11 月 10 日签署之日起
Control Agreements: shall refer to Technical Consultation and Service Agreements and Business Cooperation Agreement executed by and among Party C and the Pledgee on January 3, 2019, and Amendment to Call Option Agreement, Amendment to Voting Rights Proxy Agreement, and other relevant control agreements executed by and among Pledgor, Party C and Pledgee on November 10, 2020.
- 1.5 违约事件 7
Event of Default: shall refer to any of the circumstances set forth in Section 7 of this Agreement.
- 1.6 违约通知
Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

2. 质押

The Pledge

作为履行本协议项下控制协议及按时足额支付到期款项（无论到期、加速到期或其他方式）的任何或全部款项的担保，Pledgor 特此向 Pledgee 提供其在 Party C 的股权作为质押，质押金额为人民币 100,000,000 元（大写：壹亿元整）。

As collateral security for the performance of the Control Agreements and the timely and complete payment when due (whether at stated maturity, by acceleration or otherwise) of any or all of the payments due by Party C and/or Pledgor, including without limitation the consulting and services fees payable to the Pledgee under the Control Agreements, Pledgor hereby pledges to Pledgee a first security interest in all of Pledgor's right, title and interest now owned by Pledgor in the Equity Interest of Party C. The Parties agree that the amount of the secured obligation under this Agreement shall be one hundred million yuan (RMB100,000,000) as of the date hereof. When the equity pledge is exercised, the amount of the secured debt shall be confirmed based on the actual secured debt.

3. 期限

Term of Pledge

3.1 本担保自下列条件全部满足之日起生效：

The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein has been registered with relevant administration for market regulation (the “AMR”). The Pledge shall be continuously valid until the Pledgor is no longer a shareholder of Party C or the satisfaction of all its obligations by the Party C under the Control Agreements. The Pledgor shall be responsible for recording of the Pledge in the Company’s Register of Shareholders.

3.2 在本担保期间，如发生下列情形，担保权人有权处置担保物：

During the Term of Pledge, in the event Party C fails to pay the exclusive consulting or service fees in accordance with the Control Agreements, Pledgee shall have the right, but not the obligation, to dispose of the Pledge in accordance with the provisions of this Agreement.

4. 记录保管

Custody of Records for Equity Interest subject to Pledge

4.1 在本担保期间，担保权人应在本协议签署之日起20个工作日内，将下列文件交付担保权人保管：

During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee’s custody the capital contribution certificate for the Equity Interest and the shareholders’ register containing the Pledge within twenty (20) business days after this Agreement takes effect. Pledgee shall have custody of such items during the entire Term of Pledge set forth in this Agreement.

4.2 除本担保协议另有约定外，

Pledgee shall have the right to collect dividends generated by the Equity Interest during the Term of Pledge.

5. 陈述与保证

Representations and Warranties of Pledgor

5.1 除本担保协议另有约定外，

Pledgor is the owner of the Equity Interest in record of register of shareholder.

5.2 除本担保协议另有约定外，

Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.

5.3 除本担保协议另有约定外，

Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest.

6. 其他约定

Covenants and Further Agreements of Pledgor

6.1 除本担保协议另有约定外，

Pledgor hereby covenants to the Pledgee, that during the term of this Agreement, Pledgor shall:

6.1.1 除本担保协议另有约定外，Pledgor shall not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest, without the prior written consent of Pledgee, except for the performance of the Amendment to Call Option Agreement (the “**Call Option Agreement**”) executed by Pledgor, the Pledgee and Party C on the execution date of this Agreement;

6.1.2 除遵守所有适用法律和法规适用于质押权利的规定外，并在收到任何通知、命令或建议之日起5个工作日内，向质权人提供前述通知、命令或建议，并遵守前述通知、命令或建议或提交异议和陈述，以回应质权人的合理要求或经质权人同意；

6.1.3 出质人应立即通知质权人任何事件或通知，该事件或通知可能对质权人的权益或任何部分权益产生影响，或可能对质权人的任何担保和其他义务产生影响。

6.2 出质人同意，质权人在本协议项下享有的权利不应受到出质人或任何其他人员通过任何法律程序而中断或损害。

Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.

6.3 为了保护或完善本协议项下授予的质押权利，出质人承诺以善意执行，并促使其他对质押权利有利益的相关方执行所有证书、协议、契据和/或契约。出质人还承诺履行并促使其他对质押权利有利益的相关方履行本协议项下所需的所有行动，以协助质权人行使其权利和权威。出质人承诺进入所有相关文件，以证明质押权利的归属，并与质权人或其指定人（自然人/法人）签订所有相关文件。出质人承诺在合理时间内向质权人提供所有通知、命令和决定，这些通知、命令和决定是质权人所要求的。

To protect or perfect the security interest granted by this Agreement for payment of the consulting and service fees under the Control Agreements, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.

- 6.4 本担保权人特此承诺并履行所有担保、承诺、协议、陈述和条件，本协议项下。在发生违约或担保、承诺、协议、陈述和条件的部分履行时，本担保权人应赔偿被担保人为由此而产生的所有损失。
- 6.5 本担保权人应在本协议生效后二十(20)个工作日内，向中国证券监督管理委员会办理质押登记手续。
- 6.6 未经被担保人事先书面同意，本担保权人不得转让其在本协议项下的任何权益，任何转让行为均属无效。任何由本担保权人收到的转让款项，应首先用于偿还对被担保人的债务，或存入第三方托管账户，以符合本协议的规定。
- 6.7 除非事先获得本担保权人的书面同意，本担保权人不得进行任何出售、转让、处置、质押、抵押、租赁、独家许可或其他任何限制，不得对任何专利（包括任何已授予的专利权利或任何专利申请）进行处分，该专利由本担保权人所有。

6.8 1 2 45

Party C shall, and Party B shall procure Party C to, (i) prepare a report summarizing changes of the Party C’s intellectual properties for each calendar year, which shall include a list of intellectual properties newly purchased, developed or otherwise acquired for such calendar year, and a list of intellectual properties transferred (including any intellectual property that are solely owned by Party C becoming being jointly owned by another party) for such calendar year (the “**IP Report**”), and (ii) submit the IP Report to Party A for review within forty-five (45) days after the end of each calendar year. The IP Report provided by Party C shall be true, valid, accurate and complete. If Party A suffers any losses as a result of any defect of the aforesaid documents, Party C shall be fully responsible for such losses.

7. 7.1

Event of Breach

7.1

The following circumstances shall be deemed Event of Default:

7.1.1

Party C fails to fully and timely fulfill any liabilities under the Control Agreements, including without limitation failure to pay in full any of the consulting and service fees payable under the Control Agreements or breaches any other obligations of Party C thereunder;

7.1.2

Pledgor or Party C has committed a material breach of any provisions of this Agreement;

7.1.3

Except for the performance of the Call Option Agreement, Pledgor transfers or purports to transfer or abandons the Equity Interest pledged or assigns the Equity Interest pledged without the written consent of Pledgee;

7.1.4

The successor or custodian of the Pledgor or Party C is capable of only partially performing or refusing to perform the payment obligations under the Control Agreements;

The occurrence of any adverse change to the assets or property of the Pledgor, which in Pledgee's determination, may impact the ability of the Pledgor to perform its obligations hereunder;

The occurrence of any other circumstances under which the Pledgee is not or may not able to exercise its rights hereunder in accordance with the applicable law.

Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor shall immediately notify Pledgee in writing accordingly.

Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction within twenty (20) days after the Pledgee delivers a notice to the Pledgor requesting ratification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing at any time thereafter, demanding to immediately dispose of the Pledge in accordance with the provisions of Section 8 of this Agreement.

- 8.3 7.3 7.3
- Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge at any time after the issuance of the Notice of Default in accordance with Section 7.3. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.
- 8.4
- In the event of default, Pledgee is entitled to dispose of the Equity Interest in accordance with applicable PRC laws. Only to the extent permitted under applicable PRC laws, Pledgee has no obligation to account to Pledgor for proceeds of disposition of the Equity Interest, and Pledgor hereby waives any rights it may have to demand any such accounting from Pledgee.
- 8.5
- When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

9.

Assignment

- 9.1
- Without Pledgee’s prior written consent, Pledgor shall not have the right to assign or delegate its rights and obligations under this Agreement.
- 9.2
- This Agreement shall be binding on Pledgor and its successors and permitted assigns, and shall be valid with respect to Pledgee and each of its successors and assigns.

9.3 除本协议另有规定外，本协议项下所有权利和义务均应由本协议当事人自行承担。/除本协议另有规定外，本协议项下所有权利和义务均应由本协议当事人自行承担。/除本协议另有规定外，本协议项下所有权利和义务均应由本协议当事人自行承担。

At any time, Pledgee may assign any and all of its rights and obligations under the Control Agreements to its designee(s) (natural/legal persons), in which case the assigns shall have the rights and obligations of Pledgee under this Agreement, as if it were the original party to this Agreement. When the Pledgee assigns the rights and obligations under the Control Agreements, upon Pledgee’s request, Pledgor shall execute relevant agreements or other documents relating to such assignment.

9.4 除本协议另有规定外，本协议项下所有权利和义务均应由本协议当事人自行承担。

In the event of a change in Pledgee due to an assignment, Pledgor shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the relevant AMR.

9.5 除本协议另有规定外，本协议项下所有权利和义务均应由本协议当事人自行承担。/除本协议另有规定外，本协议项下所有权利和义务均应由本协议当事人自行承担。

Pledgor shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Call Option Agreement and the Power of Attorney granted to Pledgee, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.

10. 终止

Termination

除本协议另有规定外，本协议项下所有权利和义务均应由本协议当事人自行承担。

Upon the full payment of the consulting and service fees under the Control Agreements and upon termination of Party C’s obligations under the Control Agreements, this Agreement shall be terminated, and Pledgee shall then terminate the equity pledge under this Agreement as soon as reasonably practicable.

11. 费用

Handling Fees and Other Expenses

所有因履行本协议而产生的费用，包括但不限于法律费用、制作费用、印花税和其他税费，均由本协议C方承担。

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

12. 保密

Confidentiality

本协议各方确认，本协议的存在及其条款以及本协议项下任何口头或书面信息交换，均构成本协议各方之间的保密信息。本协议各方同意，除非本协议另有规定，否则任何一方不得向任何第三方披露本协议项下的任何保密信息，但法律、法规、法院命令或政府主管部门要求披露的除外。本协议各方同意，本协议项下的任何保密信息，均应按照本协议的约定进行披露。

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

13. 适用法律和争议解决

Governing Law and Resolution of Disputes

13.1 本协议的履行、有效性、解释、执行、修改和终止以及本协议项下任何争议的解决，均适用中国法律。

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.

13.2 任何一方因履行本协议而发生的任何争议，应首先通过友好协商解决。如果协商不成，任何一方应在争议发生后30日内向上海国际经济贸易仲裁委员会（上海国际仲裁中心）申请仲裁。仲裁裁决是终局的，对双方均有约束力。

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

13.3 本协议的任何条款如与法律法规相抵触，则该条款无效。本协议的其他条款仍有效。

Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

14. 通知

Notices

14.1 本协议项下所有通知及其他通讯，应以书面形式送达。送达地址为本协议首部所载地址。如地址发生变更，应及时书面通知对方。

All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

14.1.1 通过个人交付、快递服务或挂号信、预付邮资的方式送达的通知，应视为有效送达。

Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of acceptance or refusal at the address specified for notices.

14.1.2 通知は、ファクシミリ送信によるものと見做す。

Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

14.2 通知の住所

For the purpose of notices, the addresses of the Parties are as follows:

通知の住所

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

名称: [***]

Address: [***]

住所: 〇〇

Attn: CAO Wei

名称: [***]

E-mail: [***]

住所: 〇〇

Party B: CAO Wei

名称: [***]

Address: [***]

住所: [***]

E-mail: [***]

住所: 〇〇〇〇〇〇〇〇〇〇〇〇

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

名称: [***]

Address: [***]

住所: 〇〇

Attn.: CAO Wei

名称: [***]

E-mail: [***]

If any Party changes its address for notices or its contact person, a notice shall be delivered to the other Parties in accordance with the terms hereof.

15. 可分割性

Severability

如果本協議的任何條款被認為無效、非法或不可執行，則本協議的其餘條款應繼續有效。如果本協議的任何條款被認為無效、非法或不可執行，則本協議的其餘條款應繼續有效。

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

16. 附件

Attachments

附件

The attachments set forth herein shall be an integral part of this Agreement.

Effectiveness

This Agreement shall become effective after the Parties have duly executed this Agreement. After this Agreement takes effect, the Equity Pledge Agreement by and among the Parties dated March 6, 2020 shall automatically expire.

Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.

This Agreement is written in Chinese and English in three copies. Pledgor, Pledgee and Party C shall hold one copy respectively. Each copy of this Agreement shall have equal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

[SIGNATURE PAGE FOLLOWS]

Signature Pages of Equity Pledge Supplementary Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Pledge Supplementary Agreement as of the date first above written.

日期: 年 月 日

Party B: CAO, Wei

By: /s/ CAO, Wei

日期: 年 月 日

Signature Pages of Equity Pledge Supplementary Agreement

[illegible]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Pledge Supplementary Agreement as of the date first above written.

□ □ □ □ □ □ □ □ □ □ □ □ □ □ □

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

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By: /s/ CAO, Wei

Name: CAO, Wei

□ □ □ □ □ □ □ □

Title: Legal Representative

□□□□□□□□□□

Signature Pages of Equity Pledge Supplementary Agreement

Attachments:

1. 00000000000000000000

Shareholders’ register of Gracell Biotechnologies (Shanghai) Co., Ltd.

2. 00000000000000000000

The Capital Contribution Certificate for Gracell Biotechnologies (Shanghai) Co., Ltd.

3. 0000000000

Technical Consultation and Service Agreement

4. 000000

Business Cooperation Agreement

5. 0000000000

Amendment to Call Option Agreement

6. 000000000000

Amendment to Voting Rights Proxy Agreement

□□□□□□

Equity Pledge Agreement

□□□□□□ (□□“□□□”)□□□□□□ 2020 □ 11 □ 10□□□□□□□□□□□□“□□”□□□□□□

This Equity Pledge Agreement (this “**Agreement**”) has been executed by and among the following parties on November 10, 2020 in Shanghai, the People’s Republic of China (“**China**” or the “**PRC**”):

□□□ □□□□□□□□□□□□□□ □□□“□□□”□

□□□ [***]

Party A: Gracell Bioscience (Shanghai) Co., Ltd. (hereinafter “**Pledgee**”)

Address: [***]

□□□ □□□□□□“□□□”□

□□□ [***]

Party B: HUA Xiaomi (hereinafter “**Pledgor**”)

Address: [***]

□□□ □□□□□□□□□□□□□□

□□□ [***]

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

□□□□□□□□□□□□□□□□□□□□“ □□”□□□“□□□”□

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to as a “**Party**” respectively, and they shall be collectively referred to as the “**Parties**”.

2. 借票人是一家完全由境外人士拥有的在中国注册的企业。借票人、出借人和C方由出借人拥有并执行了《技术咨询服务及服务协议》和其他控制协议（即“**控制协议**”）。

□ □

To perform the provisions of the Control Agreements, the Parties have mutually agreed to execute this Agreement upon the following terms.

□ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □

Unless otherwise provided herein, the terms below shall have the following meanings:

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- 1.2 权益利息: 指所有由 Pledgor 合法持有并在此后取得的 Party C 的权益利息。
Equity Interest: shall refer to all of the equity interest lawfully now held and hereafter acquired by Pledgor in Party C.
- 1.3 质押期限: 指本协议第 3 条所述的期限。
Term of Pledge: shall refer to the term set forth in Section 3 of this Agreement.
- 1.4 控制协议: 指 2019 年 1 月 3 日 Pledgor 与 Pledgee 签署并于 2020 年 11 月 10 日执行的技术咨询和服务协议、业务合作协议以及 Pledgor、Party C 和 Pledgee 之间执行的其他相关控制协议。
Control Agreements: shall refer to Technical Consultation and Service Agreements and Business Cooperation Agreement executed by and among Party C and the Pledgee on January 3, 2019, and Call Option Agreement, Voting Rights Proxy Agreement, and other relevant control agreements executed by and among Pledgor, Party C and Pledgee on November 10, 2020.
- 1.5 违约事件: 指本协议第 7 条所述的任何情形。
Event of Default: shall refer to any of the circumstances set forth in Section 7 of this Agreement.
- 1.6 违约通知: 指 Pledgee 根据本协议宣布违约事件的通知。
Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

2. 质押

The Pledge

Pledgor 向 Pledgee 提供质押担保，作为 Pledgor 履行本协议项下义务及按时足额支付到期款项（无论到期、加速到期或其他方式）的任何或全部款项的担保。Pledgor 向 Pledgee 提供质押担保的金额为人民币 100,000,000 元（大写：壹亿元人民币）。

As collateral security for the performance of the Control Agreements and the timely and complete payment when due (whether at stated maturity, by acceleration or otherwise) of any or all of the payments due by Party C and/or Pledgor, including without limitation the consulting and services fees payable to the Pledgee under the Control Agreements, Pledgor hereby pledges to Pledgee a first security interest in all of Pledgor's right, title and interest now owned by Pledgor in the Equity Interest of Party C. The Parties agree that the amount of the secured obligation under this Agreement shall be one hundred million yuan (RMB100,000,000) as of the date hereof. When the equity pledge is exercised, the amount of the secured debt shall be confirmed based on the actual secured debt.

3. 期限

Term of Pledge

3.1 本担保自下列条件全部满足之日起生效：

The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein has been registered with relevant administration for market regulation (the “AMR”). The Pledge shall be continuously valid until the Pledgor is no longer a shareholder of Party C or the satisfaction of all its obligations by the Party C under the Control Agreements. The Pledgor shall be responsible for recording of the Pledge in the Company’s Register of Shareholders.

3.2 在本担保期间，如发生下列情形，担保权人有权处置担保物：

During the Term of Pledge, in the event Party C fails to pay the exclusive consulting or service fees in accordance with the Control Agreements, Pledgee shall have the right, but not the obligation, to dispose of the Pledge in accordance with the provisions of this Agreement.

4. 记录保管

Custody of Records for Equity Interest subject to Pledge

4.1 在本担保期间，担保权人应在本协议签署之日起20个工作日内，将资本贡献证书、股东名册等文件交由担保权人保管。

During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee’s custody the capital contribution certificate for the Equity Interest and the shareholders’ register containing the Pledge within twenty (20) business days after this Agreement takes effect. Pledgee shall have custody of such items during the entire Term of Pledge set forth in this Agreement.

4.2 除本担保协议另有约定外，

Pledgee shall have the right to collect dividends generated by the Equity Interest during the Term of Pledge.

5. 陈述与保证

Representations and Warranties of Pledgor

5.1 陈述与保证

Pledgor is the owner of the Equity Interest in record of register of shareholder.

5.2 陈述与保证

Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.

5.3 陈述与保证

Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest.

6. 其他约定

Covenants and Further Agreements of Pledgor

6.1 陈述与保证

Pledgor hereby covenants to the Pledgee, that during the term of this Agreement, Pledgor shall:

6.1.1 陈述与保证“ 陈述与保证” 陈述与保证 陈述与保证 陈述与保证

not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest, without the prior written consent of Pledgee, except for the performance of the Call Option Agreement (the “**Call Option Agreement**”) executed by Pledgor, the Pledgee and Party C on the execution date of this Agreement;

6.1.2 除法律、法规及有权机关的要求外，Pledgor 应遵守所有适用于质押权利的法律法规，并在收到任何通知、命令或建议后的 5 个工作日内，向 Pledgee 出示前述通知、命令或建议，并遵守前述通知、命令或建议，或提交异议和陈述，以回应 Pledgee 的合理要求或经 Pledgee 同意；

6.1.3 Pledgor 应随时通知 Pledgee 任何可能影响 Pledgee 对权益利益或任何部分权益利益的权利的事件或通知，以及任何可能影响 Pledgee 的任何保证或其他义务的事件或通知，该事件或通知由 Pledgor 根据本协议产生。

6.2 Pledgor 同意，Pledgee 根据本协议获得的权利不应受到 Pledgor 或其继承人或代表人或任何其他人员通过任何法律程序的中断或损害。

Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.

6.3 为了保护或完善本协议授予的安全利益，Pledgor 特此承诺以善意执行并促使其他对质押有利益的一方执行所有证书、协议、契据和/或契约。Pledgor 还承诺执行并促使其他对质押有利益的一方执行本协议要求的行为，以促进 Pledgee 行使其权利和权威，并进入所有相关文件，以证明权益利益的所有权。Pledgor 承诺在合理时间内向 Pledgee 提供所有通知、命令和决定，这些通知、命令和决定是 Pledgee 所要求的。

To protect or perfect the security interest granted by this Agreement for payment of the consulting and service fees under the Control Agreements, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.

- 6.4 除本担保协议另有约定外，担保人应遵守并履行本协议项下的所有保证、承诺、协议、陈述和条件。在本协议项下，担保人应赔偿被担保人为履行本协议项下的所有保证、承诺、协议、陈述和条件而遭受的所有损失。
- 6.5 担保人应在本协议生效后二十(20)个工作日内，向中国证券监督管理委员会办理质押登记手续。
- 6.6 未经被担保人事先书面同意，担保人不得转让其在本协议项下的任何权益，任何转让行为均属无效。担保人因转让而收到的任何款项，应首先用于偿还其对被担保人的债务，或存入第三方托管账户，以被担保人的利益为限。
- 6.7 除非经被担保人事先书面同意，否则担保人不得进行任何出售、转让、处置、质押、抵押、租赁、独家许可或以其他方式对任何专利（包括任何已授予的专利权利或任何专利申请）进行限制，该专利（包括任何已授予的专利权利或任何专利申请）归被担保人所拥有。

6.8 1 2 45

Party C shall, and Party B shall procure Party C to, (i) prepare a report summarizing changes of the Party C’s intellectual properties for each calendar year, which shall include a list of intellectual properties newly purchased, developed or otherwise acquired for such calendar year, and a list of intellectual properties transferred (including any intellectual property that are solely owned by Party C becoming being jointly owned by another party) for such calendar year (the “**IP Report**”), and (ii) submit the IP Report to Party A for review within forty-five (45) days after the end of each calendar year. The IP Report provided by Party C shall be true, valid, accurate and complete. If Party A suffers any losses as a result of any defect of the aforesaid documents, Party C shall be fully responsible for such losses.

7. 7.1

Event of Breach

7.1

The following circumstances shall be deemed Event of Default:

7.1.1

Party C fails to fully and timely fulfill any liabilities under the Control Agreements, including without limitation failure to pay in full any of the consulting and service fees payable under the Control Agreements or breaches any other obligations of Party C thereunder;

7.1.2

Pledgor or Party C has committed a material breach of any provisions of this Agreement;

7.1.3

Except for the performance of the Call Option Agreement, Pledgor transfers or purports to transfer or abandons the Equity Interest pledged or assigns the Equity Interest pledged without the written consent of Pledgee;

7.1.4

The successor or custodian of the Pledgor or Party C is capable of only partially performing or refusing to perform the payment obligations under the Control Agreements;

7.1.5 除因下列情形外，本擔保人不得拒絕或延遲履行其在本擔保項下的義務：

The occurrence of any adverse change to the assets or property of the Pledgor, which in Pledgee’s determination, may impact the ability of the Pledgor to perform its obligations hereunder;

7.1.6 除因下列情形外，本擔保人不得拒絕或延遲履行其在本擔保項下的義務：

The occurrence of any other circumstances under which the Pledgee is not or may not able to exercise its rights hereunder in accordance with the applicable law.

7.2 根據本擔保 7.1 條所載之任何情形，本擔保人應立即通知本擔保人。

Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor shall immediately notify Pledgee in writing accordingly.

7.3 除非 7.1 條所載之任何情形已在本擔保人收到通知後 20 個工作日內成功解決，否則本擔保人應在本擔保人收到通知後 8 個工作日內：

Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee’s satisfaction within twenty (20) days after the Pledgee delivers a notice to the Pledgor requesting ratification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing at any time thereafter, demanding to immediately dispose of the Pledge in accordance with the provisions of Section 8 of this Agreement.

8. 擔保

Exercise of Pledge

8.1 在本擔保項下，本擔保人應根據本擔保項下的規定，向本擔保人提供擔保。

Prior to the full payment of the consulting and service fees described in the Control Agreements, without the Pledgee’s written consent, Pledgor shall not assign the Equity Interest in Party C.

8.2 本擔保人應根據本擔保項下的規定，向本擔保人提供擔保。

Pledgee may issue a written notice to Pledgor when exercising the Pledge.

- 8.3 7.3 7.3 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge at any time after the issuance of the Notice of Default in accordance with Section 7.3. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.
- 8.4 In the event of default, Pledgee is entitled to dispose of the Equity Interest in accordance with applicable PRC laws. Only to the extent permitted under applicable PRC laws, Pledgee has no obligation to account to Pledgor for proceeds of disposition of the Equity Interest, and Pledgor hereby waives any rights it may have to demand any such accounting from Pledgee.
- 8.5 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

9. 9

Assignment

- 9.1 Without Pledgee's prior written consent, Pledgor shall not have the right to assign or delegate its rights and obligations under this Agreement.
- 9.2 This Agreement shall be binding on Pledgor and its successors and permitted assigns, and shall be valid with respect to Pledgee and each of its successors and assigns.
- 9.3 / / At any time, Pledgee may assign any and all of its rights and obligations under the Control Agreements to its designee(s) (natural/legal persons), in which case the assigns shall have the rights and obligations of Pledgee under this Agreement, as if it were the original party to this Agreement. When the Pledgee assigns the rights and obligations under the Control Agreements, upon Pledgee's request, Pledgor shall execute relevant agreements or other documents relating to such assignment.

9.4 在发生因质押权人变更而导致的质押权转移时，出质人应当根据质押权人的要求，与新的质押权人签订新的质押协议，并向相关监管机构办理质押登记手续。

In the event of a change in Pledgee due to an assignment, Pledgor shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the relevant AMR.

9.5 出质人应当严格遵守本协议及其他由双方共同或分别签署并执行的协议或其中任何一项，包括认购权协议和授予质押权人的授权委托书，履行本协议项下的义务，并不得采取任何行动或遗漏任何事项，可能影响本协议的有效性和可执行性。任何出质人根据本协议享有的权益，出质人不得行使，除非按照本协议的书面指示行使。

Pledgor shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Call Option Agreement and the Power of Attorney granted to Pledgee, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.

10. 终止

Termination

在支付完咨询服务费及其他费用并终止本协议项下各方义务后，本协议应当终止，且质押权人应当尽快终止本协议项下的质押。

Upon the full payment of the consulting and service fees under the Control Agreements and upon termination of Party C’s obligations under the Control Agreements, this Agreement shall be terminated, and Pledgee shall then terminate the equity pledge under this Agreement as soon as reasonably practicable.

11. 费用

Handling Fees and Other Expenses

所有因履行本协议而产生的费用，包括但不限于法律费用、制作费用、印花税和其他税费，均由本协议C方承担。

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

12. 保密

Confidentiality

本协议各方承认，本协议的存在及其条款以及本协议各方之间以任何口头或书面形式交换的任何信息，均被视为本协议项下的保密信息。本协议各方应维持该等保密信息的保密性，未经本协议其他方事先书面同意，不得向任何第三方披露该等保密信息，但以下信息除外：(a) 已经或将来成为公共领域的信息（其他方通过本协议各方未经授权披露除外）；(b) 根据适用法律、法规、证券交易所、法院或其他政府机构的要求而必须披露的信息；或(c) 本协议各方或其股东、投资者、法律顾问或财务顾问向本协议各方披露的信息，但此类股东、投资者、法律顾问或财务顾问受本协议项下的保密义务约束，且其披露行为应符合本协议项下的保密义务。

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

13. 适用法律

Governing Law and Resolution of Disputes

13.1 本协议的履行、有效性、解释、执行、修改和终止以及本协议项下争议的解决均适用中国法律。

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.

13.2 任何一方因履行本协议而发生的任何争议，应首先通过友好协商解决。如果协商不成，任何一方应在争议发生后30日内向上海国际经济贸易仲裁委员会（上海国际仲裁中心）申请仲裁。

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

13.3 本协议的任何修改或补充均须以书面形式作出，并经双方签字盖章后生效。

Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

14. 通知

Notices

14.1 本协议项下所有通知及其他通讯均应以书面形式作出，并送达至本协议中指定的地址。

All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

14.1.1 通知可以以个人递送、快递服务或经注册邮件、邮资已付的方式，将被视为有效

Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of acceptance or refusal at the address specified for notices.

14.1.2 通知可以以传真方式，将被视为有效，其日期为成功传输的日期（如由自动生成的传输确认所证明）。

Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

14.2 通知地址

For the purpose of notices, the addresses of the Parties are as follows:

名称 注册地址

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

名称 [***]

Address: [***]

名称 姓名

Attn: CAO Wei

名称 [***]

E-mail: [***]

名称 名称

Party B: HUA, Xiaomi

名称 [***]

Address: [***]

名称

E-mail:

名称 注册地址

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

名称 [***]

Address: [***]

名称 姓名

Attn.: CAO Wei

名称 [***]

E-mail: [***]

14.3 □□□□□□□□□□□□□□□□□□□□□□□□□□□□

If any Party changes its address for notices or its contact person, a notice shall be delivered to the other Parties in accordance with the terms hereof.

15.

Severability

[illegible]

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

16. ☐ ☐

Attachments

□□□□□□□□□□□□□□□□□□□□□□□□□□□□

The attachments set forth herein shall be an integral part of this Agreement.

Effectiveness

This Agreement shall become effective after the Parties have duly executed this Agreement.

Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.

This Agreement is written in Chinese and English in three copies. Pledgor, Pledgee and Party C shall hold one copy respectively. Each copy of this Agreement shall have equal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

[SIGNATURE PAGE FOLLOWS]

Signature Pages of Equity Pledge Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Pledge Agreement as of the date first above written.

Party B: HUA, Xiaomi

By: /s/ HUA, Xiaomi

Signature Pages of Equity Pledge Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Pledge Agreement as of the date first above written.

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

By: /s/ CAO, Wei

Name: CAO, Wei

Title: Legal Representative

Signature Pages of Equity Pledge Agreement

Attachments:

1. 00000000000000000000

Shareholders’ register of Gracell Biotechnologies (Shanghai) Co., Ltd.

2. 00000000000000000000

The Capital Contribution Certificate for Gracell Biotechnologies (Shanghai) Co., Ltd.

3. 0000000000

Technical Consultation and Service Agreement

4. 000000

Business Cooperation Agreement

5. 000000

Call Option Agreement

6. 0000000000

Voting Rights Proxy Agreement

Amendment to Call Option Agreement

Amendment to Call Option Agreement

“ ” 2020 11 10

This Amendment to Call Option Agreement (this “**Agreement**”) is executed by and among the following Parties as of November 10, 2020 in Shanghai, the People’s Republic of China (“**China**” or the “**PRC**”):

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

Address: [***]

Party B: CAO Wei

Chinese Identification Card No.: [***]

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

Party B: CAO Wei

Chinese Identification Card No.: [***]

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

“ ” “ ”

In this Agreement, each of Party A, Party B and Party C shall be referred to as a “**Party**” respectively, and they shall be collectively referred to as the “**Parties**”.

99.9%“ ”

Whereas: Party B holds 99.9% of the equity interest in Party C. Party A and Party C have executed a Technical Consultation and Service Agreement, Business Cooperation Agreement and other control agreements (the “**Control Agreements**”).

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

1.

Sale and Purchase of Equity Interest

1.1

Option Granted

1 1.3 (“”) (“”) “”

In consideration of the payment of RMB 1 by Party A, the receipt and adequacy of which is hereby acknowledged by Party B, Party B hereby irrevocably agrees that, on the condition that it is permitted by the PRC laws, Party A has the right to require Party B to fulfill and complete all approval and registration procedures required under PRC laws for Party A to purchase, or designate one or more persons (each, a “**Designee**”) to purchase, Party B’s equity interests in Party C, once or at multiple times at any time in part or in whole at Party A’s sole and absolute discretion and at the price described in Section 1.3 herein (such right being the “**Equity Interest Purchase Option**”). Party A’s Equity Interest Purchase Option shall be exclusive. Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term “person” as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or non- corporate organizations.

1.2 步骤
Steps for Exercise of Equity Interest Purchase Option
Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the “**Equity Interest Purchase Option Notice**”), specifying: (a) Party A’s decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased from Party B (the “**Optioned Interests**”); and (c) the date for purchasing the Optioned Interests and/or the date for transfer of the Optioned Interests.

1.3 价格
Equity Interest Purchase Price
The purchase price of the Optioned Interests (the “**Base Price**”) shall be the lowest price allowed by the laws of China. If appraisal is required by the laws of China at the time when Party A exercises the Equity Interest Purchase Option, the Parties shall negotiate in good faith and based on the appraisal result make necessary adjustment to the Equity Interest Purchase Price so that it complies with any and all then applicable laws of China (collectively, the “**Equity Interest Purchase Price**”). If the Equity Interest Purchase Price actually paid by Party A is not nil pursuant to the requirements of applicable laws, Party B shall immediately return to Party A or its Designee the Equity Interest Purchase Price received by Party B at the instruction of Party A and in compliance with applicable laws.

1.4 转让
Transfer of Optioned Interests
For each exercise of the Equity Interest Purchase Option:
1.4.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Party B’s transfer of the Optioned Interests to Party A and/or the Designee(s);

1.4.2

Party B shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the equity interest to Party A and/or the Designee(s) and waiving any right of first refusal related thereto;

[illegible]

Party B shall execute a share transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;

[illegible]

The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, “security interests” shall include securities, mortgages, third party’s rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement and Party B’s Equity Pledge Agreement. “Party B’s Equity Pledge Agreement” as used in this Section and this Agreement shall refer to the Equity Pledge Supplementary Agreement (“**Party B’s Equity Pledge Agreement**”) executed by and among Party A, Party B and Party C as of the date hereof, whereby Party B pledges all of its equity interests in Party C to Party A, in order to guarantee Party C’s performance of its obligations under the Control Agreements executed by and between Party C and Party A.

Covenants

Covenants regarding Party C

Party B (as the shareholders of Party C) and Party C hereby covenant as follows:

Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association and bylaws of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;

They shall maintain Party C's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;

Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Party C or legal or beneficial interest in the business or revenues of Party C, or allow the encumbrance thereon of any security interest;

- 2.1.4 除事先取得A方同意外, 他们不得导致C方产生、继承、担保或承担任何债务, 但(i)在业务过程中产生的债务除外; 且(ii)已向A方披露且A方已事先取得同意的债务除外;
- 2.1.5 他们应始终在业务过程中运营C方的所有业务, 以维持C方的资产价值, 并避免采取任何行动/遗漏, 该行动/遗漏可能会影响C方的运营状况和资产价值;
- 2.1.6 除事先取得A方同意外, 他们不得导致C方执行任何重大合同, 但业务过程中的合同除外(根据本小节的目的, 价格超过人民币100,000元的合同将被视为重大合同);
- 2.1.7 除事先取得A方同意外, 他们不得导致C方向任何个人提供贷款或信用;
- 2.1.8 他们应向A方提供有关C方的业务运营和财务状况的信息, 应A方的要求;
- 2.1.9 如果A方要求, 他们应就C方的资产和业务向A方可接受的保险公司投保, 投保金额和承保范围应与经营类似业务的公司典型;

- 2.1.10 2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any entity;
- 2.1.11 2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
- 2.1.12 2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- 2.1.13 2.1.13 Without the prior written consent of Party A, they shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders; and
- 2.1.14 2.1.14 At the request of Party A, they shall appoint any persons designated by Party A as directors of Party C; without the prior written consent of Party A, they shall not replace the directors of Party C.

2.2 2.2 Covenants of Party B

2.2 2.2 Party B hereby covenants as follows:

- 2.2.1 2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, except for the pledge placed on these equity interests in accordance with Party B's Equity Pledge Agreement;

- 2.2.2 倘本公司/本公司之任何附屬公司 與任何人士訂立任何合約或安排，而該等合約或安排可能導致本公司或本公司之任何附屬公司之業務、資產或利益受到不利影響，則本公司/本公司之任何附屬公司不得訂立該等合約或安排，除非該等合約或安排已獲得本公司董事會之事先書面批准。
- Party B shall cause the shareholders' meeting and/or the board of directors of Party C not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, without the prior written consent of Party A, except for the pledge placed on these equity interests in accordance with Party B's Equity Pledge Agreement;
- 2.2.3 倘本公司/本公司之任何附屬公司 與任何人士訂立任何合約或安排，而該等合約或安排可能導致本公司或本公司之任何附屬公司之業務、資產或利益受到不利影響，則本公司/本公司之任何附屬公司不得訂立該等合約或安排，除非該等合約或安排已獲得本公司董事會之事先書面批准。
- Party B shall cause the shareholders' meeting or the board of directors of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any entity, without the prior written consent of Party A;
- 2.2.4 倘本公司/本公司之任何附屬公司 與任何人士訂立任何合約或安排，而該等合約或安排可能導致本公司或本公司之任何附屬公司之業務、資產或利益受到不利影響，則本公司/本公司之任何附屬公司不得訂立該等合約或安排，除非該等合約或安排已獲得本公司董事會之事先書面批准。
- Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
- 2.2.5 倘本公司/本公司之任何附屬公司 與任何人士訂立任何合約或安排，而該等合約或安排可能導致本公司或本公司之任何附屬公司之業務、資產或利益受到不利影響，則本公司/本公司之任何附屬公司不得訂立該等合約或安排，除非該等合約或安排已獲得本公司董事會之事先書面批准。
- Party B shall cause the shareholders' meeting or the board of directors of Party C to vote their approval of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;

- 2.2.6 若因任何原因导致Party B在Party C中的所有权受到威胁，Party B应执行所有必要或适当的文件，采取所有必要或适当的行动并提起所有必要或适当的诉讼或提出必要和适当的抗辩以维护其所有权；
- 2.2.7 若Party B被要求任命Party A的任何指定人为Party C的董事和/或执行董事，在Party A的要求下，若Party A事先未书面同意，则Party B不得替换Party C的董事；
- 2.2.8 若Party B被要求向Party A发出任何授权书，以授权Party A和/或其指定的个人行使Party B在Party C中的投票权，则Party B应发出此类授权书；
- 2.2.9 若Party B被要求将其在Party C中的权益转让给Party A的任何指定人，以符合本协议下的权益购买选择权，则Party B应无条件且立即将其在Party C中的权益转让给Party A的指定人，且Party B特此放弃其对该股份转让的第一拒绝权（如有）；
- 2.2.10 若Party B被要求向Party A的任何指定人发出任何授权书，以授权该指定人行使Party B在Party C中的投票权，则Party B应发出此类授权书；
- Party B应严格遵守本协议和其他合同（无论是单独还是共同执行）中Party B、Party C和Party A的义务，并 refrain 从事任何可能影响本协议有效性和可执行性的行为。如果Party B保留本协议之外的任何其他权利，则Party B的权益质押协议和向Party A和/或其指定的个人发出的授权书应受Party A的书面指示。

The Parties signed the Voting Rights Proxy Agreement and agreed that Party B unconditionally entrust Party A or Party A’s designee to vote on its behalf at the shareholders’ meeting of Party C. The Parties hereby confirms that if Party A’s entrustment causes Party C in violation of Covenants in Articles 2.1, 2.2 of this Agreement, Party B shall not be regarded as in breach of this Agreement.

3.

Representations and Warranties

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement that:

3.1

They have the authority to execute and deliver this Agreement and any share transfer contracts to which they are parties concerning the Optioned Interests to be transferred thereunder (each, a “**Transfer Contract**”), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party A’s exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;

- 3.2 该协议的履行和交付或任何转让协议以及本协议或任何转让协议下的义务不得：(i) 违反中国任何适用法律；(ii) 与公司章程、细则或其他组织文件相冲突；(iii) 违反任何其是当事人或对其具有约束力的合同或文件；(iv) 违反任何授予和/或持续有效性的任何许可证或执照；或 (v) 导致任何许可证或执照的暂停、撤销或附加任何条件。
- The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;
- 3.3 乙方对 Party C 持有的权益拥有良好且可流通的所有权。除乙方股权质押协议外，乙方未就该等权益设置任何担保权益；
- Party B has a good and merchantable title to the equity interests in Party C he holds. Except for Party B's Equity Pledge Agreement, Party B has not placed any security interest on such equity interests;
- 3.4 乙方对其全部资产拥有良好且可流通的所有权，并未就前述资产设置任何担保权益；
- Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
- 3.5 乙方没有任何未清偿债务，但 (i) 因日常经营产生的债务；和 (ii) 已向甲方披露且已获得甲方书面同意的债务。
- Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.
- 3.6 乙方遵守中国所有适用于股权或资产收购的法律和法规；并且
- Party C has complied with all laws and regulations of China applicable to equity or asset acquisitions; and
- 3.7 不存在与乙方权益、乙方资产或乙方有关的任何未决或可能发生的诉讼、仲裁或行政程序。
- There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

Effective Date

This Agreement shall become effective upon satisfaction of all the following conditions:

Each Party has duly executed this Agreement, and

Party B is registered as the shareholder of the Party C.

After this Agreement takes effect, the Call Option Agreement by and among the Parties dated December 20, 2019 shall automatically expire.

This Agreement shall remain effective until all the equity interest owned by Party B in Party C has been legally transferred to Party A or the Designee(s) in accordance with this Agreement.

Governing Law and Resolution of Disputes

Governing law

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the formally published and publicly available laws of China. Matters not covered by formally published and publicly available laws of China shall be governed by international legal principles and practices.

Methods of Resolution of Disputes

在履行本协议过程中发生的任何争议，当事人应首先通过友好协商解决。如果当事人未能通过友好协商解决，任何一方均可在争议发生后30日内向上海国际经济贸易仲裁委员会申请仲裁。仲裁裁决是终局的，对当事人具有约束力。

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

6. 税费

Taxes and Fees

本协议项下所有与本协议有关的税费均由当事人自行承担。

All transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts shall be borne by Party C.

7. 通知

Notices

7.1 根据本协议要求或允许给予的通知或其他通信，应以亲自交付、挂号邮件、商业快递服务或传真方式发送至当事人指定的地址。通知的送达日期应确定为通知有效送达之日。

All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 通知由个人递送、快递服务或由注册邮件、邮资已付，应被视为有效

Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of acceptance or refusal at the address specified for notices.

7.1.2 通知由传真发送应被视为有效，日期为成功传输的日期（如

Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.2 通知地址

For the purpose of notices, the addresses of the Parties are as follows:

甲方 上海葛素生物科技有限公司

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

甲方 [***]

Address: [***]

姓名 曹伟

Attn: CAO Wei

甲方 [***]

Email: [***]

甲方 曹伟

Party B: CAO Wei

甲方 [***]

Address: [***]

甲方 [***]

Email: [***]

甲方 上海葛素生物科技有限公司

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

甲方 [***]

Address: [***]

姓名 曹伟

Attn: CAO Wei




甲方 [***]

Email: [***]

If any Party change its address for notices or its contact person, a notice shall be delivered to the other Party in accordance with the terms hereof.

8.

Confidentiality

(a)  (b)  (c) 

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

9. 第九條

Further Warranties

雙方同意，雙方應根據本協議之規定，為履行其義務而採取必要之行動。

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

10. 第十條

Miscellaneous

10.1 第十條第一項

Amendment, change and supplement

雙方同意，雙方應根據本協議之規定，為履行其義務而採取必要之行動。

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

10.2 第十條第二項

Entire agreement

雙方同意，雙方應根據本協議之規定，為履行其義務而採取必要之行動。

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supercede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

10.3 标题

Headings

本条标题仅为方便起见，并不用于解释、说明或以其他方式影响本协议条款的含义。

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

10.4 语言

Language

本协议以中文和英文两种语言书写，一式三份，每方各执一份，具有同等法律效力；如中英文版本存在冲突，以中文版本为准。

This Agreement is written in both Chinese and English language in three copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

10.5 可分割性

Severability

本协议的任何条款如被认定为无效、非法或不可执行，不影响本协议其他条款的效力。各方应本着诚实信用原则，以最接近无效条款的经济效果的方式，以法律允许的最大范围，以符合各方意图的方式，对无效条款进行修正，以使本协议能够有效执行。

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

10.6 继承人

Successors

本协议对各方及其继承人、受让人和允许的受让人均具有约束力。

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

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10.8.1

10.8.2 □□□□ 5□7□8□□□□ 10.8□□□□□□□□□□□□□□□□

The provisions of Sections 5, 7, 8 and this Section 10.8 shall survive the termination of this Agreement.

10.9.1

[illegible]

The Parties agree and confirm that, if any Party (the “**Defaulting Party**”) is in material breach of any provisions herein or fails to perform any obligations hereunder in any material respect, such breach or failure shall constitute a default under this Agreement (the “**Default**”), which shall entitle non-defaulting Party to request Defaulting Party to rectify or remedy such Default with a reasonable period of time. If the Defaulting Party fails to rectify or remedy such Default within the reasonable period of time or within ten (10) days of non-defaulting Party’s written notice requesting for such rectification or remedy, the non-defaulting Party shall be entitled to elect any one of the following remedial actions: (a) to terminate this Agreement and request the Defaulting Party to fully compensate its losses and damages; (b) to request the specific performance by the Defaulting Party of its obligations hereunder and request the Defaulting Party to fully compensate non-defaulting Party’s losses and damages; or (c) to enforce the pledge under the Party B’s Equity Pledge Agreement by selling, auctioning or exchanging the pledged equity thereunder and receive payment in priority from the proceeds derived therefrom, and in the meantime, request the Defaulting Party to fully compensate non-defaulting Party for any losses as a result thereof.

[illegible]

The rights and remedies provided for in this Agreement shall be accumulative and shall not affect any other rights and remedies stipulated at law.

[] [] [] [] [] []

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Call Option Agreement as of the date first above written.

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

By: /s/ CAO, Wei

Name: CAO, Wei

□ □ □ □ □ □ □ □

Title: Legal Representative

Signature Page of Amendment to Call Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Call Option Agreement as of the date first above written.

Party B: CAO, Wei

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By: /s/ CAO, Wei

Signature Page of Amendment to Call Option Agreement

Signature Page of Amendment to Call Option Agreement

□□□□□□

Call Option Agreement

□□□□□□□□“□□□”□□□□□□ 2020 11 10 □□□□□□□□□□□□“□□”□□□□□□

This Call Option Agreement (this “**Agreement**”) is executed by and among the following Parties as of November 10, 2020 in Shanghai, the People’s Republic of China (“**China**” or the “**PRC**”):

□□□ □□□□□□□□□□□□□□

□□□ [***]

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

Address: [***]

□□□ □□□

□□□□□□ [***]

Party B: HUA Xiaomi

Chinese Identification Card No.: [***]

□□□ □□□□□□□□□□□□□□

□□□ [***]

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

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In this Agreement, each of Party A, Party B and Party C shall be referred to as a “**Party**” respectively, and they shall be collectively referred to as the “**Parties**”.

1.2

步骤

Steps for Exercise of Equity Interest Purchase Option

当事人行使股权认购权时，应当以书面形式通知对方（“**通知**”），并载明（a）行使股权认购权的数量（b）行使股权认购权的期限（“**期限**”）（c）行使股权认购权的日期

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the “**Equity Interest Purchase Option Notice**”), specifying: (a) Party A’s decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased from Party B (the “**Optioned Interests**”); and (c) the date for purchasing the Optioned Interests and/or the date for transfer of the Optioned Interests.

1.3

价格

Equity Interest Purchase Price

股权认购价格是指“**基础价格**”，即行使股权认购权时，行使股权认购权的数量与基础价格的乘积。基础价格是指行使股权认购权时，行使股权认购权的数量与基础价格的乘积。基础价格是指行使股权认购权时，行使股权认购权的数量与基础价格的乘积。

The purchase price of the Optioned Interests (the “**Base Price**”) shall be the lowest price allowed by the laws of China. If appraisal is required by the laws of China at the time when Party A exercises the Equity Interest Purchase Option, the Parties shall negotiate in good faith and based on the appraisal result make necessary adjustment to the Equity Interest Purchase Price so that it complies with any and all then applicable laws of China (collectively, the “**Equity Interest Purchase Price**”). If the Equity Interest Purchase Price actually paid by Party A is not nil pursuant to the requirements of applicable laws, Party B shall immediately return to Party A or its Designee the Equity Interest Purchase Price received by Party B at the instruction of Party A and in compliance with applicable laws.

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For each exercise of the Equity Interest Purchase Option:

- 4
Call Option Agreement
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Covenants

2.1 〇〇〇〇〇〇〇〇

Covenants regarding Party C

〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇

Party B (as the shareholders of Party C) and Party C hereby covenant as follows:

2.1.1 〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇 〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇 〇〇〇〇〇〇〇〇

Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association and bylaws of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;

2.1.2 〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇 〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇

They shall maintain Party C’s corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;

2.1.3 〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇 〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇 〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇〇

Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Party C or legal or beneficial interest in the business or revenues of Party C, or allow the encumbrance thereon of any security interest;

- 2.1.4 除事先取得A方同意外, 他们不得导致C方产生、继承、担保或承担任何债务, 但(i)在业务过程中产生的债务除外; 且(ii)已向A方披露且A方已事先取得其书面同意的债务除外;
- 2.1.5 他们应始终在业务过程中运营C方的所有业务, 以维持C方的资产价值, 并避免采取任何行动/遗漏, 该行动/遗漏可能会影响C方的运营状况和资产价值;
- 2.1.6 除事先取得A方同意外, 他们不得导致C方执行任何重大合同, 但业务过程中的合同除外(根据本小节的目的, 价格超过人民币100,000元的合同将被视为重大合同);
- 2.1.7 除事先取得A方同意外, 他们不得导致C方向任何个人提供贷款或信用;
- 2.1.8 他们应根据A方的要求向A方提供有关C方的业务运营和财务状况的信息;
- 2.1.9 如果A方要求, 他们应就C方的资产和业务向A方可接受的保险公司投保, 投保金额和承保范围应与经营类似业务的公司典型;

- 2.1.10 除前經書面同意外，不得促使或允許C方合併、與C方合併、收購或投資任何實體；
- 2.1.11 他們應立即通知A方任何訴訟、仲裁或行政程序，或C方資產、業務或收入的可能發生；
- 2.1.12 為了維持C方所有資產的所有權，他們應執行所有必要或適當的文件，採取所有必要或適當的行動，並提出所有必要或適當的申訴或提出必要和適當的辯護，以反對所有申訴；
- 2.1.13 除前經書面同意外，他們應確保C方不得以任何方式向股東派發股息，但A方書面要求C方立即向股東派發所有可分派利潤除外；
- 2.1.14 應A方要求，他們應任命A方指定為C方董事的任何人員；未經A方事先書面同意，他們不得更換C方董事。

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2.2.4

2.2.5

Party B shall cause the shareholders' meeting or the board of directors of Party C to vote their approval of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;

- 2.2.6 除必要時維持B在C之所有權外，B應執行所有必要或適當之文件，採取所有必要或適當之行動，並提出所有必要或適當之申訴或提出必要及適當之防禦，以對抗所有主張；
- 2.2.7 除必要時委任A之任何受託人擔任C之董事及/或執行董事外，B應於A之要求下，在未經A事先書面同意之情況下，不得更換C之董事；
- 2.2.8 除必要時委任A之任何受託人擔任C之董事及/或執行董事外，B應於A之要求下，在未經A事先書面同意之情況下，不得更換C之董事；
- 2.2.9 除必要時委任A之任何受託人擔任C之董事及/或執行董事外，B應於A之要求下，在未經A事先書面同意之情況下，不得更換C之董事；
- 2.2.10 除必要時委任A之任何受託人擔任C之董事及/或執行董事外，B應於A之要求下，在未經A事先書面同意之情況下，不得更換C之董事；
- At the request of Party A at any time, Party B shall promptly and unconditionally transfer its equity interests in Party C to Party A's Designee(s) in accordance with the Equity Interest Purchase Option under this Agreement, and Party B hereby waives its right of first refusal to the respective share transfer by the other existing shareholder of Party C (if any); and
- Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. If Party B retains any additional rights other than those rights provided for under this Agreement, Party B's Equity Pledge Agreement and the powers of attorney issued to Party A and/or the individual designated by Party A, Party B shall not exercise such rights without Party A's written direction.

2.1 2.2
 The Parties signed the Voting Rights Proxy Agreement and agreed that Party B unconditionally entrust Party A or Party A’s designee to vote on its behalf at the shareholders’ meeting of Party C. The Parties hereby confirms that if Party A’s entrustment causes Party C in violation of Covenants in Articles 2.1, 2.2 of this Agreement, Party B shall not be regarded as in breach of this Agreement.

3.

Representations and Warranties

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement that:

- 3.1

They have the authority to execute and deliver this Agreement and any share transfer contracts to which they are parties concerning the Optioned Interests to be transferred thereunder (each, a “**Transfer Contract**”), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party A’s exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;

3.2 该协议的履行和交付或任何转让协议以及本协议或任何转让协议下的义务不得：(i) 违反中国任何适用法律；(ii) 与公司章程、细则或其他组织文件不一致；(iii) 违反任何其是当事人或对其具有约束力的合同或文书，或构成任何其是当事人或对其具有约束力的合同或文书的违约；(iv) 违反任何其是当事人或对其具有约束力的合同或文书的条件，或构成任何其是当事人或对其具有约束力的合同或文书的违约；(v) 导致任何其是当事人或对其具有约束力的合同或文书的暂停、撤销或附加任何条件。

The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;

3.3 乙方对Party C持有的权益拥有良好且可流通的所有权。除乙方股权质押协议外，乙方未就该等权益设置任何担保权益；

Party B has a good and merchantable title to the equity interests in Party C he holds. Except for Party B's Equity Pledge Agreement, Party B has not placed any security interest on such equity interests;

3.4 乙方对其所有资产拥有良好且可流通的所有权，并未就前述资产设置任何担保权益；

Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;

3.5 乙方没有任何未偿还的债务，除非(i) 在经营过程中产生的债务；和(ii) 已向甲方披露且已获得甲方书面同意的债务。

Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.

3.6 乙方遵守中国所有适用于股权或资产收购的法律和法规；并且

Party C has complied with all laws and regulations of China applicable to equity or asset acquisitions; and

3.7 不存在任何与乙方权益、乙方资产或乙方有关的未决或威胁的诉讼、仲裁或行政程序。

There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

4. 期限

Effective Date

4.1 期限自 2018 年 1 月 1 日起

This Agreement shall become effective upon satisfaction of all the following conditions:

- a) 期限自 2018 年 1 月 1 日起
Each Party has duly executed this Agreement, and
- b) 期限自 2018 年 1 月 1 日起
Party B is registered as the shareholder of the Party C.

4.2 期限自 2018 年 1 月 1 日起至 2020 年 12 月 31 日止 / 2020 年 12 月 31 日

This Agreement shall remain effective until all the equity interest owned by Party B in Party C has been legally transferred to Party A or the Designee(s) in accordance with this Agreement.

5. 适用法律

Governing Law and Resolution of Disputes

5.1 适用法律

Governing law

本协议的订立、效力、解释、履行及争议的解决均适用中华人民共和国法律。

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the formally published and publicly available laws of China. Matters not covered by formally published and publicly available laws of China shall be governed by international legal principles and practices.

Methods of Resolution of Disputes

在发生任何有关本协议的履行和执行的争议时，当事人应首先通过友好协商解决。如果当事人未能通过友好协商解决争议，任何一方均可在争议发生后30日内向上海国际经济贸易仲裁委员会申请仲裁。仲裁应在上海进行，仲裁语言应为中文。仲裁裁决是终局的，对当事人具有约束力。

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

6. 税费

Taxes and Fees

所有与本协议的履行和执行的准备、执行以及本协议项下交易的完成有关的在中国发生的转让和注册税、费用和费用均由当事人C承担。

All transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts shall be borne by Party C.

7. 通知

Notices

7.1 所有根据本协议要求或允许给予的通知和其他通信应通过以下方式之一给予：亲自交付、注册邮件、商业快递服务或传真传输到以下地址。每个通知的确认副本也应通过电子邮件发送。通知应被视为已有效给予的日期如下：

All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 通过亲自交付、商业快递服务或注册邮件、预付邮资的方式给予的通知应被视为已有效给予。

Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of acceptance or refusal at the address specified for notices.

7.1.2 通知は、ファクシミリ送信によるものと見做す。通知は、送信が成功した日（自動的に生成された送信確認が示す日）に、

Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.2 通知の住所

For the purpose of notices, the addresses of the Parties are as follows:

Party A: Gracell Bioscience (Shanghai) Co., Ltd.

Address: [***]

Attn: CAO Wei

Address: [***]

Attn: CAO Wei

Address: [***]

Email: [***]

Address: [***]

Party B: HUA Xiaomi

Address: [***]

Attn: [***]

Address: [***]

Email: [***]

Address: [***]

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

Address: [***]

Attn: CAO Wei

Address: [***]

Attn: CAO Wei

Address: [***]

Email: [***]

If any Party change its address for notices or its contact person, a notice shall be delivered to the other Party in accordance with the terms hereof.

8.

Confidentiality

(a) ☐ (b) ☐ (c) ☐

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

9. 其他

Further Warranties

其他

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

10. 其他

Miscellaneous

10.1 其他

Amendment, change and supplement

其他

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

10.2 其他

Entire agreement

其他

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supercede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

10.3 其他

Headings

其他

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

10.4

语言

Language

本协议以中英文书就，一式三份，每份具有同等法律效力。

This Agreement is written in both Chinese and English language in three copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

10.5

可分割性

Severability

如果本协议的任何条款被认定为无效、非法或不可执行，则本协议其余条款的有效性、合法性或可执行性不应受到影响或损害。本协议各方应本着诚信原则，在符合法律及本协议各方意图的前提下，以最接近无效、非法或不可执行条款的经济效果的方式，以有效条款予以替代。

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

10.6

继承人

Successors

本协议对各方及其继承人具有约束力。

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

11

[illegible]

10.8

Survival

Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

The provisions of Sections 5, 7, 8 and this Section 10.8 shall survive the termination of this Agreement.

10.9.1

[illegible]

The Parties agree and confirm that, if any Party (the “**Defaulting Party**”) is in material breach of any provisions herein or fails to perform any obligations hereunder in any material respect, such breach or failure shall constitute a default under this Agreement (the “**Default**”), which shall entitle non-defaulting Party to request Defaulting Party to rectify or remedy such Default with a reasonable period of time. If the Defaulting Party fails to rectify or remedy such Default within the reasonable period of time or within ten (10) days of non-defaulting Party’s written notice requesting for such rectification or remedy, the non-defaulting Party shall be entitled to elect any one of the following remedial actions: (a) to terminate this Agreement and request the Defaulting Party to fully compensate its losses and damages; (b) to request the specific performance by the Defaulting Party of its obligations hereunder and request the Defaulting Party to fully compensate non-defaulting Party’s losses and damages; or (c) to enforce the pledge under the Party B’s Equity Pledge Agreement by selling, auctioning or exchanging the pledged equity thereunder and receive payment in priority from the proceeds derived therefrom, and in the meantime, request the Defaulting Party to fully compensate non-defaulting Party for any losses as a result thereof.

[illegible]

The rights and remedies provided for in this Agreement shall be accumulative and shall not affect any other rights and remedies stipulated at law.

[]

[SIGNATURE PAGE FOLLOWS]

Signature Pages of Call Option Agreement
□□□□□□□□

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Call Option Agreement as of the date first above written.

Party B: HUA, Xiaomi

By: /s/ HUA, Xiaomi

Signature Pages of Call Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Call Option Agreement as of the date first above written.

Party C: Gracell Biotechnologies (Shanghai) Co., Ltd.

By: /s/ CAO, Wei

Name: CAO, Wei

Title: Legal Representative

Signature Pages of Call Option Agreement
 □□□□□□□□

Fixed Asset Loan Contract

No. 2020 Yuan Zhong Dai Zi 007

Borrower: Gracell Biotechnologies (Suzhou) Co., Ltd.**Business license no.:** *****Legal representative/Principal:** Cao Wei**Address:** 12/F, Area B, Biomedical Industry Park Phase II, 218 Sangtian Street, Suzhou Industrial Park, Suzhou 215000**Account opening financial institution and A/C no.:** Bank of China Dushuhu Sub-branch/*****Tel:** *** **Fax:** 021-64031375**Lender:** Bank of China Suzhou Industrial Park Branch**Legal representative/Principal:** Gu Meihua**Address:** Zhongyin Huilong Building, 8 Suzhou Avenue W, Suzhou Industrial Park, Suzhou 215000**Tel:** *** **Fax:** 0512-62536090

Through equal consultation, the Borrower and the Lender have entered into this Contract in respect of the subject matter that the Lender's issues a fixed asset loan to the Borrower.

Article 1 Loan AmountLoan currency: RENMINBI (or foreign currency in equivalent amount)Loan amount: (in words) RENMINBI SIXTY-NINE MILLION YUAN only (or foreign currency in equivalent amount);(in figures) ¥69,000,000.00 (or foreign currency in equivalent amount).**Article 2 Loan Term**Loan term: 72 months / day(s), from the actual drawdown date, or from the first actual drawdown date in case of drawdown by stages.

The Borrower shall withdraw the loan hereunder strictly at the agreed drawdown time. If the actual drawdown date is later than the agreed one, the Borrower shall still repay the loan hereunder at the repayment time as stipulated herein.

Article 3 Loan PurposeLoan Purpose: for the construction of the CAR-T Cell Therapy Research and Development Center Project of Gracell Biotechnologies (Suzhou) Co., Ltd.

Without the written consent of the Lender, the Borrower shall not change the purpose of the loan hereunder, including, but not limited to, the use of the loan hereunder for the investment of stocks and other securities, for the projects prohibited by laws, statutes, regulations and national policies, the projects not approved according to law, and the projects or purposes prohibited from being invested in with bank loans.

Article 4 Loan Interest Rate and Interest Calculation and Settlement (Note: Please fill in the blanks with the actual information and delete the provisions not applicable.)

1. Loan Interest Rate

The interest rate for the loan hereunder shall be that set forth in (2) below:

(1) Fixed interest rate annualized: / %. The contract interest rate shall keep unchanged in the loan term.

The source of the fixed interest rate is:

- The latest loan market quotation rate of •one year's term / • more than five years' term (choose the proper one) announced by the National Interbank Funding Center one (1) business day prior to the effective date hereof •plus/•minus (choose the proper one) / base point(s):
 - The latest / of / months obtained from The Reuters Information System prior to 09:00 a.m. (Beijing Time) on the business day prior to the effective date hereof plus / base point(s).
- (2) Floating interest rate, starting with the actual drawdown date (or the first actual drawdown date in case of drawdown by stages), with every 12 month(s) / year (s) as a floating cycle for repricing. The repricing date shall be the first day of the next floating cycle, that is, the starting date shall be the corresponding day of the month of repricing, or the last day of the month if there is no corresponding day.

In respect of every drawdown:

- Floating Interest Rate for RENMINBI Loan (Priced based on the loan market quotation rate of the National Interbank Funding Center)
- A. Initial Drawdown (from its actual drawdown date to the expiration date of the floating cycle): The interest rate shall be the latest loan market quotation rate of •one year's term / • more than five years' term (choose the proper one) announced by the National Interbank Funding Center one (1) business day prior to the actual drawdown date •plus/• minus (choose the proper one) 20 base points:
- B. On the repricing date, a drawdown, together with other drawdowns, shall be repriced at the interest rate equal to the latest loan market quotation rate of •one year's term / • more than five years' term (choose the proper one) announced by the National Interbank Funding Center one (1) business day prior to the repricing date •plus/•minus (choose the proper one) 20 base points, and such interest rate shall be used as the applicable interest rate of this floating cycle.
- Floating Interest Rate for Foreign Currency Loan
- A. Initial Drawdown (from its actual drawdown date to the expiration date of the floating cycle): The interest rate shall be the latest / of / months obtained from the Reuters Information System prior to 09:00a.m. (Beijing Time) on the business day prior to the actual drawdown date plus / base point(s).
- B. On the repricing date, a drawdown, together with other drawdowns, shall be repriced at the interest rate equal to the latest / of / months of the same floating cycle obtained from the Reuters Information System prior to 09:00a.m. (Beijing Time) on the business day prior to the actual drawdown date plus / base point(s), and such interest rate shall be used as the applicable interest rate of this floating cycle.

2. Interest Calculation

The interest shall be calculated from the date of actual drawdown by the Borrower and based on the actual drawdown amount and the number of days of using the loan.

Interest calculation formula: Interest=Principal x Actual days of use x Daily interest rate.

The base to calculate the daily interest rate is 360 days a year and conversion formula: Daily interest rate = Annual interest rate /360.

3. Interest Settlement Mode

The Borrower shall settle the interest in the way as set forth in (1) below:

- (1) The interest is settled on a quarterly basis, that is, the 20th day of the final month of each quarter is the interest settlement date and the 21st day of that month is the interest payment date.
- (2) The interest is settled on a monthly basis, that is, the 20th day of each month is the interest settlement date and the 21st day of that month is the interest payment date.

If the repayment date of the final installment of the principal of the loan is not the interest payment date, the repayment date of final installment of the principal of the loan shall be the interest payment date, and the Borrower shall pay off the full interest payable.

4. Penalty Interest

- (1) Where the loan is overdue or has not been used for the purpose as specified herein, penalty interest shall be collected on the overdue or misappropriated portion of the loan hereunder at the penalty interest rate as agreed in this Paragraph from the overdue or misappropriation date until the principal and interest of the loan hereunder are paid off.

If the loan is overdue and misappropriated, the higher penalty interest rate shall be used to collect penalty interest.

- (2) For the interest and penalty interest which the Borrower cannot pay on time, compound interest shall be calculated at the penalty interest rate as agreed in Paragraph 3 of this Article.
- (3) Penalty Interest Rate
 - Penalty Interest Rate for Fixed-rate Loan
 - A. Floating interest rate with the floating cycle month(s) / year(s) (Note: For the fixed-rate loan with loan term at most one year, the floating cycle shall be the original loan term; for the fixed-rate loan of more than one year's term, the floating cycle shall be one year). Repricing once shall be made for each floating cycle from the overdue or misappropriation date. The repricing date shall be the corresponding date of the month of repricing or misappropriation, and if there is no such corresponding date in that month, the last day of the month shall be the repricing date.
 - B. The penalty interest rate for the overdue loan shall be the penalty interest base rate determined in C of this Paragraph plus %, and the penalty interest rate for the misappropriated loan shall be such penalty interest base rate plus %.
 - C. For the first floating cycle, the penalty interest base rate shall the interest rate of the loan as stipulated in Paragraph 1 of this Article.

After each full floating cycle, the penalty interest base rate for the next floating cycle shall be determined as follows:

- In respect of RENMINBI loan, the latest loan market quotation rate of •one year's term /• more than five years' term (choose the proper one) announced by the National Interbank Funding Center one (1) business day prior to the repricing date •plus/•minus (choose the proper one) ____/____ base points
 - In respect of foreign currency loan, the latest ____/____ of the same floating cycle obtained from the Reuters Information System prior to 09:00 a.m. (Beijing Time) on the business day prior to the repricing date plus ____/____ base point(s).
 - Penalty Interest Rate for Floating-rate Loan
- A. The penalty interest rate for floating-rate loan shall float within the floating cycle as set forth in Paragraph 1 of this Article from the overdue or misappropriation date. The penalty interest repricing date shall be the corresponding date of overdue or misappropriation date in the month of repricing. Where there is no such corresponding date in the month, the last day of the month shall be the penalty interest repricing date.
- B. The penalty interest rate for the overdue loan shall be the penalty interest base rate determined in C of this Paragraph plus 40%, and the penalty interest rate for the misappropriated loan shall be penalty interest base rate determined in C of this Paragraph plus 70 %.
- C. The penalty interest base rate within the initial floating cycle shall be the interest rate actually implemented for the overdue or misappropriation period. For every full floating cycle, the penalty interest base rate of the next floating cycle shall be repriced in the mode as set forth in Paragraph 1 of this Article on the repricing date.

Article 5 Drawdown Conditions

The drawdown by the Borrower must meet the following conditions:

1. This Contract and its annexes have come into effect;
2. The Borrower has reserved for the Lender the files, documents, seals, personnel lists and signature samples of the Borrower in connection with the conclusion and performance hereof and has completed the relevant documents;
3. The Borrower has opened the account necessary for the performance hereof as required by the Lender;
4. Five (5) business days before drawdown, the Borrower has submitted a written drawdown application and relevant loan purpose certificate to the Lender for the relevant drawdown procedures;

The supporting documents to be submitted by the Borrower include: borrowing documents, drawdown application, background documents and other required documents;

The above-mentioned supporting documents shall meet the following requirements: true and lawful.

5. The Borrower has submitted to the Lender a resolution and a power of attorney from its board of directors or any other competent department to agree to sign and perform this Contract (This condition is optional. Please also note that, before signing this Contract, it is necessary to review whether the Borrower has been approved and authorized for the conclusion of this Contract.);

6. The fund in the same proportion as the loan to be issued has been fully in place, the actual progress of the project matches the invested amount;
7. For a fixed asset investment project with large investment contribution, high professional and technical requirements and needing installment payments in accordance with its progress, the Lender shall have the right to require the Borrower to provide written documents confirming the progress and quality of the project signed by the tripartite bodies, such as supervision, evaluation and quality inspection;
8. The Borrower has provided a guarantee as required by the Lender, and the guarantee contract has entered into force and the statutory review, approval, registration or filing procedures have been completed;
9. Other drawdown conditions stipulated by laws and agreed by the Parties hereto: ____/____.

If the above drawdown conditions are not met, the Lender shall have the right to refuse the Borrower's drawdown application, except otherwise the Lender agrees to lend the loan.

Article 6 Drawdown Time and Mode

1. The Borrower shall complete the drawdown of the loan hereunder at the time and in the mode as set forth in (4) below:

- (1) In lump sum on ____/____/____;
- (2) Within ____/____/____ from on ____/____/____;
- (3) At the time and in the mode as follows:

Drawdown Time	Drawdown Amount
/	/
/	/
/	/

- (4) The Borrower submits an application by stages according to the project progress and completes the drawdown subject to the approval of the Lender, but the Borrower shall complete the drawdown of the loan hereunder no later than January 16, 2022.
2. The Lender shall have the right to reject the Borrower's drawdown application for the portion of the loan hereunder not withdrawn within above time.
3. Commitment Fee

The Lender shall have the right to charge a commitment fee in the following amount for the drawdown period as stipulated in Paragraph 1 of this Article (or the period as at the drawdown date, if agreed upon) if the Borrower may but fails to withdraw the loan for the current period (hereinafter referred to as the "Unused Loan"):

- The amount calculated on the basis of the amount and number of days of the Unused Loan, and the annual rate ____/____ %;
- RMB ____/____/____.

The collection date shall be /(Note: in lump sum or by installments).

Article 7 Disbursement of the Loan

1. Loan Disbursement Account

The Borrower shall open the following account at the Lender as a loan disbursement account, and the issuance and disbursement of the loan hereunder shall be handled through this account. • This account is a special account and therefore it can only be used for the issuance and disbursement of the loan.

Account name: Gracell Biotechnologies (Suzhou) Co., Ltd.

A/C no.: [***]

2. Loan Disbursement Mode

- (1) The loan disbursement mode shall be subject to the applicable laws, statutes, regulations and this Contract, and the disbursement mode for a single sum of the loan withdrawn shall be confirmed in the drawdown application. If the Lender deems that the loan disbursement mode selected in the drawdown application does not meet the requirements, it shall have the right to change the loan disbursement mode or stop the issuance and disbursement of the loan.
- (2) The Lender disburses the loan under entrustment, i.e. the Lender disburses the loan to the Borrower's counterparty for the purpose as specified herein, in accordance with the Borrower's drawdown application and disbursement entrustment.
- A. In accordance with the applicable regulations of China Banking Regulatory Commission (CBRC) and the internal management rules and regulations of the Lender, if a single sum of the loan hereunder for the Borrower exceeds 5% of the total investment in the project (i.e. currency: __/__ amount: __/__) or RMB 5 million (if foreign currency, converted at the __/__ exchange rate on the actual drawdown date, the same as below), the Lender shall make the disbursement under entrustment. Under the premise of controllable risks, if the single sum of the loan hereunder is less than RMB 500,000, the disbursement mode chosen by the Borrower at its discretion may be adopted.
- B. The other circumstance in which the Lender and the Borrower agree to adopt the mode of disbursement under entrustment __/__.
- (3) The Borrower completes the disbursement of the loan hereunder at its discretion, i.e. after the Lender issues the loan hereunder to the account of the Borrower according to the drawdown application of the Borrower, the Borrower will disburse the loan to the Borrower's counterparty for the purpose as specified herein. Except the circumstance in which the Lender disburses the loan under entrustment as provided in the preceding paragraph, the loan disbursement mode in which Borrower completes the disbursement of the loan hereunder at its discretion shall be adopted.
- (4) Change of loan disbursement. After the drawdown application is submitted, if the Borrower's external disbursement changes and the loan disbursed at its discretion meets the conditions as stipulated in Paragraph 2(2) of this Article, the loan disbursement mode shall be changed. If the loan disbursement mode changes, or the external disbursement amount, disbursement object, or loan purpose for the disbursement under entrustment changes, the Borrower shall provide the Lender a written description of the change application and re-submit a drawdown application and the relevant documents certifying the loan purpose.

3. Specific Requirements for the Loan Disbursement under Entrustment

- (1) Loan Disbursement under Entrustment. If the conditions for the Lender's loan disbursement under entrustment are met, the Borrower shall have a clear disbursement entrustment in the drawdown application, i.e. after the Lender is authorized and entrusted to transfer the loan to the specified account of the Borrower, the loan may be disbursed directly to the account of the counterparty designated by the Borrower for the purpose as provided herein, and the necessary disbursement information such as the collecting counterparty's name, account, disbursement amount, etc. shall be provided.
- (2) Provision of transaction documents. If the conditions for the Lender's loan disbursement under entrustment are met, the Borrower shall, upon each drawdown, provide the Lender with its disbursement account, its counterparty's account information, and other supporting documents proving that this drawdown complies with the purpose as provided herein. The Borrower shall ensure that all documents provided for the Lender are true, complete and valid. Where the fiduciary disbursement obligation of the Lender is not performed in time due to the untrue, inaccurate and incomplete transaction documents provided by the Borrower, the Lender shall not bear any liability but the Borrower's repayment obligation arising hereunder shall not be affected.
- (3) Performance of the Fiduciary Disbursement Obligation of the Lender
 - A. If the Lender disburses the loan under entrustment, after the Borrower submits the disbursement entrustment and the relevant transaction documents, the loan will be disbursed to the Borrower's counterparty via the account of the Borrower with the review and approval of the Lender.
 - B. If, during review, the Lender finds that the relevant transaction documents, such as the loan purpose supporting documents, provided by the Borrower, are inconsistent with this Contract or have other defects, the Lender shall have the right to require the Borrower to supplement, replace, explain or resubmit the same; and the Lender shall also have the right to refuse the issuance and disbursement of the loan hereunder before the relevant transaction documents the Borrower submits are considered eligible.
 - C. Where the opening bank of the Borrower's counterparty refunds the loan, resulting in the Lender's disability to disburse the loan to the Borrower's counterparty in time in accordance with the Borrower's payment entrustment, the Lender shall not bear any liability, the Borrower's repayment obligation arising hereunder shall not be affected. The amount returned by the opening bank of the Borrower's counterparty shall be frozen under the authorization of the Borrower. In such case, the Borrower shall resubmit the disbursement entrustment and loan purpose supporting documents and other relevant transaction documents.
- (4) The Borrower shall not evade the fiduciary disbursement of the Lender.

Article 8 Repayment

1. Unless otherwise provided by the Parties hereto, the Borrower must refund the loan hereunder according to the repayment schedule as set forth in (2) below:
 - (1) Repayment of the whole loan hereunder on the expiration date of the loan term;
 - (2) Repayment of the whole loan hereunder according to the repayment schedule as set forth in the following table:

Repayment Time	Repayment Amount
The end of the 42 nd month from the initial drawdown date	¥7,500,000.00
The end of the 48 th month from the initial drawdown date	¥7,500,000.00
The end of the 54 th month from the initial drawdown date	¥10,000,000.00
The end of the 60 th month from the initial drawdown date	¥10,000,000.00
The end of the 66 th month from the initial drawdown date	¥17,000,000.00
The end of the 72 nd month from the initial drawdown date	¥17,000,000.00

If the Borrower does not fully withdraw the loan hereunder, the repayment amount each time shall be reduced in proportion;

(3) Any other repayment schedule: ____/____.

If the Borrower needs to change the above repayment schedule, it must submit a written application to the Lender five (5) bank business days before the corresponding loan expires. The change of the repayment schedule must be confirmed in writing by the Parties.

2. Unless otherwise agreed by the Parties hereto, the Lender shall have the right to determine the order in which the principal or interest of the loan is repaid if the Borrower is in arrears for the principal and interest of the loan hereunder at the same time: in the case of installment repayment, the Lender shall have the right to determine the order in which the Borrower discharges each installment if there are multiple due or overdue loans hereunder; and the Lender shall have the right to determine the order in which the Borrower discharges each loan if there are multiple loan contracts between the Borrower and the Lender.
3. Unless otherwise agreed by the Parties hereto, the Borrower may repay the loan hereunder in advance, but shall deliver a written notice to the Lender ~~three~~ (3) bank business days earlier. The amount advanced shall be firstly used to repay the finally due loan and then repay the other funds due in a reverse order.
4. The Borrower shall repay the loan hereunder in the mode as set forth in (2) below.
- (1) The Borrower shall deposit sufficient funds into the following repayment reserve account for the future repayment not later than ____ bank business days prior to the expiration of each sum of principal and interest, and the Lender shall have the right to actively deduct the fund from such account upon the expiration date of each sum of principal and interest.

Repayment reserve account name: ____/____.

A/C no.: ____/____.

- The proportion in which the revenue cash flow from the fixed asset investment project involved by this Contract / •the Borrower (choose the proper one and delete the improper one) into the repayment reserve account shall be: ____/____. ☐

- The average stock of the funds in the above repayment reserve account shall be: ____/____.
- (2) The Borrower shall deposit sufficient funds into the following account for the future repayment not later than fifteen (15) bank business days prior to the expiration of each sum of principal and interest, and the Lender shall have the right to actively deduct the fund from such account upon the expiration date of each sum of principal and interest.
- Account name: Gracell Biotechnologies (Suzhou) Co., Ltd.
- A/C no.: [***]
- (3) Any repayment mode agreed upon by the Parties hereto: ____/____.

Article 9 Guarantee

1. The guarantee mode for the debt hereunder is as follows:

Gracell Biotechnologies (Shanghai) Co., Ltd. shall provide an amount joint liability guarantee and enter into the guarantee contract numbered 2020 Yuan Zhong Bao Zi 007; and this Contract is the master contract under this guarantee contract.

Gracell Bioscience (Shanghai) Co., Ltd. shall provide an amount joint liability guarantee and enter into the guarantee contract numbered 2020 Yuan Zhong Bao Zi 007; and this Contract is the master contract under this guarantee contract.

2. The Lender shall have the right to require the Borrower, and the Borrower shall have the obligation, to provide a new guarantee, supplement or replace the guarantor, etc. to guarantee the debt hereunder in the case where the Borrower or the guarantor has any event that the Lender deems likely to affect its performance, or the guarantee contract becomes invalid, revoked or rescinded, or the Borrower or the guarantor has its the financial position deteriorate or is involved in a major litigation or arbitration case, or the performance of the Borrower or the guarantor may otherwise be affected, or the guarantor has a breach under the guarantee contract or any other contract with Lender, or the value of the collateral is weakened or lost as a result of the devaluation, destruction, loss or seizure,

Article 10 Insurance (Optional. Choose 2: 1. Applicable; 2. Not Applicable)

The Borrower shall maintain an insurance for the project hereunder or trade-related equipment, engineering construction, transportation of goods and risks during the operation of the project hereunder with the insurance company approved by the Lender, and the category of the insurance shall comply with the requirements of the Lender and the amount of insurance shall not be less than the principal of the loan hereunder.

The Borrower shall deliver the original insurance policy to the Lender within / days after the entry into force of this contract. Until the principal, interest and expenses of the loan hereunder are paid off, the Borrower shall not interrupt the insurance for any reason. If the Borrower interrupts the insurance, the Lender shall have the right to renew or apply for the insurance on its behalf at the expense of the Borrower. The Borrower shall be liable for the losses suffered by the Lender as a result of the interruption of the insurance.

The Borrower shall, within three (3) days from the date when it knows or should know the occurrence of the insurance incident, notify the Lender in writing and make a timely claim against the insurer in accordance with the relevant provisions of the insurance policy. The loss caused to the Lender by the failure of the Borrower to notify or claim in time or to perform its obligations under the insurance policy shall be borne by the Borrower.

Unless otherwise agreed, the insurance indemnity shall first be used to repay the principal and interest of the loan and other expenses payable hereunder.

Article 11 Representations and Undertakings

1. The Borrower represents that:

- (1) It is duly registered and legally exists with the approval of the competent administration for industry and commerce or the competent authority according to law, and has the full capacity for civil rights and the capacity for conduct for the signing and performance of this Contract. If the Borrower is a new project legal person, its controlling shareholder has good credit status and has no significant adverse records; if the State has the requirements on the qualification of the investment subject and business qualification for the proposed investment project, the Borrower meets such requirements;
- (2) The execution and performance of this Contract is the expression of the Borrower's true intention, it has obtained legal and effective authorization to sign this Contract in accordance with its articles of association or other internal management documents and it will not violate any agreement, contract or any other legal document binding on it; the Borrower has obtained or will obtain all relevant approvals, permissions, filings or registrations necessary for the execution and performance of this Contract;
- (3) It abides by the principles of honesty and trustworthiness, and all the documents, financial statements, vouchers and other information and data provided by it for the Lender hereunder are true, complete, accurate and valid;
- (4) The transaction background under which the Borrower applies to the Lender for the loan hereunder is true and legal and the loan will not be used for illegal purposes such as money laundering; and the purpose of the loan and the source of repayment are clear and legal;
- (5) It has a good credit status, has no significant adverse records nor has concealed from the Lender any event that may affect the financial position and performance ability of the Borrower and the guarantor;
- (6) The loan project and the borrowing matter of the Borrower are in conformity with the laws, statutes and regulations of the State on industry, land and environmental protection, as well as the relevant policies, and it has fulfilled the procedures for the lawful administration, review, approval and filing of the investment project as required in accordance with the relevant provisions of the State on the capital system for investment projects;
- (7) It and the loan project meet the national environmental protection standards, are not the enterprise and project declared and identified by the competent authorities as having large energy consumption, severe pollution and weak rectification, nor have the risks of energy consumption or pollution;
- (8) Any other representation or warranty of the Borrower: _____ / _____.

2. The Borrower undertakes that:

- (1) Upon the Lender's request, it will submit its financial statements (including, but not limited to, annual, quarterly and monthly financial statements) and other relevant documents for the Lender on a regular or timely basis and ensures that it will continue to meet the requirements of the following financial indicators: _____ / _____;

- (2) It will withdraw, disburse and use the loan hereunder according to this Contract;
- (3) If the Borrower has entered into or will enter into a counter-guarantee agreement or similar agreement with the guarantor under this Contract in respect of its guarantee obligation, such agreement shall not prejudice any right of the Lender hereunder;
- (4) It will accept the credit inspection and supervision of the Lender and will provide the Lender with adequate assistance and cooperation; from the entry into force of this Contract, before the principal and interest of the loan and the related expenses hereunder have been paid off, it will agree with and authorize the Lender to monitor its account opened at the Lender, inspect and analyze the construction and operation of the project, and dynamically monitor the income, cash flow and overall capital flow of the project; it will also accept and cooperate with the Lender to inspect and supervise the use of the loan, including the loan purpose, by means of account analysis, voucher inspection, on-site investigation, etc.; and it will regularly summarize and report on the disbursement and use of loan upon the Lender's request. The specific summary reporting time will be: __/____.
- (5) In case of a merger, division, capital decrease, equity transfer, outward investment, substantially increased debt financing, transfer of significant assets and creditor's rights, or any other matter that may adversely affect the Borrower's solvency, the Borrower must get the prior written consent of the Lender.

In any of the circumstances, the Borrower will notify the Lender in time:

- A. Where the articles of association, business scope, registered capital or legal representative of the Borrower or the guarantor changes;
 - B. Where the Borrower has the operation mode change in any form such as affiliation, joint venture or cooperation with foreign investors, contractual operation, reorganization, restructuring, planned listing, etc.;
 - C. Where the Borrower is involved in a major litigation or arbitration case, or its property or collateral is seized, retained or monitored, or a new guarantee is placed on the collateral;
 - D. Where the Borrower is wound up, dissolved, liquidated, suspended for rectification, cancelled, revoked or business license, applied for bankruptcy, etc.;
 - E. Where the shareholders, directors and current officers of the Borrower are suspected of major cases or economic disputes;
 - F. Where the Borrower has a default event under any other contract; or
 - G. Where the Borrower has difficulty in operation, or worsening financial position, etc..
- (6) The Borrower's repayment of the loan to the Lender will take precedence over the loan from a shareholder of the Borrower to the Borrower and will not be inferior to any of the Borrower's similar debts to other creditors.
 - (7) The Borrower will not distribute dividends or bonuses to its shareholders in any form where its after-tax net profit in the financial year concerned is zero or negative, or its after-tax profit is insufficient to cover the accumulated losses in the previous financial years, or its pre-tax profit is not used to pay off the principal and interest of its loan and the relevant expenses payable in the financial year or its pre-tax profit is insufficient to pay off the principal, interest and expenses in the next period.

- (8) The Borrower will not dispose of its own assets in a manner that weakens its solvency and shall undertake that the total amount of its external guarantee will not be greater than 0.7 time its own net assets, and the total amount of external guarantees and the amount of an individual guarantee shall not exceed the limit stipulated in its articles of association. In addition, without the consent of the Lender, the Borrower will not provide a guarantee for any third party with the assets created by the loan hereunder.
- (9) Except for the purpose specified herein or with the consent of the Lender, the Borrower will not transfer the loan hereunder to the account of the same name and the account of any related party.
- For the transfer to the Borrower's account of the same name or the transfer to the account of any related party, the Borrower will provide the corresponding supporting documents.
- (10) ☒ For the loan hereunder, the conditions provided by the Borrower for the Lender, such as guarantee conditions, loan interest rate pricing, repayment order and so on, will not be inferior to the conditions given to any other financial institution now or in the future. (Optional)
- (11) ☒ The Borrower will go to complete the foreign exchange loan registration, debt service approval and other procedures at the administration of foreign exchange. (Optional)
- (12) ☒ The Borrower will submit its environmental and social risk report to the Lender. The Borrower represents and undertakes that it will strengthen environmental and social risk management and accept the supervision of the Lender. The Borrower's breach of the foregoing provision will constitute or be regarded as a default event hereunder, and the Lender may take remedies for default in accordance with this Contract. (Optional. In accordance with the CBRC's Green Credit Guidelines, if the Borrower is a client with significant environmental and social risks, this Paragraph shall be selected, or removed if not applicable.)
- (13) The borrower will complete the full procedures for the joint and several liability guarantee of Gracell Biotechnologies (Suzhou) Co., Ltd. and Gracell Bioscience (Shanghai) Co., Ltd..
- (14) If the actual total investment of the project hereunder overruns, the overrun portion will be satisfied with the self-raised fund of the Borrower.
- (15) The proportion of the own fund of the Borrower will not be less than 35%, and its own fund and the loan will be put into use in the same proportion. The Borrower will complete the drawdown of the loan step by step according to the progress of the project hereunder.
- (16) During the existence of the fixed asset loan, the Borrower will not pay cash dividends.
- (17) If the loan is used for the purchase of equipment under the project, it is allowed to be transferred to the opening or bank acceptance exposure amount, which will be converted into a fixed asset loan when due. The term of opening (or the term of bank acceptance) and the term of the fixed asset loan will not exceed the final maturity date as stipulated in the repayment schedule.
- (18) During the credit period of the Lender, the sum of the loan balance, paid-in capital and capital reserves of the investors in other accounts payable of Gracell Biotechnologies (Shanghai) Co., Ltd. will not be less than RMB 268.80 million.
- (19) Any other undertaking of the Borrower: / .

Article 12 Disclosure of the Related Transactions within the Borrower's Group

The Parties agree that the provisions in 1 below will apply:

1. The Borrower is not the group client determined by the Lender according to the Guidelines for the Risk Management of the Credits Granted to Commercial Bank Group Clients (the "Guidelines").
2. The Borrower is the group client determined by the Lender according to the Guidelines for the Risk Management of the Credits Granted to Commercial Bank Group Clients (the "Guidelines"). In such case, the Borrower shall report to the Lender in a timely manner on the related transactions with net assets more than 10%, including the relations of the related parties to the transaction, the items and nature of the transaction, the amount or corresponding proportion of the transaction, and the pricing policy (including the transaction with no amount or with only symbolic amount).

If the Borrower has any of the following circumstances, the Lender shall have the right to unilaterally decide to suspend the disbursement of the loan that the Borrower has not yet used and to recover part or all of the principal and interest of the loan in advance: where the Borrower takes bank funds or credits by using false contracts with related parties, discounting or pledging creditor's rights such as notes receivable and accounts receivable without actual trade background; where the Borrower has a major M&A, restructuring, etc., which the Lender deems may affect the security of the loan; where the Borrower intentionally evades the creditor's rights of banks through related transactions; or where the Borrower has any other circumstance as stipulated in Article 18 of the Guidelines.

Article 13 Default Event and Handling

1. **In any of the following circumstances, the Borrower shall be deemed having committed a default event hereunder:**
 - (1) Where the Borrower fails to fulfill its disbursement and repayment obligations to the Lender as agreed herein;
 - (2) Where the Borrower fails to spend the loan as agreed herein or to use the fund obtained for the purpose as specified herein; or avoids the Lender's fiduciary payments in a piecemeal manner in violation of this Contract;
 - (3) Where the Borrower has made an untrue representation hereunder or violated its undertakings made hereunder;
 - (4) Where, in case of Paragraph 2(5) of Article 11, the Lender considers that it may affect the financial position and contractual capacity of the Borrower or the guarantor, but the Borrower does not provide a new guarantee or replace the guarantor as stipulated herein;
 - (5) • Where the Borrower has a default event under other contracts with the Lender or any other institution of Bank of China, or under any credit contract by and between the Borrower and any other financial institution;
 - (6) Where the guarantor breaches the guarantee contract, or has a default event under any other contract with the Lender or any other institution of Bank of China;
 - (7) Where the Borrower is wound up, or dissolved, revoked or goes bankrupt;

- (8) Where the Borrower engages or is likely to engage in a major economic dispute, litigation or arbitration, or its assets are seized, detained or enforced, or the Borrower is investigated by the judicial authority or the administrative authority such as tax bureau, administration for industry and commerce, or the Borrower is imposed on penalties according to law, which has affected or may affect the performance of its obligations hereunder;
 - (9) Where the principal individual investor or key manager of the Borrower changes abnormally, is missing or investigated or restricted for personal freedom by the judicial authority according to law, which has affected or may affect the performance of its obligations hereunder;
 - (10) Where the project capital is not in place as planned or in proportion or is not replenished within the time limit as specified by the Lender;
 - (11) Where the progress of the project lags behind the progress in the use of funds;
 - (12) • Where the project construction seriously lags behind, or the construction cost exceeds the proportion of the budget approved by the Lender, or the environment and conditions of the project construction and operation have undergone significant adverse changes; (Optional)
 - (13) • Where the project construction quality is not up to national or industrial standards; (Optional)
 - (14) Where the Borrower has a decline in credit standing or deterioration of financial indicators of the Borrower such as profitability, solvency, operating capacity and cash flow, breaking the indicator constraints as stipulated herein or other financial agreements;
 - (15) Where the Lender finds any circumstance that may affect the financial position and contractual capacity of the Borrower or the guarantor when it conducts an annual review of the financial position and contractual capacity of the Borrower (i.e. every full year from the effective date hereof);
 - (16) ☒ Where the construction of the energy-saving works seriously lags behind, energy-saving technologies and equipment are seriously defective, energy load is greatly reduced due to the suspension or reduction of the production of main facilities or equipment, the actual energy-saving amount is significantly lower than the forecast, energy-saving proceeds cannot be returned to designated accounts in time, the Borrower participates in private high-rate lending, provides external guarantee or borrows new debts without the consent of the Lender, its main financial indicators seriously deteriorate. (Optional. This Paragraph shall be selected when energy efficiency credit business is conducted in accordance with the Energy Efficiency Credit Guidelines; otherwise shall be deleted if not applicable); or
 - (17) Where the Borrower violates other provisions hereof relating to the rights and obligations of the Parties hereto.
2. **In case of any default event in the preceding paragraph, the Lender shall have the right to take the following actions separately or simultaneously, as the case may be:**
- (1) It may require the Borrower and guarantor to correct its breach within a time limit.
 - (2) It may wholly or partly reduce, suspend or cancel or termination of credit lines to the Borrower.
 - (3) It may suspend or terminate, in whole or in part, the acceptance of business applications of the Borrower including drawdowns under this Contract or other contracts between the Borrower and the Lender; in whole or in part suspend or cancel, terminate the issuance, payment and processing of the unissued loans and the trade financing that is not processed yet.

-
- (4) It may declare that the principal and interest of the outstanding loan/trade financing and other accounts payable under this Contract and other contracts between the Borrower and the Lender shall expire immediately in whole or in part.
 - (5) It may change the terms of issuance and disbursement of the loan according to the credit status of the Borrower, such as reducing the starting amount of the fiduciary disbursement, or drawing back the loan disbursed by the Borrower with default.
 - (6) It may terminate or cancel this Contract, or terminate other contracts between the Borrower and the Lender in whole or in part.
 - (7) It may request the Borrower to compensate for losses caused to the Lender as a result of the borrower's breach, including, but not limited to, costs related to litigation fee, lawyer's fee, notarization fee, enforcement fee resulting from the realization of claims.
 - (8) It may deduct amounts from the accounts opened by the Borrower at the Lender and other institutions of Bank of China Limited to pay off all or part of the debts owed to the Lender hereunder. The unexpired amount in the account shall be deemed to be due in advance. Where the account currency is different from the denomination currency of the Lender's business, the amount shall be converted at the applicable foreign exchange rate at the time of deduction.
 - (9) It may exercise the security interest or require the guarantor to assume the liability for guarantee.
 - (10) Other actions the Lender deems necessary and reasonable.

Article 14 Right Retention

The failure by one Party to exercise part or all of its rights hereunder or to require the other Party to perform, assume part or all of its obligations or responsibilities shall not constitute a waiver of such right or an exemption from such obligation or responsibility.

Any forbearance, extension or postponement of the exercise of rights hereunder by one party to the other party shall not affect any of its rights according to this Contract and the applicable laws and regulations, nor shall it be deemed to be a waiver of such right.

Article 15 Change, Revision and Termination

This Contract may be changed or revised in writing through mutual consultation between the Parties hereto. Any change or revision shall form an integral part hereof.

Unless otherwise provided by laws or regulations or otherwise agreed by the Parties hereto, this Contract shall not be terminated until all their rights and obligations are fulfilled.

Unless otherwise provided by laws or regulations or otherwise agreed by the Parties hereto, the invalidity of any provision hereof shall not affect the legal effect of the other provisions hereof.

Article 16 Governing Law and Dispute Resolution

This Contract shall be governed by the law of the People's Republic of China.

After the entry into force of this Contract, any dispute arising from the execution or performance hereof or related hereto may be settled through negotiation between the Parties. If the negotiation fails, either Party may choose to resolve the dispute in the way as set forth in 2 below:

1. Submitting the dispute to ___/_____ Arbitration Commission for an arbitration in /___(arbitration site) according to the arbitration rules of such commission effective upon submission of the arbitration application;
2. Initiating a litigation to the people's court in the place where the Lender or any other institution of Bank of China exercising rights and performing obligations according to this Contract or an individual agreement is located; or
3. Initiating a litigation to the competent people's court with jurisdiction.

During the dispute resolution period, if the dispute does not affect the performance of other provisions of this Contract, the other provisions hereof shall continue to be performed.

Article 17 Annexes

The following annexes and other annexes confirmed by the Parties shall constitute integral parts hereof and have the same legal effect as this Contract.

1. Drawdown Application (format);
2. Letter of Confirmation of Service Address

Article 18 Miscellaneous

1. The Borrower shall not assign any of its rights or obligations hereunder to a third party without the written consent of the Lender.
2. Where the Lender is required to entrust any other institution of Bank of China to perform its rights and obligations hereunder, or to put the loan business hereunder to be in the charge of other any institution of Bank of China, the Borrower shall give its approval. Any other institution of Bank of China authorized by the Lender, or any other institution of Bank of China which undertakes the loan business hereunder, shall have the right to exercise all the rights hereunder, and shall have the right to bring a lawsuit in the name of the institution in respect of any dispute hereunder, submit such dispute to an arbitration institution for arbitration or to apply for enforcement.
3. Without prejudice to other provisions hereof, this Contract shall be legally binding on the Parties hereto, and their respective successors and assigns as permitted in accordance with the law.
4. Unless otherwise agreed, the Parties hereto shall designate the place of residence specified herein as the correspondence and contact address, and undertake to give prompt written notice to the other party if the correspondence and contact address changes.
5. The transactions hereunder are based on their respective independent interests. If, in accordance with the applicable laws, regulations and regulatory requirements, the other parties to the transaction constitute the related party or related person of the Lender, each party shall not seek to use such relation to affect the fairness of the transaction.
6. The headings and business name herein are only for the convenience of reference and shall not be used to interpret the terms hereof and the rights and obligations of the Parties hereto.

7. The Lender shall have the right, in accordance with the applicable laws and regulations and regulatory requirements, to provide the information related to this Contract and other information in respect of the Borrower to the credit information system of the People's Bank of China and other credit information databases established according to law for inquiry and use by appropriately qualified institutions or individuals according to law. The Lender shall also have the right to inquire the information on the Borrower through the credit information system of the People's Bank of China and other credit information databases established according to law for the purpose of the execution and performance hereof.
8. • Within ____ business days after the date of signing hereof, the Borrower shall undergo the compulsory enforcement notarization procedures with the notary agency together with the Lender. If the Borrower fails to perform or improperly performs the repayment obligation, the Lender may apply to the people's court with competent jurisdiction for enforcement according to law, and the Borrower is willing to accept such enforcement. (Optional).
9. The drawdown date or repayment date falling on a statutory holiday shall be extended to the first business day after the holiday.
10. Where the Lender is unable to perform this Contract or fails to perform this Contract as agreed herein due to any change in the applicable legal and regulatory provisions or the requirements of the competent regulatory authority, the Lender shall have the right to terminate this Contract or modify this Contract and the individual agreements hereunder according to such changed provisions or such requirements. Such inability or failure of the Lender for such reasons shall discharge the Lender from liability.

Article 19 Contract Effect

This Contract shall not come into effect until the legal representatives (principals) or authorized signatories of the Parties hereto sign and affix their official seals hereunto.

This Contract is made in duplicate with one (1) copy held by either Party. Both copies shall have the same legal effect.

Borrower

/s/ Gracell Biotechnologies (Suzhou) Co., Ltd.
Gracell Biotechnologies (Suzhou) Co., Ltd

Lender:

/s/ Bank of China Suzhou Industrial Park
Bank of China Suzhou Industrial Park

Branch

Authorized signatory: Cao Wei

January 15, 2020

January 15, 2020

Annex: Letter of Confirmation of Service Address

No.: 2020 Yuan Zhong Song Da Que Ren Shu Zi 007

To: Bank of China Suzhou Industrial Park Branch

We, Gracell Biotechnologies (Suzhou) Co., Ltd., acknowledge and represent hereby that:

1. The following service address, the attention (or the designated recipient), the phone number have been confirmed by me, the principal or the agent, and are the service address and contact information of the legal documents in respect of the debt collection, posting of bill statements, litigation (arbitration) of the Fixed Asset Loan Contract (No. 2020 Yuan Zhong Dai Zi 007):

Address: Zhongyin Huilong Building, 8 Suzhou Avenue W, Suzhou Industrial Park, Suzhou 215000

Attention (designated recipient): Yi Yu

Tel: [***]

2. You, the hearing court or the arbitration institution should deliver legal documents to Gracell Biotechnologies (Suzhou) Co., Ltd. according to the above service address and contact information. If nobody receives the legal documents or the legal documents are refused, the date when the legal documents are returned shall be regarded as the date of service. In case of personal delivery, if Gracell Biotechnologies (Suzhou) Co., Ltd. refuses the legal documents, the person delivering the legal documents may record the delivery process by photo or video and retain the legal documents, which shall be deemed that the legal documents have been served.
3. If Gracell Biotechnologies (Suzhou) Co., Ltd. changes the above contact information before the debt involved in the Fixed Asset Loan Contract (No. 2020 Yuan Zhong Dai Zi 007) is discharged, Gracell Biotechnologies (Suzhou) Co., Ltd. hereby undertakes that it will notify you in writing of the changed contact information promptly. If the aforesaid debt has entered the hearing of the court, the change of the contact information will be notified of the hearing court.
4. If Gracell Biotechnologies (Suzhou) Co., Ltd. provides wrong contact information or fails to provide the changed contact information, making the legal documents not served, or returned, the date of returning the legal documents will be the date of service.
5. Gracell Biotechnologies (Suzhou) Co., Ltd. hereby undertakes that this Letter of Confirmation of Service Address submitted is personally signed, executed or affixed with the official seal by me, the principal or the agent, otherwise, it will assume the liability for false proof and bear the legal consequence of unfaithful litigation.

By (official seal):

/s/ Gracell Biotechnologies (Suzhou) Co., Ltd.
Gracell Biotechnologies (Suzhou) Co., Ltd.
Authorized signatory (signature) Cao Wei
Date: January 15, 2020



Working Capital (in RMB) Loan Contract

Contract No.: HTZ322988800LDZJ202000075

Borrower (Party A): Suzhou Gracell Biotechnologies Co., Ltd.

Domicile: Building 12, Block B, Biomedical Industrial Park Phase II, No. 218, Sangtian Street, Suzhou Industrial Park

Zip code: 215123

Legal representative (person-in-charge): Cao Wei

Fax: This column is left blank.

Tel.: [***]

Lender (Party B): Suzhou Industrial Park Sub-branch of China Construction Bank Corporation

Domicile: Room 104, 1/F and Room 802, 8/F, Building 1, Real Estate Plaza, No.158, Wangdun Road, Suzhou Industrial Park

Zip code: 215021

Person-in-charge: Wan Haimin

Fax: 0512-62781092

Tel.: [***]

In view of the need of paying for goods, Party A applies for a loan to Party B, and Party B agrees to issue a loan to Party A. This Contract has been entered into by and between both parties through negotiation and in accordance with relevant laws, regulations and rules for mutual compliance.

Article I Loan Amount

Party A will borrow RMB (in words) Five Million only from Party B.

Article II Intended Use of the Loan and Source of Repayment

Party A shall use the loan as the working fund for daily production and operation.

Please refer to Annex 1 “Basic Information of the Loan” for the specific use and source of repayment of the loan under this Contract.

Article III Loan Term

The loan term specified in this Contract shall be 1 year, i.e., from May 11, 2020 to May 10, 2021.

In case of any inconsistency between the starting date of the loan term under this Contract and the loan re-deposit certificate (receipt for loan, the same below), the actual loan issuing date specified in the loan re-deposit certificate for initial loan issuance shall prevail, and the maturity date of the loan as agreed in Paragraph I of this Article shall be adjusted accordingly.

The loan re-deposit certificate is an integral part of this Contract, which shall have the same legal effect as this Contract.

Article IV Loan Interest Rate, Default Interest Rate, Interest Accrual and Interest Settlement

I Loan Interest Rate

The loan interest rate under this Contract shall be annual interest rate, as specified in the following (I):

- (I) Fixed interest rate, i.e., LPR \pm (“+” or “-” optional) 50 basis points (1 basis point = 0.01%, accurate to (0.01 basis point), which will remain unchanged during the loan term;

- (II) Floating interest rate, i.e., LPR (this column is left blank) (“+” or “-” optional) (this column is left blank) basis point (1 basis point = 0.01%, accurate to 0.01 basis point) in this column, which shall be adjusted every (this column is left blank) month according to the LPR one working day before the adjustment date of interest rate and the above-mentioned +/- basis points from the value date to the date when the principal and interest under this Contract are fully paid off. Adjustment date of interest rate shall be the corresponding date of the value date in the adjustment month. In case of no corresponding date of the value date in the current month, the last day of the current month shall be the adjustment date of interest rate;
- (III) This column is left blank
- II Default Interest Rate
- (I) Where Party A fails to use the loan for the intended use as specified in the contract, the default interest rate shall be 100% higher than the loan interest rate. If the loan interest rate is adjusted according to Item (II) of Paragraph I of this Article, the default interest rate shall be adjusted correspondingly according to the adjusted loan interest rate and the floating rate as mentioned herein.
- (II) The default interest rate of the overdue loan under this Contract shall be 50% higher than the loan interest rate. If the loan interest rate is adjusted according to Item (II) of Paragraph I of this Article, the default interest rate shall be adjusted correspondingly according to the adjusted loan interest rate and the floating rate as mentioned herein.
- (III) For the loan that are overdue and misappropriated simultaneously, both the default interest and compound interest shall be charged.
- III The value date mentioned in this Article refers to the date when the loan under this Contract is re-deposited to the loan issuing account (hereinafter referred to as the “loan issuing account”) specified in Article VI of this Contract for the first time. LPR under this Contract shall be determined according to the following Item 2:
1. When the loan is issued under this Contract for the first time, LPR refers to the quoted one-year loan market interest rate (1Y LPR) of the National Interbank Funding Center one working day before the effective date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted one-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
 2. When the loan is issued under this Contract for the first time, LPR refers to the quoted one-year loan market interest rate (1Y LPR) of the National Interbank Funding Center one working day before the value date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted one-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
 3. When the loan is issued under this Contract for the first time, LPR refers to the quoted over five-year loan market interest rate (5Y LPR) of the National Interbank Funding Center one working day before the effective date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted over five-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.

4. When the loan is issued under this Contract for the first time, LPR refers to the quoted over five-year loan market interest rate (5Y LPR) of the National Interbank Funding Center one working day before the value date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted over five-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
- IV The loan interest shall be calculated from the date when the loan is re-deposited to the loan issuing account. The loan under this Contract shall bear interest on a daily basis with the daily interest rate = annual interest rate/360. Where Party A fails to pay interest at the interest settlement date as agreed in this Contract, compound interest will be accrued from the next day.
- V Interest Settlement
- (I) For the loan with a fixed interest rate, the interest shall be calculated and settled according to the agreed interest rate. For the loan with a floating interest rate, the interest shall be calculated according to the current interest rate determined in each floating period; In case of interest rate fluctuation for multiple times in a single interest settlement period, the interest in each floating period shall be calculated first, and the interest in this interest settlement period shall be calculated by totaling the interest in each floating period at the interest settlement date.
- (II) The interest of the loan under this Contract shall be settled according to the following 1st method:
1. The interest shall be settled on a monthly basis, i.e., on the 20th day of each month;
 2. The interest shall be settled on a quarterly basis, i.e., on the 20th day of each quarter;
 3. This column is left blank.

Article V Issuance and Payment of the Loan

I Preconditions for Issuing the Loan

Unless Party B gives up in whole or in part, it is obligated to issue the loan only if all the following preconditions are continually satisfied:

1. Party A has completed the approval, registration, delivery, insurance and other legal procedures related to the loan under this Contract;
2. In case of any guarantee in this Contract, the guarantee that meets Party B's requirements has come into effect and remains valid;

3. Party A has opened an account for withdrawal and repayment as required by Party B;
4. Party A does not have any breach of contract as agreed in this Contract;
5. Any circumstance specified in this Contract that may endanger the creditor's rights of Party B does not occur;
6. The loan under this Contract is not prohibited or restricted from being issued by any law, regulation, rule or competent department;
7. Party A's financial indicators continuously meet the requirements of Annex 2 "Financial Indicator Constraint Clause";
8. Party A has submitted relevant materials before the issuance of the loan in accordance with this Contract;
9. The materials provided by Party A for Party B are legitimate, true, complete, accurate and effective, and meet other requirements proposed by Party B;
10. Other preconditions:
This column is left blank.

II Loan Drawdown Plan

Loan drawdown refers to Party B's behavior of issuing the loan funds to the loan issuing account according to Party A's application and the provisions of this Contract.

The loan drawdown plan shall be determined according to the following method (I):

(I) The loan drawdown plan is made as follows:

1. May 11, 2020; Amount: RMB Five Million only.
2. This column is left blank; Amount: this column is left blank;
3. This column is left blank; Amount: this column is left blank;
4. This column is left blank; Amount: this column is left blank;
5. This column is left blank; Amount: this column is left blank;
6. This column is left blank; Amount: this column is left blank.
This column is left blank.

(II) The loan drawdown plan is made as follows:

1. From (this column is left blank) to (this column is left blank);
Amount: this column is left blank;

2. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank;

3. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank;

4. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank;

5. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank;

6. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank.

This column is left blank.

(III) Apply for fund use at any time according to Party A's actual needs.

(IV) This column is left blank

III Party A shall make use of the loan funds according to the loan drawdown plan as agreed in Paragraph II, and shall not advance, postpone, split or cancel the fund use unless otherwise agreed upon by Party B in writing.

IV Where Party A uses the loan funds in installments, the maturity date of the loan shall still be determined according to the provisions of Article III of this Contract.

V Materials to Be Provided by Party A

Both parties choose to apply the provisions of the following item_(I)_[(I) or (II) optional] on Party A's provision of materials:

(I)

1. As long as the conditions specified in the following_(1) are satisfied:

(1) The drawdown amount of a single loan exceeds RMB Five Million and any external payment amount in plan under this drawdown exceeds RMB Five Million;

(2) This column is left blank.

Party A shall provide the following materials for Party B at the latest five working days in advance before the drawdown of a single loan:

(1) Loan re-deposit certificate and payment settlement certificate signed and stamped by Party A;

(2) Trading data (including but not limited to commodity, service and fund contracts and/or invoices and other written or electronic documents that can prove the explicit purpose of the loan funds);

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association, resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

2. Except for the circumstances specified in Item 1 above, or where Party B considers that Party A can pay independently as specified in Paragraph VII of this Article after examining the above materials provided by Party A, Party A shall provide the following materials for Party B at the latest five working days in advance before the drawdown of a single loan:

- (1) Fund use plan corresponding to the loan to be issued (please refer to Annex 3 for the format of the fund use plan);
- (2) Loan re-deposit certificate signed and stamped by Party A;

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association, resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

(II)

Regardless of the drawdown amount of a single loan, Party A shall provide the following materials for Party B at the latest (this column is left blank) working days in advance before the drawdown of a single loan:

- (1) Loan re-deposit certificate and payment settlement certificate signed and stamped by Party A;
- (2) Trading data (including but not limited to commodity, service and fund contracts and/or invoices and other written or electronic documents that can prove the explicit purpose of the loan funds);

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association, resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

VI. Entrusted Payment of Party B

1. Applicable circumstances of the entrusted payment of Party B

As long as the single loan complies with the following circumstance (1), Party B shall be entrusted to pay, i.e., Party A irrevocably entrusts Party B to pay the loan funds to Party A's trading partner. Party A shall not pay the above-mentioned loan funds to its trading partner or any other third party by itself.

- (1) The drawdown amount of a single loan exceeds RMB Five Million and any external payment amount in plan under this drawdown exceeds RMB Five Million. Besides, Party B considers that it complies with the characteristic that the payment object is clear after examining the materials provided by Party A;
- (2) In spite of the drawdown amount of a single loan, Party B shall be entrusted to pay;
- (3) This column is left blank.
2. Under the circumstance of entrusted payment of Party B, Party B shall re-deposit the loan funds to the loan issuing account, and then directly pay the loan funds to the account of Party A's trading partner from the loan issuing account. Party A shall not dispose of the loan funds in any form (including but not limited to transfer and withdrawal).
3. Party B shall conduct formal examination on the payment amount, payment time, payment object, payment method and handling account according to the materials provided by Party A. Party B shall pay the loan funds to Party A's trading partner after completing formal examination on the above-mentioned payment elements and finding that they meet its requirements. Once the loan funds enter the account of the trading partner provided by Party A, Party B shall be deemed to have fulfilled the obligation of entrusted payment. Party A shall inquire whether the payment is made successfully within one working day after the payment date, and notify Party B immediately if it fails. Party A shall ensure that its trading partner is consistent with the specific use of the loan and trading data.
4. Party B's formal examination on the aforementioned payment elements does not mean that Party B confirms the authenticity, legitimacy and compliance of the trading, nor does it mean that Party B intervenes in any dispute between Party A and its trading partner or any other third party or needs to bear any liability and obligation of Party A. Party A shall compensate Party B for all its losses arising from the entrusted payment.
5. Where the loan funds are not paid to the account of Party A's trading partner successfully or timely because the materials provided by Party A are incomplete, untrue, inaccurate or inconsistent with the specific use of the loan, or conflict in the information, or due to any other reason not liable by Party B, the following provisions shall apply:
 - (1) All the consequences arising therefrom, including but not limited to all the losses caused by the failure to pay the loan funds to the accounts of Party A's trading partners successfully or timely, shall be borne by Party A. Party B shall not bear any liability, and Party A shall compensate Party B for all its losses arising therefrom;

- (2) Party A shall not dispose of this part of loan funds in any form (including but not limited to transfer and withdrawal);
- (3) Party A shall fulfill its obligations of providing and correcting the materials again according to Party B's requirements within five working days;
This column is left blank.

Where Party A violates any of the above provisions, Party B shall be entitled to recover this part of loan funds in advance.

6. All risks, liabilities and losses of the failure, error and delay in payment of loan funds not caused by Party B's fault shall be borne by Party A, and Party B shall not bear any liability. All losses of Party B arising therefrom shall be compensated by Party A.

VII. Independent Payment of Party A

If the drawdown of a single loan does not comply with the circumstances of entrusted payment of Party B as specified in Item 1 of Paragraph VI of this Article, Party A shall pay independently, i.e., after Party B issues the loan funds to the loan issuing account according to Party A's withdrawal application, Party A shall pay to its trading partner independently. Party A shall ensure that its trading partner is consistent with the specific use of the loan and trading data.

- VIII. Regardless of whether Party B is entrusted to pay or Party A pays independently, once the loan funds enter the loan issuing account, Party B shall be deemed to have fulfilled its obligation of issuing the loan. Party A shall ensure that the loan issuing account is in a normal state (including but not limited to not being frozen by the competent authority, etc.). All risks, liabilities and losses caused by the freezing and deduction of loan funds by competent authority, etc. after they enter the loan issuing account shall be borne by Party A. All losses of Party B arising therefrom shall be compensated by Party A.

IX. Change of Payment Method

Under any of the following circumstances, Party B shall have the right to change the payment method of loan funds, including but not limited to adjusting the applicable circumstances of entrusted payment (for example, adjusting the amount standard for entrusted payment), changing the payment method of a single loan, etc.:

1. Party A has any breach of contract as agreed in this Contract;
2. Any circumstance specified in this Contract that may endanger the creditor's rights of Party B occurs;
3. Other circumstances in which Party B considers it necessary to change the payment method of loan funds.

Where Party B changes the payment method, Party A shall fulfill its obligations of submitting related materials again, etc. according to the provisions of this Contract and Party B's requirements.

Article VI Use and Supervision of Account

I Loan Issuing Account

The loan issuing account under this Contract shall be determined according to the following 2nd method:

1. Within (this column is left blank) working days from the effective date of this Contract and before the loan is issued for the first time, Party A shall open a special loan issuing account at Party B, which shall be specially used for the issuance and payment of all loan funds under this Contract.
2. Other accounts opened by Party A at Party B (account number: [***]).

II Fund Repayment Account

1. Within three working days from the effective date of this Contract, Party A shall open a fund repayment account at Party B or take the existing account (account number: [***]) opened at Party B as the fund repayment account.
2. Party A shall regularly summarize and report the inflow and outflow of funds in the fund repayment account to Party B on a quarterly ("monthly" or "quarterly" optional) basis. Party A shall summarize and report the inflow and outflow of funds in the previous cycle to Party B at the latest within the first ten working days of each cycle.
3. Party B shall be entitled to manage the inflow and outflow of recouped funds in this account. Specifically, the fund repayment account shall meet the requirements as specified in the following Item (10):
 - (1) Average stock of funds in the account:
This column is left blank.
 - (2) In-place time of recouped funds:
This column is left blank.
 - (3) The proportion of Party A's overall sales funds entering the account:
This column is left blank.
 - (4) Limit for a single sum of external payment of funds in the account:
This column is left blank.
 - (5) Limit for a daily sum of external payment of funds in the account:

This column is left blank.

- (6) Restrictions on signing online banking for this account:

This column is left blank.

- (7) External payment of the funds in the account shall be approved by Party B;

- (8) This account shall be used exclusively for the collection and repayment of loans under this Contract, and shall not be used for any other purpose;

- (9) This column is left blank.

- (10) Other requirements proposed by Party B;

- (11) It shall be implemented in accordance with relevant provisions of the Account Management Agreement entered between both parties separately.

Article VII Repayment

I Repayment Principles

Party A's repayment under this Contract shall be made according to the following principles:

Party B shall have the right to use Party A's repayment to first pay off various expenses that should be borne by Party A as agreed in this Contract, but paid in advance by Party B, as well as the expenses for Party B to realize its creditor's rights. The rest of the funds shall be used for repayment on the principle of paying interest first and then repaying principal with the interest settled together with the principal. However, for the loan whose principal has been overdue for more than ninety days, the loan whose interest has been overdue for more than ninety days, or the loan otherwise stipulated by applicable laws, regulations or rules, Party A shall repay the principal first and then pay the interest after paying off the aforesaid expenses.

II Payment of Interest

Party A shall pay the interest due to Party B on the interest settlement date. The first interest payment date shall be the first interest settlement date after the loan is issued. In the last repayment, the interest will be paid off together with the principal.

III Principal Repayment Plan

The principal repayment plan shall be determined according to the following method.(I):

- (I) The principal repayment plan is made as follows:

1. yyy, mmm, ddd Amount: RMB Five Million only
2. This column is left blank; Amount: this column is left blank;

3. This column is left blank; Amount: this column is left blank;
4. This column is left blank; Amount: this column is left blank;
5. This column is left blank; Amount: this column is left blank;
6. This column is left blank; Amount: this column is left blank.
7. This column is left blank.

(II) This column is left blank

IV Repayment Method

Party A shall reserve enough funds payable in the current period in the fund repayment account or other accounts opened at Party B before the repayment date specified in this Contract, and transfer the funds for repayment by itself (Party B also has the right to transfer the funds from this account for repayment), or transfer the funds from other accounts for repayment on the repayment date as specified in this Contract.

V Advance Repayment

Where Party A repays the principal in advance, it shall submit a written application to Party B ten working days in advance, and may repay part or all of the principal in advance with the consent of Party B.

Where Party A repays the principal in advance, the interest shall be calculated according to the actual fund use days and the loan interest rate specified in this Contract.

If Party B agrees with Party A's advance repayment of principal, it shall have the right to claim compensation from Party A, and the amount of compensation shall be determined according to the 1st standard below:

1. The amount of compensation = amount of advance repayment x the number of months advanced for repayment x 1%; if it is less than one month, it shall be calculated as one month;
2. This column is left blank.

Where Party A repays the loan in installments, if it repays part of the loan principal in advance, it shall make repayment in the reverse order as specified the repayment plan. After advance repayment, the outstanding loan funds shall still bear interest according to the loan interest rate as specified in this Contract.

Article VIII Rights and Obligations of Party A

I Rights of Party A

- (I) Have the right to require Party B to issue the loan as specified in the contract;

- (II) Have the right to use the loan for the intended use as specified in this Contract;
 - (III) Have the right to apply to Party B for loan extension under the conditions as stipulated by Party B;
 - (IV) It's entitled to require Party B to keep confidential the relevant financial materials and business secrets in production and operation provided by Party A, unless otherwise stipulated by relevant laws, regulations and rules, or otherwise required by competent authorities or otherwise agreed by both parties;
 - (V) Have the right to refuse the request of Party B and its staff for bribes, and report the above-mentioned behavior or Party B's violation against relevant national laws and regulations on credit interest rate, service charge, etc. to relevant departments.
- II Obligations of Party A
- (I) Withdraw funds and pay off the loan principal and interest in full as specified in this Contract, and bear various expenses as specified in this Contract;
 - (II) Provide various materials such as financial accounting materials, materials of production and operation status, etc. as required by Party B, including but not limited to providing Party B with the Balance Sheet as of the end of the last quarter and the Income Statement (Statement of Revenues and Expenditures for public institutions) as of the end of the last quarter within the first ten working days of the first month of each quarter, and timely provide the Cash Flow Statement of the current year at the end of each year, and ensure that all materials provided are legitimate, true, complete, accurate and effective. It's forbidden to provide false materials or conceal important operation and financial facts;
 - (III) Where Party A suffers from any major unfavorable event which affects its solvency or any other circumstance that endangers the creditor's rights of Party B, or makes any change in industrial and commercial registration items such as the name, legal representative (person-in-charge), domicile, business scope, registered capital or Articles of Association of the company (enterprise), etc., it shall notify Party B in writing within 3 working days after the occurrence, and attach relevant materials after the change;
 - (IV) Party A shall apply the loan to the intended use as specified in this Contract, and shall not misuse or misappropriate it or engage in any trading that violates relevant laws or regulations with the bank loan, or use the loan for investment in fixed assets, equity, etc. or in the production and operation fields and purposes prohibited by the state, or use it to offset the liabilities arising from Party A's investment in fixed assets, equity, etc.; Party A shall cooperate with and accept Party B's inspection and supervision on its production, operation and financial activities, and the use and payment of the loan under this Contract, and also cooperate with and accept Party B's relevant requirements for post-loan management; Party A shall not withdraw funds, transfer assets or use connected transactions to avoid the debt to Party B; Party A shall not realize bank discount or pledge, or take bank funds or credit by false contracts with related parties, and notes receivable, accounts receivable and other creditor's rights without actual trading background; Party A shall pay loan funds according to the provisions of this Contract, and shall not evade entrusted payment of Party B by breaking up the whole into parts;

- (V) Where Party A uses the loan under this Contract for manufacturing, it shall abide by relevant national regulations on environmental protection;
- (VI) Before paying off the loan principal and interest to Party B, Party A shall not use the assets formed by the loan under this Contract to provide guarantee for any third party without the consent of Party B;
- (VII) If Party A is a group client, it shall promptly report the connected transactions valuing more than 10% of its net assets to Party B, including:
(1) The association relationship of transaction parties; (2) Transaction items and nature of the transaction; (3) Amount of the transaction or the corresponding proportion; (4) Pricing policy (including transactions with no amount or with only symbolic amount);
- (VIII) Party A shall get Party B's written consent before executing major events such as merger, separation, equity transfer, foreign investment, substantial increase of debt financing, etc. However, Party B's written consent will not affect its right to take remedial measures as specified in this Contract when it thinks that the above-mentioned behaviors may endanger the security of its creditor's rights in the future;
- (IX) Where Party A pays independently, it shall summarize and report the use and payment of the loan to Party B on a monthly basis. Party A shall summarize and report the use and payment of the loan in the previous month to Party B at the latest within ten working days at the beginning of each month, and submit the actual payment list until the loan payment is completed. Please refer to Annex 4 for the format of summary report.

Article IX Rights and Obligations of Party B

- I Party B shall be entitled to require Party A to repay the loan principal, interest and expenses on schedule, manage and control the payment of loan funds, dynamically monitor the overall cash flow of Party A, recover the loan in advance according to the Party A's recouping of funds, exercise other rights as specified in this Contract, and require Party A to fulfill other obligations under this Contract;
- II Party B shall have the right to participate in Party A's large-scale financing (i.e., financing with the total amount exceeding RMB Eighty Million or equivalent amount in foreign currency), asset sale, merger, separation, shareholding reform, bankruptcy liquidation and other activities to safeguard its creditor's rights. Party B shall participate in the aforementioned activities in the following 1st method:

1. Party A shall get the written consent of Party B when carrying out the above-mentioned activities;
2. Party B shall arrange the large-scale financing of Party A;
3. The asset sales price and object of Party A shall comply with the following provisions:
This column is left blank.
4. This column is left blank.
5. Other methods that Party B thinks should be adopted.
- III Issue the loan according to the provisions of this Contract, except for the delay or failure caused by Party A's reasons or other reasons not attributable to Party B;
- IV Keep confidential the relevant financial materials and business secrets in production and operation provided by Party A, unless otherwise stipulated by relevant laws, regulations and rules, or otherwise required by competent authorities or otherwise agreed by both parties;
- V It's strictly prohibited to offer bribes to Party A and its staff, or ask for or accept bribes from them;
- VI. It's strictly prohibited to act dishonestly or with damage to Party A's legitimate interests.

Article X Liability for Breach of Contract and Remedial Measures for the Circumstances Endangering the Creditor's Rights of Party B

- I Party B's Breach of Contract and Its Liability for Breach of Contract
 - (I) Where Party B fails to issue the loan as specified in this Contract without justified reasons, Party A may require Party B to continue to issue the loan according to this Contract;
 - (II) Where Party B violates any prohibitive stipulation of national laws and regulations to collect interest or expenses that should not be collected from Party A, Party A shall have the right to request Party B to refund.
- II Party A's Breach of Contract
 - (I) Party A violates any provision of this Contract or any legal obligation;
 - (II) Party A expressly or by its behavior indicates that it will not perform any obligation under this Contract.

III Circumstances that May Endanger the Creditor's Rights of Party B

- (I) Under any of the following circumstances, Party B considers that the security of its creditor's rights under this Contract may be endangered: Party A is subject to contracting, trusteeship (takeover), leasing, shareholding reform, decrease of registered capital, investment, joint operation, merger, consolidation, acquisition and reorganization, separation, joint venture, equity transfer or substantial increase of debt financing, or applies (is applied) for suspension of business for internal rectification, applies for dissolution, is revoked, applies (is applied) for bankruptcy, changes its controlling shareholder/actual controller or is subject to major asset transfer, stops production, goes out of business, is severely fined by competent authorities, is subject to cancellation registration or revocation of business license, involves major legal disputes, is extremely difficult in production and operation or deteriorates in its financial position or in its credit status, or its legal representative or person-in-charge cannot perform his duties normally;
- (II) Under any of the following circumstances, Party B considers that the security of its creditor's rights under this Contract may be endangered: Party A fails to fulfill its obligation of repaying other debts due (including debts due to the institutions at all levels of China Construction Bank or to other third parties), transfers its property at a low price without compensation, reduces or relieves the debts of any third party, is lazy to exercise its creditor's rights or other rights, or provides guarantee for any third party; Party A fails to continuously meet the requirements of Annex 2 "Financial Indicator Constraint Clause" in its financial indicators; The funds in any account of Party A (including but not limited to fund repayment account and other accounts monitored by Party B) fluctuate abnormally; Party A has any major cross default event; The main business of Party A does not have strong profitability; The loan funds are used abnormally;
- (III) Party A's shareholders abuse the independent status of the company as a legal person or shareholders' limited liability to evade debts, and Party B thinks that it may endanger the security of its creditor's rights under this Contract;
- (IV) Any precondition for issuing the loan as specified in this Contract is not continuously satisfied;
- (V) Under any of the following circumstances for the guarantor, Party B considers that the security of its creditor's rights under this Contract may be endangered:
1. Violate any provision of the guarantee contract or there is any falsehood, error or omission in the representations and warranties;

2. If it occurs contracting, trusteeship (takeover), leasing, shareholding reform, decrease of registered capital, investment, joint operation, merger, consolidation, acquisition and reorganization, separation, joint venture, equity transfer or substantial increase of debt financing, or applies (is applied) for suspension of business for internal rectification, applies for dissolution, is revoked, applies (is applied) for bankruptcy, changes its controlling shareholder/actual controller or is subject to major asset transfer, assigns property at a low price or without reward, reduce and cancel debts of the third party, is slack to excise the creditor's right or other rights, stops production, goes out of business, is severely fined by competent authorities, is subject to cancellation registration or revocation of business license, involves major legal disputes, is extremely difficult in production and operation or deteriorates in its financial position or in its credit status, or its legal representative or person-in-charge cannot perform his duties normally, the ability to guarantee of the guarantor may be effected;
 3. Other circumstances in which it loses or may lose the ability to guarantee;
- (VI) Under any of the following circumstances in mortgage and pledge, which Party B thinks may endanger the security of its creditor's rights under this Contract:
1. The mortgaged or pledged property is damaged, lost or devalued due to the behaviors of any third party, national expropriation, confiscation, requisition, unpaid recovery, demolition, market changes or any other reason;
 2. The mortgaged or pledged property is sealed up, detained, frozen, deducted, retained, auctioned, or supervised by administrative organs, or involves in any dispute over its ownership;
 3. The mortgagor or pledgor violates any provision of the mortgage or pledge contract, or there is any falsehood, error or omission in the representations and warranties;
 4. Other circumstances that may endanger the realization of Party B's mortgage or pledge right;
- (VII) The guarantee is ungrounded, does not take effect, or is invalid, revoked or relieved, the guarantor breaches the contract or explicitly indicates or shows by his behavior that he will not perform his guarantee responsibility, or the guarantor partially or completely loses the guarantee ability, or the guaranty is devalued, etc., and Party B thinks that it may endanger the security of its creditor's rights under this Contract; Or
- (VIII) Other circumstances that Party B thinks may endanger the security of its creditor's rights under this Contract.
- IV Remedial Measures of Party B
- Under any of the circumstances as specified in Paragraph II or III of this Article, Party B shall have the right to exercise one or more of the following rights:
- (I) Stop issuing the loan;
 - (II) Supplement the conditions for the issuance and payment of loan;
 - (III) Change the loan payment method according to the provisions of this Contract;

- (IV) Declare that the loan is due immediately, and require Party A to immediately repay the principal, interest and expenses of all debts due and undue under this Contract;
- (V) If Party A fails to withdraw the loan as specified in the contract, Party B shall have the right to require Party A to pay liquidated damages equivalent to 5% of the amount not withdrawn as agreed, and be entitled to refuse Party A to withdraw the funds that have not been withdrawn under this Contract;
- (VI) If Party A fails to use the loan according to the intended use as specified in this Contract, interest and compound interest will be charged for the part appropriated by Party A according to the default interest rate and interest settlement method as specified in this Contract from the date when Party A fails to use the loan as agreed in this Contract to the date when the principal and interest are fully paid off;
- (VII) If the loan is overdue, interest and compound interest will be charged for the loan principal and interest that Party A fails to pay off on time (including the loan principal and interest declared by Party B to be due in advance in whole or in part) according to the default interest rate and interest settlement method as agreed in this Contract from the date when the loan becomes overdue to the date when the principal and interest are fully paid off. Overdue loan refers to the behavior that Party A fails to pay off the loan on schedule or repay the loan beyond the period in the plan of principal repayment in installments as specified in this Contract.
- Before the loan is due, compound interest will be charged for the interest that Party A fails to pay off on schedule according to the loan interest rate and interest settlement method as agreed in this Contract;
- (VIII) Other remedial measures, including but not limited to:
1. Transfer the corresponding funds in RMB or other currencies from the account opened by Party A in China Construction Bank system without prior notice to Party A;
 2. Exercise the guarantee right;
 3. Require Party A to provide a new guarantee in line with Party B's requirements for all debts under this Contract;
 4. Refuse Party A's disposal of the corresponding amount of deposit in the account (including but not limited to the fund repayment account) opened by Party A in China Construction Bank system;
 5. Terminate this Contract.

Article XI Miscellaneous Clause

I Bearing of Expenses

The expenses arising from Party A's breach of any provision of this Contract (including but not limited to the legal cost, arbitration fee, property preservation fee, travel expense, execution fee, evaluation fee, auctioneer's fee, notarization fees, delivery fee, announcement fee, attorney fee and other expenses actually incurred by Party B due to Party A's breach of contract) shall be borne by Party A;

For other expenses, both parties agree as follows: Unless otherwise agreed by both parties, Party A shall bear the expenses (if any) for custody, appraisal, notarization, legal service, insurance, etc. related to the loan under this Contract and the expenses that can be borne by the borrower according to the stipulations of applicable laws, regulations and rules. The expenses incurred by Party B for conducting due diligence and mortgaged property evaluation for the loan under this Contract shall be borne by Party B.

II Use of Party A's Information

Party A agrees that Party B may, from financial credit information basic database and other credit reporting agencies established according to law, inquire, print and keep Party A's credit status, and provide them with Party A's information. Party A also agrees that Party B can reasonably use and disclose Party A's information for business needs.

III Collection by Announcement

Party B shall be entitled to notify relevant departments or units of Party A's default in loan principal and interest or other breach of contract, and to make an announcement for collection through news media.

IV Effectiveness of the Evidence Recorded by Party B

Unless there is reliable and definite evidence to the contrary, Party B's internal accounting records related to the principal, interest, expenses, repayment records, etc., the documents and vouchers prepared or retained by Party B in the business process of Party A's withdrawal, repayment and interest payment, and Party B's records and vouchers for loan collection shall all constitute definite evidence to effectively prove the credit relation between Party A and Party B. Party A cannot raise an objection just because the above records, recordation, documents and vouchers are unilaterally prepared or retained by Party B.

V Reservation of Rights

Party B's rights under this Contract will not affect or exclude any right enjoyed by it according to relevant laws, regulations and other contracts. Any leniency, grace or preference for any breach of contract or delay, or the delay in exercising any right under this Contract shall not be regarded as a waiver of the rights and interests under this Contract or the permission or recognition of any violation against this Contract, nor shall it restrict, prevent or hinder the continued exercise of this right or the exercise of any other right, nor shall it cause Party B to bear any obligation and liability to Party A.

VI. In addition to the debts under this Contract, if Party A has other debts due to Party B, Party B shall have the right to transfer the funds in RMB or other currencies from the account opened by Party A in China Construction Bank system to pay off any debt due first, and Party A agrees not to raise any objection.

VII. In case of any change in Party A's correspondence address or contact information, it shall immediately notify Party B in writing, otherwise, it shall bear any loss caused by the failure to notify in time.

VIII. Transfer of Payables

For all payables of Party A under this Contract, Party B shall have the right to transfer the corresponding amount in RMB or other currencies from the account opened by Party A in China Construction Bank system without prior notice to Party A. If it is required to go through the exchange settlement and sales, or foreign exchange trading formalities, Party A shall be obligated to assist Party B, and the foreign exchange risk shall be borne by Party A.

IX. Dispute Resolution

Any dispute arising from the performance of this Contract can be settled through negotiation. If the negotiation fails, it shall be settled by the following 1st method:

1. Bring a lawsuit to the people's court in the place where Party B is located.
2. Submit it to (this column is left blank) Arbitration Commission (the place of arbitration is (this column is left blank)) for arbitration according to the currently effective arbitration rules of the Commission. The arbitration award is final and binding on both parties.

During the litigation or arbitration, the clauses of this Contract that do not involve in the dispute shall still be performed.

X. Entry-into-force Conditions of the Contract

This Contract shall come into force after being signed by the legal representative (person-in-charge) or authorized agent of Party A and the person-in-charge or authorized agent of Party B, and affixed with official seals of both parties.

As an integral part of this Contract, the annexes hereunder shall have the same legal effect as this Contract.

XI. This Contract is made in triplicate.

XII. Other Matters Agreed

(I) Relevant Provisions on Value-added Tax

1. The price and additional charges under this Contract are tax-included prices including VAT, unless otherwise agreed by the parties.
2. Invoice

- 2.1 Party B shall issue invoices according to the following Item_(2):
- (1) If Party A puts forward the demand for invoicing, Party B shall issue the VAT invoice of the current payment amount after receiving the payment from Party A.
- (2) Other provisions: This column is left blank.
- 2.2 Invoicing information provided by Party A
- Company name (full name): This column is left blank.
- Taxpayer's registration number: This column is left blank.
- Bank account: This column is left blank.
- Bank of deposit: This column is left blank.
- Address: This column is left blank.
- Tel.: This column is left blank.
- 2.3 If the invoice needs to be made invalid or credit note is required, Party A shall provide assistance as required by Party B in a timely manner. If the invoice cannot be made invalid or credit note cannot be issued due to Party A's reasons, Party A shall compensate Party B for all its losses, including but not limited to taxes, additional taxes, fines and late fees.
3. If Party A is an overseas institution in the People's Republic of China, and the price and additional charges under this Contract are subject to tax preferences according to relevant stipulations of applicable laws, regulations and rules or relevant departments, and tax filing is required, Party A shall timely provide Party B with sufficient and accurate tax preference filing materials of VAT as required by Party B to help Party B complete tax filing and other work.
- (II) Agreed Service Clause
- Party A and Party B agree as follows on the address for service of various notices, agreements and instruments related to this Contract and corresponding legal consequences:
1. Address for service
- (1) Party A confirms that its effective address for service is:
Detailed address: 10/F, Building 1, No. 926, Yishan Road, Xuhui District, Shanghai; Zip code: 200233 Tel.: [***]
- (2) Party B confirms that its effective address for service is:
Detailed address: No.158, Wangdun Road; Zip code: 215000 Tel.: [***]

2. Scope of application of the address for service

The above addresses for service are applicable to the service of all kinds of notices, agreements and instruments related to this Contract, including but not limited to the service of various notices, agreements and other documents during the performance of the contract, as well as the service of relevant documents and legal instruments in case of any dispute arising from the contract, including the service of relevant documents in the first and second instances, retrial, enforcement procedures and other procedures after the dispute enters into arbitration and civil proceedings.

3. Change in the address for service

- (1) If Party A needs to change its address for service, it shall notify Party B in writing five working days in advance, and the written notice shall be delivered to Party B's address for service;
- (2) If Party B needs to change its address for service, it shall notify Party A by any means, including not limited to in writing, or by mail, short message or announcement, etc.
- (3) If one party changes its address in arbitration or civil action, it shall also perform the obligation of notifying the arbitration institution and the court in writing.
- (4) After one party fulfills its obligation of issuing a change notice according to the above provisions, its changed address shall be the effective address for service, otherwise, the previously confirmed address for service shall still be the effective address for service.

4. Legal consequences

- (1) If the notices, agreements, legal instruments and other documents are not actually received by either party because the address for service provided or confirmed by it is inaccurate, the notification obligation is not fulfilled as aforesaid in a timely manner after the address for service is changed, or the party or its designated addressee refuses to sign for it, for the service by mail, the date of service shall be the date when the documents are returned; For direct service, the date of service shall be the date on which the addressee notes the situation on the proof of service on the spot.
 - (2) The arbitration institution and the court may serve documents to the above-mentioned address for service directly by mail. Even if the parties fail to receive the documents served by the arbitration institution and the court by mail, they shall still be deemed to have been served due to the above provisions.
- (III) The signature of Party A's legal representative (person-in-charge) or authorized agent as specified in the "Entry-into-force Conditions of the Contract" under this Contract may be replaced by a personal seal.

Article XII Statement Clause

- I Party A clearly knows Party B's business scope and authority.
- II Party A has read all clauses of this Contract. At the request of Party A, Party B has made corresponding explanations on this Contract. Party A has fully known and understood the meanings and corresponding legal consequences of the clauses of this Contract.
- III Party A's signing and performance of its obligations under this Contract comply with the stipulations of applicable laws, administrative regulations and rules, and Party A's Articles of Association or internal organization documents, and have been approved by internal competent authorities of the company and/or national competent authorities.
- IV Party A's production and operation are legal and compliant;
- V Party A has the sustainable operation ability and legal sources of repayment;
- VI. Party A promises that all loan funds under this Contract are based on the real needs of the specific use of the loan without going beyond its actual needs.
- VII. Party A and its controlling shareholder have good credit status and no major bad records.
- VIII. Party B is entitled to entrust other sub-branches of China Construction Bank to issue the loan under this Contract and to exercise and fulfill its rights and obligations under this Contract, and Party A has no objection to this.
- IX. Party A states that it and its important related parties do not have any behavior or situation that violates the laws, regulations and rules on environmental and social risk management when this Contract is concluded, and promises to strengthen environmental and social risk management of itself and its important related parties after the conclusion of this Contract, to strictly abide by relevant laws, regulations and rules on environmental and social risk management, and to completely eradicate the harm and related risks to the environment and society (including but not limited to environmental and social problems related to energy consumption, pollution, land, health, safety, resettlement of affected residents, ecological protection, energy conservation and emission reduction, climate change, etc.) in construction, production and operation activities. security, resettlement, ecological protection, energy conservation, climate change and other related environmental and social issues). Party A agrees that Party B has the right to conduct supervision on Party A's environmental and social risk management and request Party A to submit an environmental and social risk report. If the above statement made by Party A is false or the above promise is not fulfilled, or Party A may result in environmental and social risks, Party B shall have the right to stop granting credit to Party A (including but not limited to refusing to issue the loan, provide financing, open the letter of guarantee, letter of credit or bank acceptance, etc.), or declare that the principal and interest under the creditor's rights (including but not limited to the loan, financing, advances that have occurred or may occur, etc.) are due in advance, or take other remedial measures specified in this Contract or permitted by law.

Party A (Official Seal):

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.

Legal representative (person-in-charge) or authorized agent (Signature): Cao Wei

Party B (Official Seal):

/s/ Suzhou Industrial Park Sub-branch of China Construction Bank Corporation
Suzhou Industrial Park Sub-branch of China Construction Bank Corporation

Basic Information of the Loan

1. Specific use of the loan under this Contract

(1) Pay for goods;

(2) Others

Without written consent of Party B, Party A shall not change the specific use of the loan.

2. Source of repayment of the loan under this Contract:

Production and operating revenues of Party A and financing.

Party A shall ensure that the source of repayment is true and legitimate, and the cash flow for repayment is stable and sufficient.

3. Other:

This column is left blank.

Annex 2:

Financial Indicator Constraint Clause

The financial indicators of Party A shall continuously comply with the following restrictions:

This column is left blank.

Party B shall have the right to modify the above restrictions with a notice to Party A five working days in advance.

Annex 3

Fund Use Plan

Contract No.

Withdrawal date

No.	Planned use	Expected payment amount	Expected payment object (if any)	Remark
1				
2				
⋮				
⋮				
Total	RMB	0,000 (in words:)		

Name of the Borrower (Seal):

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.

Annex 4:

Summary of Independent Payment

Contract No.

Submission date

No.	Actual use	Payment object	Amount	Supporting document	Planned matter or not
1					
2					

Total RMB 0,000 (in words:)

Name of the Borrower (Seal): □

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.



Working Capital (in RMB) Loan Contract

Contract No.: HTZ322988800LDZJ202000095

Borrower (Party A): Suzhou Gracell Biotechnologies Co., Ltd.

Domicile: Building 12, Block B, Biomedical Industrial Park Phase II, No. 218, Sangtian Street, Suzhou Industrial Park

Zip code: 215123

Legal representative (person-in-charge): Cao Wei

Fax: This column is left blank.

Tel.: [***]

Lender (Party B): Suzhou Industrial Park Sub-branch of China Construction Bank Corporation

Domicile: Room 104, 1/F and Room 802, 8/F, Building 1, Real Estate Plaza, No.158, Wangdun Road, Suzhou Industrial Park

Zip code: 215021

Person-in-charge: Wan Haimin

Fax: 0512-62781092

Tel.: [***]

In view of the need of paying for goods, Party A applies for a loan to Party B, and Party B agrees to issue a loan to Party A. This Contract has been entered into by and between both parties through negotiation and in accordance with relevant laws, regulations and rules for mutual compliance.

Article I Loan Amount

Party A will borrow RMB (in words) Five Million only from Party B.

Article II Intended Use of the Loan and Source of Repayment

Party A shall use the loan as the working fund for daily production and operation.

Please refer to Annex 1 “Basic Information of the Loan” for the specific use and source of repayment of the loan under this Contract.

Article III Loan Term

The loan term specified in this Contract shall be 12 months, i.e., from June 4, 2020 to June 3, 2021.

In case of any inconsistency between the starting date of the loan term under this Contract and the loan re-deposit certificate (receipt for loan, the same below), the actual loan issuing date specified in the loan re-deposit certificate for initial loan issuance shall prevail, and the maturity date of the loan as agreed in Paragraph I of this Article shall be adjusted accordingly.

The loan re-deposit certificate is an integral part of this Contract, which shall have the same legal effect as this Contract.

Article IV Loan Interest Rate, Default Interest Rate, Interest Accrual and Interest Settlement

I. Loan Interest Rate

The loan interest rate under this Contract shall be annual interest rate, as specified in the following (I):

- (I) Fixed interest rate, i.e., LPR + (“+” or “-” optional) 15 basis points (1 basis point = 0.01%, accurate to (0.01 basis point), which will remain unchanged during the loan term;
- (II) Floating interest rate, i.e., LPR (this column is left blank) (“+” or “-” optional) (this column is left blank) basis point (1 basis point = 0.01%, accurate to 0.01 basis point) in this column, which shall be adjusted every (this column is left blank) month according to the LPR one working day before the adjustment date of interest rate and the above-mentioned +/- basis points from the value date to the date when the principal and interest under this Contract are fully paid off. Adjustment date of interest rate shall be the corresponding date of the value date in the adjustment month. In case of no corresponding date of the value date in the current month, the last day of the current month shall be the adjustment date of interest rate;

(III) This column is left blank

II. Default Interest Rate

- (I) Where Party A fails to use the loan for the intended use as specified in the contract, the default interest rate shall be 100% higher than the loan interest rate. If the loan interest rate is adjusted according to Item (II) of Paragraph I of this Article, the default interest rate shall be adjusted correspondingly according to the adjusted loan interest rate and the floating rate as mentioned herein.
- (II) The default interest rate of the overdue loan under this Contract shall be 50% higher than the loan interest rate. If the loan interest rate is adjusted according to Item (II) of Paragraph I of this Article, the default interest rate shall be adjusted correspondingly according to the adjusted loan interest rate and the floating rate as mentioned herein.
- (III) For the loan that are overdue and misappropriated simultaneously, both the default interest and compound interest shall be charged.
- III. The value date mentioned in this Article refers to the date when the loan under this Contract is re-deposited to the loan issuing account (hereinafter referred to as the "loan issuing account") specified in Article VI of this Contract for the first time. LPR under this Contract shall be determined according to the following Item 2:
1. When the loan is issued under this Contract for the first time, LPR refers to the quoted one-year loan market interest rate (1Y LPR) of the National Interbank Funding Center one working day before the effective date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted one-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
 2. When the loan is issued under this Contract for the first time, LPR refers to the quoted one-year loan market interest rate (1Y LPR) of the National Interbank Funding Center one working day before the value date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted one-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
 3. When the loan is issued under this Contract for the first time, LPR refers to the quoted over five-year loan market interest rate (5Y LPR) of the National Interbank Funding Center one working day before the effective date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted over five-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.

4. When the loan is issued under this Contract for the first time, LPR refers to the quoted over five-year loan market interest rate (5Y LPR) of the National Interbank Funding Center one working day before the value date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted over five-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
- IV. The loan interest shall be calculated from the date when the loan is re-deposited to the loan issuing account. The loan under this Contract shall bear interest on a daily basis with the daily interest rate = annual interest rate/360. Where Party A fails to pay interest at the interest settlement date as agreed in this Contract, compound interest will be accrued from the next day.
- V. Interest Settlement
 - (I) For the loan with a fixed interest rate, the interest shall be calculated and settled according to the agreed interest rate. For the loan with a floating interest rate, the interest shall be calculated according to the current interest rate determined in each floating period; In case of interest rate fluctuation for multiple times in a single interest settlement period, the interest in each floating period shall be calculated first, and the interest in this interest settlement period shall be calculated by totaling the interest in each floating period at the interest settlement date.
 - (II) The interest of the loan under this Contract shall be settled according to the following 1st method:
 1. The interest shall be settled on a monthly basis, i.e., on the 20th day of each month;
 2. The interest shall be settled on a quarterly basis, i.e., on the 20th day of each quarter;
 3. This column is left blank.

Article V Issuance and Payment of the Loan

I. Preconditions for Issuing the Loan

Unless Party B gives up in whole or in part, it is obligated to issue the loan only if all the following preconditions are continually satisfied:

1. Party A has completed the approval, registration, delivery, insurance and other legal procedures related to the loan under this Contract;
2. In case of any guarantee in this Contract, the guarantee that meets Party B's requirements has come into effect and remains valid;
3. Party A has opened an account for withdrawal and repayment as required by Party B;
4. Party A does not have any breach of contract as agreed in this Contract;
5. Any circumstance specified in this Contract that may endanger the creditor's rights of Party B does not occur;

6. The loan under this Contract is not prohibited or restricted from being issued by any law, regulation, rule or competent department;
7. Party A's financial indicators continuously meet the requirements of Annex 2 "Financial Indicator Constraint Clause";
8. Party A has submitted relevant materials before the issuance of the loan in accordance with this Contract;
9. The materials provided by Party A for Party B are legitimate, true, complete, accurate and effective, and meet other requirements proposed by Party B;
10. Other preconditions:

This column is left blank.

II. Loan Drawdown Plan

Loan drawdown refers to Party B's behavior of issuing the loan funds to the loan issuing account according to Party A's application and the provisions of this Contract.

The loan drawdown plan shall be determined according to the following method (I):

(I) The loan drawdown plan is made as follows:

1. June 4, 2020; Amount: RMB Five Million only;
2. This column is left blank; Amount: this column is left blank;
3. This column is left blank; Amount: this column is left blank;
4. This column is left blank; Amount: this column is left blank;
5. This column is left blank; Amount: this column is left blank;
6. This column is left blank; Amount: this column is left blank.

This column is left blank.

(II) The loan drawdown plan is made as follows:

1. From (this column is left blank) to (this column is left blank);
Amount: this column is left blank;
2. From (this column is left blank) to (this column is left blank);
Amount: this column is left blank;
3. From (this column is left blank) to (this column is left blank);
Amount: this column is left blank;

4. From (this column is left blank) to (this column is left blank);
Amount: this column is left blank;
5. From (this column is left blank) to (this column is left blank);
Amount: this column is left blank;
6. From (this column is left blank) to (this column is left blank);
Amount: this column is left blank.

This column is left blank.

(III) Apply for fund use at any time according to Party A's actual needs.

(IV) This column is left blank

III. Party A shall make use of the loan funds according to the loan drawdown plan as agreed in Paragraph II, and shall not advance, postpone, split or cancel the fund use unless otherwise agreed upon by Party B in writing.

IV. Where Party A uses the loan funds in installments, the maturity date of the loan shall still be determined according to the provisions of Article III of this Contract.

V. Materials to Be Provided by Party A

Both parties choose to apply the provisions of the following item (I) [(I) or (II) optional] on Party A's provision of materials:

(I)

1. As long as the conditions specified in the following (1) are satisfied:

(1) The drawdown amount of a single loan exceeds RMB Five Million and any external payment amount in plan under this drawdown exceeds RMB Five Million;

(2) This column is left blank.

Party A shall provide the following materials for Party B at the latest five working days in advance before the drawdown of a single loan:

(1) Loan re-deposit certificate and payment settlement certificate signed and stamped by Party A;

(2) Trading data (including but not limited to commodity, service and fund contracts and/or invoices and other written or electronic documents that can prove the explicit purpose of the loan funds);

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association, resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

2. Except for the circumstances specified in Item 1 above, or where Party B considers that Party A can pay independently as specified in Paragraph VII of this Article after examining the above materials provided by Party A, Party A shall provide the following materials for Party B at the latest five working days in advance before the drawdown of a single loan:
 - (1) Fund use plan corresponding to the loan to be issued (please refer to Annex 3 for the format of the fund use plan);
 - (2) Loan re-deposit certificate signed and stamped by Party A;

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association , resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

(II)

Regardless of the drawdown amount of a single loan, Party A shall provide the following materials for Party B at the latest (this column is left blank) working days in advance before the drawdown of a single loan:

- (1) Loan re-deposit certificate and payment settlement certificate signed and stamped by Party A;
- (2) Trading data (including but not limited to commodity, service and fund contracts and/or invoices and other written or electronic documents that can prove the explicit purpose of the loan funds);

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association , resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

VI. Entrusted Payment of Party B

1. Applicable circumstances of the entrusted payment of Party B

As long as the single loan complies with the following circumstance_(1), Party B shall be entrusted to pay, i.e., Party A irrevocably entrusts Party B to pay the loan funds to Party A's trading partner. Party A shall not pay the above-mentioned loan funds to its trading partner or any other third party by itself.

- (1) The drawdown amount of a single loan exceeds RMB Five Million and any external payment amount in plan under this drawdown exceeds RMB Five Million. Besides, Party B considers that it complies with the characteristic that the payment object is clear after examining the materials provided by Party A;

- (2) In spite of the drawdown amount of a single loan, Party B shall be entrusted to pay;
- (3) This column is left blank.
2. Under the circumstance of entrusted payment of Party B, Party B shall re-deposit the loan funds to the loan issuing account, and then directly pay the loan funds to the account of Party A's trading partner from the loan issuing account. Party A shall not dispose of the loan funds in any form (including but not limited to transfer and withdrawal).
3. Party B shall conduct formal examination on the payment amount, payment time, payment object, payment method and handling account according to the materials provided by Party A. Party B shall pay the loan funds to Party A's trading partner after completing formal examination on the above-mentioned payment elements and finding that they meet its requirements. Once the loan funds enter the account of the trading partner provided by Party A, Party B shall be deemed to have fulfilled the obligation of entrusted payment. Party A shall inquire whether the payment is made successfully within one working day after the payment date, and notify Party B immediately if it fails. Party A shall ensure that its trading partner is consistent with the specific use of the loan and trading data.
4. Party B's formal examination on the aforementioned payment elements does not mean that Party B confirms the authenticity, legitimacy and compliance of the trading, nor does it mean that Party B intervenes in any dispute between Party A and its trading partner or any other third party or needs to bear any liability and obligation of Party A. Party A shall compensate Party B for all its losses arising from the entrusted payment.
5. Where the loan funds are not paid to the account of Party A's trading partner successfully or timely because the materials provided by Party A are incomplete, untrue, inaccurate or inconsistent with the specific use of the loan, or conflict in the information, or due to any other reason not liable by Party B, the following provisions shall apply:
- (1) All the consequences arising therefrom, including but not limited to all the losses caused by the failure to pay the loan funds to the accounts of Party A's trading partners successfully or timely, shall be borne by Party A. Party B shall not bear any liability, and Party A shall compensate Party B for all its losses arising therefrom;
- (2) Party A shall not dispose of this part of loan funds in any form (including but not limited to transfer and withdrawal);
- (3) Party A shall fulfill its obligations of providing and correcting the materials again according to Party B's requirements within five working days;
This column is left blank.

Where Party A violates any of the above provisions, Party B shall be entitled to recover this part of loan funds in advance.

6. All risks, liabilities and losses of the failure, error and delay in payment of loan funds not caused by Party B's fault shall be borne by Party A, and Party B shall not bear any liability. All losses of Party B arising therefrom shall be compensated by Party A.

VII. Independent Payment of Party A

If the drawdown of a single loan does not comply with the circumstances of entrusted payment of Party B as specified in Item 1 of Paragraph VI of this Article, Party A shall pay independently, i.e., after Party B issues the loan funds to the loan issuing account according to Party A's withdrawal application, Party A shall pay to its trading partner independently. Party A shall ensure that its trading partner is consistent with the specific use of the loan and trading data.

- VIII. Regardless of whether Party B is entrusted to pay or Party A pays independently, once the loan funds enter the loan issuing account, Party B shall be deemed to have fulfilled its obligation of issuing the loan. Party A shall ensure that the loan issuing account is in a normal state (including but not limited to not being frozen by the competent authority, etc.). All risks, liabilities and losses caused by the freezing and deduction of loan funds by competent authority, etc. after they enter the loan issuing account shall be borne by Party A. All losses of Party B arising therefrom shall be compensated by Party A.

IX. Change of Payment Method

Under any of the following circumstances, Party B shall have the right to change the payment method of loan funds, including but not limited to adjusting the applicable circumstances of entrusted payment (for example, adjusting the amount standard for entrusted payment), changing the payment method of a single loan, etc.:

1. Party A has any breach of contract as agreed in this Contract;
2. Any circumstance specified in this Contract that may endanger the creditor's rights of Party B occurs;
3. Other circumstances in which Party B considers it necessary to change the payment method of loan funds.

Where Party B changes the payment method, Party A shall fulfill its obligations of submitting related materials again, etc. according to the provisions of this Contract and Party B's requirements.

Article VI Use and Supervision of Account

I. Loan Issuing Account

The loan issuing account under this Contract shall be determined according to the following 2nd method:

1. Within (this column is left blank) working days from the effective date of this Contract and before the loan is issued for the first time, Party A shall open a special loan issuing account at Party B, which shall be specially used for the issuance and payment of all loan funds under this Contract.
2. Other accounts opened by Party A at Party B (account number: [***]).
- II. Fund Repayment Account
 1. Within three working days from the effective date of this Contract, Party A shall open a fund repayment account at Party B or take the existing account (account number: [***]) opened at Party B as the fund repayment account.
 2. Party A shall regularly summarize and report the inflow and outflow of funds in the fund repayment account to Party B on a quarterly ("monthly" or "quarterly" optional) basis. Party A shall summarize and report the inflow and outflow of funds in the previous cycle to Party B at the latest within the first ten working days of each cycle.
 3. Party B shall be entitled to manage the inflow and outflow of recouped funds in this account. Specifically, the fund repayment account shall meet the requirements as specified in the following Item (10):
 - (1) Average stock of funds in the account:
This column is left blank.
 - (2) In-place time of recouped funds:
This column is left blank.
 - (3) The proportion of Party A's overall sales funds entering the account:
This column is left blank.
 - (4) Limit for a single sum of external payment of funds in the account:
This column is left blank.
 - (5) Limit for a daily sum of external payment of funds in the account:
This column is left blank.
 - (6) Restrictions on signing online banking for this account:
This column is left blank.
 - (7) External payment of the funds in the account shall be approved by Party B;
 - (8) This account shall be used exclusively for the collection and repayment of loans under this Contract, and shall not be used for any other purpose;

- (9) This column is left blank.
- (10) Other requirements proposed by Party B;
- (11) It shall be implemented in accordance with relevant provisions of the Account Management Agreement entered between both parties separately.

Article VII Repayment

I. Repayment Principles

Party A's repayment under this Contract shall be made according to the following principles:

Party B shall have the right to use Party A's repayment to first pay off various expenses that should be borne by Party A as agreed in this Contract, but paid in advance by Party B, as well as the expenses for Party B to realize its creditor's rights. The rest of the funds shall be used for repayment on the principle of paying interest first and then repaying principal with the interest settled together with the principal. However, for the loan whose principal has been overdue for more than ninety days, the loan whose interest has been overdue for more than ninety days, or the loan otherwise stipulated by applicable laws, regulations or rules, Party A shall repay the principal first and then pay the interest after paying off the aforesaid expenses.

II. Payment of Interest

Party A shall pay the interest due to Party B on the interest settlement date. The first interest payment date shall be the first interest settlement date after the loan is issued. In the last repayment, the interest will be paid off together with the principal.

III. Principal Repayment Plan

The principal repayment plan shall be determined according to the following method (I):

(I) The principal repayment plan is made as follows:

1. June 3, 2021; Amount: RMB Five Million only.
2. This column is left blank; Amount: this column is left blank;
3. This column is left blank; Amount: this column is left blank;
4. This column is left blank; Amount: this column is left blank;
5. This column is left blank; Amount: this column is left blank;
6. This column is left blank; Amount: this column is left blank.
7. This column is left blank.

(II) This column is left blank

IV. Repayment Method

Party A shall reserve enough funds payable in the current period in the fund repayment account or other accounts opened at Party B before the repayment date specified in this Contract, and transfer the funds for repayment by itself (Party B also has the right to transfer the funds from this account for repayment), or transfer the funds from other accounts for repayment on the repayment date as specified in this Contract.

V. Advance Repayment

Where Party A repays the principal in advance, it shall submit a written application to Party B ten working days in advance, and may repay part or all of the principal in advance with the consent of Party B.

Where Party A repays the principal in advance, the interest shall be calculated according to the actual fund use days and the loan interest rate specified in this Contract.

If Party B agrees with Party A's advance repayment of principal, it shall have the right to claim compensation from Party A, and the amount of compensation shall be determined according to the 1st standard below:

1. The amount of compensation = amount of advance repayment x the number of months advanced for repayment x 1%; if it is less than one month, it shall be calculated as one month;
2. This column is left blank.

Where Party A repays the loan in installments, if it repays part of the loan principal in advance, it shall make repayment in the reverse order as specified the repayment plan. After advance repayment, the outstanding loan funds shall still bear interest according to the loan interest rate as specified in this Contract.

Article VIII Rights and Obligations of Party A

I. Rights of Party A

- (I) Have the right to require Party B to issue the loan as specified in the contract;
- (II) Have the right to use the loan for the intended use as specified in this Contract;
- (III) Have the right to apply to Party B for loan extension under the conditions as stipulated by Party B;
- (IV) It's entitled to require Party B to keep confidential the relevant financial materials and business secrets in production and operation provided by Party A, unless otherwise stipulated by relevant laws, regulations and rules, or otherwise required by competent authorities or otherwise agreed by both parties;
- (V) Have the right to refuse the request of Party B and its staff for bribes, and report the above-mentioned behavior or Party B's violation against relevant national laws and regulations on credit interest rate, service charge, etc. to relevant departments.

II. Obligations of Party A

- (I) Withdraw funds and pay off the loan principal and interest in full as specified in this Contract, and bear various expenses as specified in this Contract;
- (II) Provide various materials such as financial accounting materials, materials of production and operation status, etc. as required by Party B, including but not limited to providing Party B with the Balance Sheet as of the end of the last quarter and the Income Statement (Statement of Revenues and Expenditures for public institutions) as of the end of the last quarter within the first ten working days of the first month of each quarter, and timely provide the Cash Flow Statement of the current year at the end of each year, and ensure that all materials provided are legitimate, true, complete, accurate and effective. It's forbidden to provide false materials or conceal important operation and financial facts;
- (III) Where Party A suffers from any major unfavorable event which affects its solvency or any other circumstance that endangers the creditor's rights of Party B, or makes any change in industrial and commercial registration items such as the name, legal representative (person-in-charge), domicile, business scope, registered capital or Articles of Association of the company (enterprise), etc., it shall notify Party B in writing within 3 working days after the occurrence, and attach relevant materials after the change;
- (IV) Party A shall apply the loan to the intended use as specified in this Contract, and shall not misuse or misappropriate it or engage in any trading that violates relevant laws or regulations with the bank loan, or use the loan for investment in fixed assets, equity, etc. or in the production and operation fields and purposes prohibited by the state, or use it to offset the liabilities arising from Party A's investment in fixed assets, equity, etc.; Party A shall cooperate with and accept Party B's inspection and supervision on its production, operation and financial activities, and the use and payment of the loan under this Contract, and also cooperate with and accept Party B's relevant requirements for post-loan management; Party A shall not withdraw funds, transfer assets or use connected transactions to avoid the debt to Party B; Party A shall not realize bank discount or pledge, or take bank funds or credit by false contracts with related parties, and notes receivable, accounts receivable and other creditor's rights without actual trading background; Party A shall pay loan funds according to the provisions of this Contract, and shall not evade entrusted payment of Party B by breaking up the whole into parts;
- (V) Where Party A uses the loan under this Contract for manufacturing, it shall abide by relevant national regulations on environmental protection;
- (VI) Before paying off the loan principal and interest to Party B, Party A shall not use the assets formed by the loan under this Contract to provide guarantee for any third party without the consent of Party B;
- (VII) If Party A is a group client, it shall promptly report the connected transactions valuing more than 10% of its net assets to Party B, including:
(1) The association relationship of transaction parties; (2) Transaction items and nature of the transaction; (3) Amount of the transaction or the corresponding proportion; (4) Pricing policy (including transactions with no amount or with only symbolic amount);

- (VIII) Party A shall get Party B's written consent before executing major events such as merger, separation, equity transfer, foreign investment, substantial increase of debt financing, etc. However, Party B's written consent will not affect its right to take remedial measures as specified in this Contract when it thinks that the above-mentioned behaviors may endanger the security of its creditor's rights in the future;
- (IX) Where Party A pays independently, it shall summarize and report the use and payment of the loan to Party B on a monthly basis. Party A shall summarize and report the use and payment of the loan in the previous month to Party B at the latest within ten working days at the beginning of each month, and submit the actual payment list until the loan payment is completed. Please refer to Annex 4 for the format of summary report.

Article IX Rights and Obligations of Party B

- I. Party B shall be entitled to require Party A to repay the loan principal, interest and expenses on schedule, manage and control the payment of loan funds, dynamically monitor the overall cash flow of Party A, recover the loan in advance according to the Party A's recouping of funds, exercise other rights as specified in this Contract, and require Party A to fulfill other obligations under this Contract;
- II. Party B shall have the right to participate in Party A's large-scale financing (i.e., financing with the total amount exceeding RMB Eighty Million or equivalent amount in foreign currency), asset sale, merger, separation, shareholding reform, bankruptcy liquidation and other activities to safeguard its creditor's rights. Party B shall participate in the aforementioned activities in the following 1st method:
1. Party A shall get the written consent of Party B when carrying out the above-mentioned activities;
 2. Party B shall arrange the large-scale financing of Party A;
 3. The asset sales price and object of Party A shall comply with the following provisions:
This column is left blank.
 4. This column is left blank.
 5. Other methods that Party B thinks should be adopted.
- III. Issue the loan according to the provisions of this Contract, except for the delay or failure caused by Party A's reasons or other reasons not attributable to Party B;
- IV. Keep confidential the relevant financial materials and business secrets in production and operation provided by Party A, unless otherwise stipulated by relevant laws, regulations and rules, or otherwise required by competent authorities or otherwise agreed by both parties;

- V. It's strictly prohibited to offer bribes to Party A and its staff, or ask for or accept bribes from them;
- VI. It's strictly prohibited to act dishonestly or with damage to Party A's legitimate interests.

Article X Liability for Breach of Contract and Remedial Measures for the Circumstances Endangering the Creditor's Rights of Party B

- I. Party B's Breach of Contract and Its Liability for Breach of Contract
 - (I) Where Party B fails to issue the loan as specified in this Contract without justified reasons, Party A may require Party B to continue to issue the loan according to this Contract;
 - (II) Where Party B violates any prohibitive stipulation of national laws and regulations to collect interest or expenses that should not be collected from Party A, Party A shall have the right to request Party B to refund.
- II. Party A's Breach of Contract
 - (I) Party A violates any provision of this Contract or any legal obligation;
 - (II) Party A expressly or by its behavior indicates that it will not perform any obligation under this Contract.
- III. Circumstances that May Endanger the Creditor's Rights of Party B
 - (I) Under any of the following circumstances, Party B considers that the security of its creditor's rights under this Contract may be endangered: Party A is subject to contracting, trusteeship (takeover), leasing, shareholding reform, decrease of registered capital, investment, joint operation, merger, consolidation, acquisition and reorganization, separation, joint venture, equity transfer or substantial increase of debt financing, or applies (is applied) for suspension of business for internal rectification, applies for dissolution, is revoked, applies (is applied) for bankruptcy, changes its controlling shareholder/ actual controller or is subject to major asset transfer, stops production, goes out of business, is severely fined by competent authorities, is subject to cancellation registration or revocation of business license, involves major legal disputes, is extremely difficult in production and operation or deteriorates in its financial position or in its credit status, or its legal representative or person-in-charge cannot perform his duties normally;
 - (II) Under any of the following circumstances, Party B considers that the security of its creditor's rights under this Contract may be endangered: Party A fails to fulfill its obligation of repaying other debts due (including debts due to the institutions at all levels of China Construction Bank or to other third parties), transfers its property at a low price without compensation, reduces or relieves the debts of any third party, is lazy to exercise its creditor's rights or other rights, or provides guarantee for any third party; Party A fails to continuously meet the requirements of Annex 2 "Financial Indicator Constraint Clause" in its financial indicators; The funds in any account of Party A (including but not limited to fund repayment account and other accounts monitored by Party B) fluctuate abnormally; Party A has any major cross default event; The main business of Party A does not have strong profitability; The loan funds are used abnormally;

- (III) Party A's shareholders abuse the independent status of the company as a legal person or shareholders' limited liability to evade debts, and Party B thinks that it may endanger the security of its creditor's rights under this Contract;
- (IV) Any precondition for issuing the loan as specified in this Contract is not continuously satisfied;
- (V) Under any of the following circumstances for the guarantor, Party B considers that the security of its creditor's rights under this Contract may be endangered:
1. Violate any provision of the guarantee contract or there is any falsehood, error or omission in the representations and warranties;
 2. If it occurs contracting, trusteeship (takeover), leasing, shareholding reform, decrease of registered capital, investment, joint operation, merger, consolidation, acquisition and reorganization, separation, joint venture, equity transfer or substantial increase of debt financing, or applies (is applied) for suspension of business for internal rectification, applies for dissolution, is revoked, applies (is applied) for bankruptcy, changes its controlling shareholder/actual controller or is subject to major asset transfer, assigns property at a low price or without reward, reduce and cancel debts of the third party, is slack to exercise the creditor's right or other rights, stops production, goes out of business, is severely fined by competent authorities, is subject to cancellation registration or revocation of business license, involves major legal disputes, is extremely difficult in production and operation or deteriorates in its financial position or in its credit status, or its legal representative or person-in-charge cannot perform his duties normally, the ability to guarantee of the guarantor may be effected;
 3. Other circumstances in which it loses or may lose the ability to guarantee;
- (VI) Under any of the following circumstances in mortgage and pledge, which Party B thinks may endanger the security of its creditor's rights under this Contract:
1. The mortgaged or pledged property is damaged, lost or devalued due to the behaviors of any third party, national expropriation, confiscation, requisition, unpaid recovery, demolition, market changes or any other reason;
 2. The mortgaged or pledged property is sealed up, detained, frozen, deducted, retained, auctioned, or supervised by administrative organs, or involves in any dispute over its ownership;
 3. The mortgagor or pledgor violates any provision of the mortgage or pledge contract, or there is any falsehood, error or omission in the representations and warranties;

4. Other circumstances that may endanger the realization of Party B's mortgage or pledge right;

(VII) The guarantee is ungrounded, does not take effect, or is invalid, revoked or relieved, the guarantor breaches the contract or explicitly indicates or shows by his behavior that he will not perform his guarantee responsibility, or the guarantor partially or completely loses the guarantee ability, or the guaranty is devalued, etc., and Party B thinks that it may endanger the security of its creditor's rights under this Contract; Or

(VIII) Other circumstances that Party B thinks may endanger the security of its creditor's rights under this Contract.

IV. Remedial Measures of Party B

Under any of the circumstances as specified in Paragraph II or III of this Article, Party B shall have the right to exercise one or more of the following rights:

(I) Stop issuing the loan;

(II) Supplement the conditions for the issuance and payment of loan;

(III) Change the loan payment method according to the provisions of this Contract;

(IV) Declare that the loan is due immediately, and require Party A to immediately repay the principal, interest and expenses of all debts due and undue under this Contract;

(V) If Party A fails to withdraw the loan as specified in the contract, Party B shall have the right to require Party A to pay liquidated damages equivalent to 5% of the amount not withdrawn as agreed, and be entitled to refuse Party A to withdraw the funds that have not been withdrawn under this Contract;

(VI) If Party A fails to use the loan according to the intended use as specified in this Contract, interest and compound interest will be charged for the part appropriated by Party A according to the default interest rate and interest settlement method as specified in this Contract from the date when Party A fails to use the loan as agreed in this Contract to the date when the principal and interest are fully paid off;

(VII) If the loan is overdue, interest and compound interest will be charged for the loan principal and interest that Party A fails to pay off on time (including the loan principal and interest declared by Party B to be due in advance in whole or in part) according to the default interest rate and interest settlement method as agreed in this Contract from the date when the loan becomes overdue to the date when the principal and interest are fully paid off. Overdue loan refers to the behavior that Party A fails to pay off the loan on schedule or repay the loan beyond the period in the plan of principal repayment in installments as specified in this Contract.

Before the loan is due, compound interest will be charged for the interest that Party A fails to pay off on schedule according to the loan interest rate and interest settlement method as agreed in this Contract;

(VIII) Other remedial measures, including but not limited to:

1. Transfer the corresponding funds in RMB or other currencies from the account opened by Party A in China Construction Bank system without prior notice to Party A;
2. Exercise the guarantee right;
3. Require Party A to provide a new guarantee in line with Party B's requirements for all debts under this Contract;
4. Refuse Party A's disposal of the corresponding amount of deposit in the account (including but not limited to the fund repayment account) opened by Party A in China Construction Bank system;
5. Dissolve this Contract.

Article XI Miscellaneous Clause

I. Bearing of Expenses

The expenses arising from Party A's breach of any provision of this Contract (including but not limited to the legal cost, arbitration fee, property preservation fee, travel expense, execution fee, evaluation fee, auctioneer's fee, notarization fees, delivery fee, announcement fee, attorney fee and other expenses actually incurred by Party B due to Party A's breach of contract) shall be borne by Party A;

For other expenses, both parties agree as follows: Unless otherwise agreed by both parties, Party A shall bear the expenses (if any) for custody, appraisal, notarization, legal service, insurance, etc. related to the loan under this Contract and the expenses that can be borne by the borrower according to the stipulations of applicable laws, regulations and rules. The expenses incurred by Party B for conducting due diligence and mortgaged property evaluation for the loan under this Contract shall be borne by Party B.

II. Use of Party A's Information

Party A agrees that Party B may, from financial credit information basic database and other credit reporting agencies established according to law, inquire, print and keep Party A's credit status, and provide them with Party A's information. Party A also agrees that Party B can reasonably use and disclose Party A's information for business needs.

III. Collection by Announcement

Party B shall be entitled to notify relevant departments or units of Party A's default in loan principal and interest or other breach of contract, and to make an announcement for collection through news media.

IV. Effectiveness of the Evidence Recorded by Party B

Unless there is reliable and definite evidence to the contrary, Party B's internal accounting records related to the principal, interest, expenses, repayment records, etc., the documents and vouchers prepared or retained by Party B in the business process of Party A's withdrawal, repayment and interest payment, and Party B's records and vouchers for loan collection shall all constitute definite evidence to effectively prove the credit relation between Party A and Party B. Party A cannot raise an objection just because the above records, recordation, documents and vouchers are unilaterally prepared or retained by Party B.

V. Reservation of Rights

Party B's rights under this Contract will not affect or exclude any right enjoyed by it according to relevant laws, regulations and other contracts. Any leniency, grace or preference for any breach of contract or delay, or the delay in exercising any right under this Contract shall not be regarded as a waiver of the rights and interests under this Contract or the permission or recognition of any violation against this Contract, nor shall it restrict, prevent or hinder the continued exercise of this right or the exercise of any other right, nor shall it cause Party B to bear any obligation and liability to Party A.

VI. In addition to the debts under this Contract, if Party A has other debts due to Party B, Party B shall have the right to transfer the funds in RMB or other currencies from the account opened by Party A in China Construction Bank system to pay off any debt due first, and Party A agrees not to raise any objection.

VII. In case of any change in Party A's correspondence address or contact information, it shall immediately notify Party B in writing, otherwise, it shall bear any loss caused by the failure to notify in time.

VIII. Transfer of Payables

For all payables of Party A under this Contract, Party B shall have the right to transfer the corresponding amount in RMB or other currencies from the account opened by Party A in China Construction Bank system without prior notice to Party A. If it is required to go through the exchange settlement and sales, or foreign exchange trading formalities, Party A shall be obligated to assist Party B, and the foreign exchange risk shall be borne by Party A.

IX. Dispute Resolution

Any dispute arising from the performance of this Contract can be settled through negotiation. If the negotiation fails, it shall be settled by the following 1st method:

1. Bring a lawsuit to the people's court in the place where Party B is located.
2. Submit it to (this column is left blank) Arbitration Commission (the place of arbitration is (this column is left blank)) for arbitration according to the currently effective arbitration rules of the Commission. The arbitration award is final and binding on both parties.

During the litigation or arbitration, the clauses of this Contract that do not involve in the dispute shall still be performed.

X. Entry-into-force Conditions of the Contract

This Contract shall come into force after being signed by the legal representative (person-in-charge) or authorized agent of Party A and the person-in-charge or authorized agent of Party B, and affixed with official seals of both parties.

As an integral part of this Contract, the annexes hereunder shall have the same legal effect as this Contract.

XI. This Contract is made in triplicate.

XII. Other Matters Agreed

(I) Relevant Provisions on Value-added Tax

1. The price and additional charges under this Contract are tax-included prices including VAT, unless otherwise agreed by the parties.

2. Invoice

2.1 Party B shall issue invoices according to the following Item (this column is left blank):

(1) If Party A puts forward the demand for invoicing, Party B shall issue the VAT invoice of the current payment amount after receiving the payment from Party A.

(2) Other provisions: This column is left blank.

2.2 Invoicing information provided by Party A

Company name (full name): This column is left blank.

Taxpayer's registration number: This column is left blank.

Bank account: This column is left blank.

Bank of deposit: This column is left blank.

Address: This column is left blank.

Tel.: This column is left blank.

2.3 If the invoice needs to be made invalid or credit note is required, Party A shall provide assistance as required by Party B in a timely manner. If the invoice cannot be made invalid or credit note cannot be issued due to Party A's reasons, Party A shall compensate Party B for all its losses, including but not limited to taxes, additional taxes, fines and late fees.

3. If Party A is an overseas institution in the People's Republic of China, and the price and additional charges under this Contract are subject to tax preferences according to relevant stipulations of applicable laws, regulations and rules or relevant departments, and tax filing is required, Party A shall timely provide Party B with sufficient and accurate tax preference filing materials of VAT as required by Party B to help Party B complete tax filing and other work.

(II) Agreed Service Clause

Party A and Party B agree as follows on the address for service of various notices, agreements and instruments related to this Contract and corresponding legal consequences:

1. Address for service

(1) Party A confirms that its effective address for service is:

Detailed address: 10/F, Building 1, No. 926, Yishan Road, Xuhui District, Shanghai; Zip code: 200233; Tel.: [***]

(2) Party B confirms that its effective address for service is:

No.158, Wangdun Road; Zip code: 215000; Tel.: [***]

2. Scope of application of the address for service

The above addresses for service are applicable to the service of all kinds of notices, agreements and instruments related to this Contract, including but not limited to the service of various notices, agreements and other documents during the performance of the contract, as well as the service of relevant documents and legal instruments in case of any dispute arising from the contract, including the service of relevant documents in the first and second instances, retrial, enforcement procedures and other procedures after the dispute enters into arbitration and civil proceedings.

3. Change in the address for service

- (1) If Party A needs to change its address for service, it shall notify Party B in writing five working days in advance, and the written notice shall be delivered to Party B's address for service;
- (2) If Party B needs to change its address for service, it shall notify Party A by any means, including not limited to in writing, or by mail, short message or announcement, etc.
- (3) If one party changes its address in arbitration or civil action, it shall also perform the obligation of notifying the arbitration institution and the court in writing.
- (4) After one party fulfills its obligation of issuing a change notice according to the above provisions, its changed address shall be the effective address for service, otherwise, the previously confirmed address for service shall still be the effective address for service.

4. Legal consequences

- (1) If the notices, agreements, legal instruments and other documents are not actually received by either party because the address for service provided or confirmed by it is inaccurate, the notification obligation is not fulfilled as aforesaid in a timely manner after the address for service is changed, or the party or its designated addressee refuses to sign for it, for the service by mail, the date of service shall be the date when the documents are returned; For direct service, the date of service shall be the date on which the addressee notes the situation on the proof of service on the spot.
- (2) The arbitration institution and the court may serve documents to the above-mentioned address for service directly by mail. Even if the parties fail to receive the documents served by the arbitration institution and the court by mail, they shall still be deemed to have been served due to the above provisions.
- (III) The signature of Party A's legal representative (person-in-charge) or authorized agent as specified in the "Entry-into-force Conditions of the Contract" under this Contract may be replaced by a personal seal.

Article XII Statement Clause

- I. Party A clearly knows Party B's business scope and authority.
- II. Party A has read all clauses of this Contract. At the request of Party A, Party B has made corresponding explanations on this Contract. Party A has fully known and understood the meanings and corresponding legal consequences of the clauses of this Contract.
- III. Party A's signing and performance of its obligations under this Contract comply with the stipulations of applicable laws, administrative regulations and rules, and Party A's Articles of Association or internal organization documents, and have been approved by internal competent authorities of the company and/or national competent authorities.
- IV. Party A's production and operation are legal and compliant;
- V. Party A has the sustainable operation ability and legal sources of repayment;
- VI. Party A promises that all loan funds under this Contract are based on the real needs of the specific use of the loan without going beyond its actual needs.
- VII. Party A and its controlling shareholder have good credit status and no major bad records.
- VIII. Party B is entitled to entrust other sub-branches of China Construction Bank to issue the loan under this Contract and to exercise and fulfill its rights and obligations under this Contract, and Party A has no objection to this.

- IX. Party A states that it and its important related parties do not have any behavior or situation that violates the laws, regulations and rules on environmental and social risk management when this Contract is concluded, and promises to strengthen environmental and social risk management of itself and its important related parties after the conclusion of this Contract, to strictly abide by relevant laws, regulations and rules on environmental and social risk management, and to completely eradicate the harm and related risks to the environment and society (including but not limited to environmental and social problems related to energy consumption, pollution, land, health, safety, resettlement of affected residents, ecological protection, energy conservation and emission reduction, climate change, etc.) in construction, production and operation activities. Party A agrees that Party B has the right to conduct supervision on Party A's environmental and social risk management and request Party A to submit an environmental and social risk report. If the above statement made by Party A is false or the above promise is not fulfilled, or Party A may result in environmental and social risks, Party B shall have the right to stop granting credit to Party A (including but not limited to refusing to issue the loan, provide financing, open the letter of guarantee, letter of credit or bank acceptance, etc.), or declare that the principal and interest under the creditor's rights (including but not limited to the loan, financing, advances that have occurred or may occur, etc.) are due in advance, or take other remedial measures specified in this Contract or permitted by law.

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Annex 1:

Basic Information of the Loan

1. Specific use of the loan under this Contract

(1) Pay for goods;

(2) Others

Without written consent of Party B, Party A shall not change the specific use of the loan.

2. Source of repayment of the loan under this Contract:

Production and operating revenues of Party A and financing.

Party A shall ensure that the source of repayment is true and legitimate, and the cash flow for repayment is stable and sufficient.

3. Other:

The remainder of this page is intentionally left blank.

Annex 2:

Financial Indicator Constraint Clause

The financial indicators of Party A shall continuously comply with the following restrictions:

1. The asset-liability ratio shall not exceed 85%;
2. The current ratio shall not be smaller than 0.8.

Party B shall have the right to modify the above restrictions with a notice to Party A seven working days in advance.

Annex 3

Fund Use Plan

Contract No.				
Withdrawal date June 4, 2020				
No.	Planned use	Expected payment amount	Expected payment object (if any)	Remark
1	Pay for goods	RMB 3 million	Shanghai Lebing Biotechnologies Co., Ltd.	
2	Pay for goods	RMB 2 million	Hunan ER-KANG Pharmaceutical Co., Ltd.	
••				
••				
Total	RMB 5 million (in words: RMB Five Million Only)			

Name of the Borrower (Seal):

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.

Annex 4:

Summary of Independent Payment

Contract No.

Submission date

No.	Actual use	Payment object	Amount	Supporting document	Planned matter or not
1					
2					
... ..					
Total	RMB____0,000 (in words:)				

Name of the Borrower (Seal):

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.



Working Capital (in RMB) Loan Contract

Contract No.: HTZ322988800LDZJ202000116

Borrower (Party A): Suzhou Gracell Biotechnologies Co., Ltd.

Domicile: Building 12, Block B, Biomedical Industrial Park Phase II, No. 218, Sangtian Street, Suzhou Industrial Park

Zip code: 215000

Legal representative (person-in-charge): Cao Wei

Fax: This column is left blank.

Tel.: [***]

Lender (Party B): Suzhou Industrial Park Sub-branch of China Construction Bank Corporation

Domicile: Room 104, 1/F and Room 802, 8/F, Building 1, Real Estate Plaza, No.158, Wangdun Road, Suzhou Industrial Park

Zip code: 215021

Person-in-charge: Wan Haimin

Fax: 0512-62781092

Tel.: [***]

In view of the need of paying for goods, Party A applies for a loan from Party B, and Party B agrees to issue a loan to Party A. This Contract has been entered into by and between both parties through negotiation and in accordance with relevant laws, regulations and rules for mutual compliance.

Article I Loan Amount

Party A will borrow RMB (in words) Five Million only from Party B.

Article II Intended Use of the Loan and Source of Repayment

Party A shall use the loan as the working fund for daily production and operation.

Please refer to Annex 1 “Basic Information of the Loan” for the specific use and source of repayment of the loan under this Contract.

Article III Loan Term

The loan term specified in this Contract shall be 12 months, i.e., from July 16, 2020 to July 15, 2021.

In case of any inconsistency between the starting date of the loan term under this Contract and the loan re-deposit certificate (receipt for loan, the same below), the actual loan issuing date specified in the loan re-deposit certificate for initial loan issuance shall prevail, and the maturity date of the loan as agreed in Paragraph I of this Article shall be adjusted accordingly.

The loan re-deposit certificate is an integral part of this Contract, which shall have the same legal effect as this Contract.

Article IV Loan Interest Rate, Default Interest Rate, Interest Accrual and Interest Settlement

I. Loan Interest Rate

The loan interest rate under this Contract shall be annual interest rate, as specified in the following (I):

- (I) Fixed interest rate, i.e., LPR \pm (“+” or “-” optional) 20 basis points (1 basis point = 0.01%, accurate to (0.01 basis point), which will remain unchanged during the loan term;

- (II) Floating interest rate, i.e., LPR (this column is left blank) (“+” or “-” optional) (this column is left blank) basis point (1 basis point = 0.01%, accurate to 0.01 basis point) in this column, which shall be adjusted every (this column is left blank) month according to the LPR one working day before the adjustment date of interest rate and the above-mentioned +/- basis points from the value date to the date when the principal and interest under this Contract are fully paid off. Adjustment date of interest rate shall be the corresponding date of the value date in the adjustment month. In case of no corresponding date of the value date in the current month, the last day of the current month shall be the adjustment date of interest rate;
- (III) This column is left blank.
- II. Default Interest Rate
- (I) Where Party A fails to use the loan for the intended use as specified in the contract, the default interest rate shall be 100% higher than the loan interest rate. If the loan interest rate is adjusted according to Item (II) of Paragraph I of this Article, the default interest rate shall be adjusted correspondingly according to the adjusted loan interest rate and the floating rate as mentioned herein.
- (II) The default interest rate of the overdue loan under this Contract shall be 50% higher than the loan interest rate. If the loan interest rate is adjusted according to Item (II) of Paragraph I of this Article, the default interest rate shall be adjusted correspondingly according to the adjusted loan interest rate and the floating rate as mentioned herein.
- (III) For the loan that are overdue and misappropriated simultaneously, both the default interest and compound interest shall be charged.
- III. The value date mentioned in this Article refers to the date when the loan under this Contract is re-deposited to the loan issuing account (hereinafter referred to as the “loan issuing account”) specified in Article VI of this Contract for the first time. LPR under this Contract shall be determined according to the following Item 2:
1. When the loan is issued under this Contract for the first time, LPR refers to the quoted one-year loan market interest rate (1Y LPR) of the National Interbank Funding Center one working day before the effective date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted one-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
 2. When the loan is issued under this Contract for the first time, LPR refers to the quoted one-year loan market interest rate (1Y LPR) of the National Interbank Funding Center one working day before the value date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted one-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.

3. When the loan is issued under this Contract for the first time, LPR refers to the quoted over five-year loan market interest rate (5Y LPR) of the National Interbank Funding Center one working day before the effective date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted over five-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
4. When the loan is issued under this Contract for the first time, LPR refers to the quoted over five-year loan market interest rate (5Y LPR) of the National Interbank Funding Center one working day before the value date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted over five-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
- IV. The loan interest shall be calculated from the date when the loan is re-deposited to the loan issuing account. The loan under this Contract shall bear interest on a daily basis with the daily interest rate = annual interest rate/360. Where Party A fails to pay interest at the interest settlement date as agreed in this Contract, compound interest will be accrued from the next day.
- V. Interest Settlement
 - (I) For the loan with a fixed interest rate, the interest shall be calculated and settled according to the agreed interest rate. For the loan with a floating interest rate, the interest shall be calculated according to the current interest rate determined in each floating period; In case of interest rate fluctuation for multiple times in a single interest settlement period, the interest in each floating period shall be calculated first, and the interest in this interest settlement period shall be calculated by totaling the interest in each floating period at the interest settlement date.
 - (II) The interest of the loan under this Contract shall be settled according to the following 1st method:
 1. The interest shall be settled on a monthly basis, i.e., on the 20th day of each month;
 2. The interest shall be settled on a quarterly basis, i.e., on the 20th day of each quarter;
 3. This column is left blank.

Article V Issuance and Payment of the Loan

I. Preconditions for Issuing the Loan

Unless Party B gives up in whole or in part, it is obligated to issue the loan only if all the following preconditions are continually satisfied:

1. Party A has completed the approval, registration, delivery, insurance and other legal procedures related to the loan under this Contract;

2. In case of any guarantee in this Contract, the guarantee that meets Party B's requirements has come into effect and remains valid;
3. Party A has opened an account for withdrawal and repayment as required by Party B;
4. Party A does not have any breach of contract as agreed in this Contract;
5. Any circumstance specified in this Contract that may endanger the creditor's rights of Party B does not occur;
6. The loan under this Contract is not prohibited or restricted from being issued by any law, regulation, rule or competent department;
7. Party A fails to continuously meet the requirements of Annex 2 "Financial Indicator Constraint Clause" in its financial indicators;
8. Party A has submitted relevant materials before the issuance of the loan in accordance with this Contract;
9. The materials provided by Party A for Party B are legitimate, true, complete, accurate and effective, and meet other requirements proposed by Party B;
10. Other preconditions:

This column is left blank.

II. Loan Drawdown Plan

Loan drawdown refers to Party B's behavior of issuing the loan funds to the loan issuing account according to Party A's application and the provisions of this Contract.

The loan drawdown plan shall be determined according to the following method (I):

(I) The loan drawdown plan is made as follows:

1. July 16, 2020; Amount: RMB Five Million only.
2. This column is left blank; Amount: this column is left blank;
3. This column is left blank; Amount: this column is left blank;
4. This column is left blank; Amount: this column is left blank;
5. This column is left blank; Amount: this column is left blank;
6. This column is left blank; Amount: this column is left blank.
This column is left blank.

(II) The loan drawdown plan is made as follows:

1. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank;

2. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank;

3. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank;

4. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank;

5. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank;

6. From (this column is left blank) to (this column is left blank);

Amount: this column is left blank.

This column is left blank.

- (III) Apply for fund use at any time according to Party A's actual needs.

- (IV) This column is left blank.

- III. Party A shall make use of the loan funds according to the loan drawdown plan as agreed in Paragraph II, and shall not advance, postpone, split or cancel the fund use unless otherwise agreed upon by Party B in writing.

- IV. Where Party A uses the loan funds in installments, the maturity date of the loan shall still be determined according to the provisions of Article III of this Contract.

- V. Materials to Be Provided by Party A

Both parties choose to apply the provisions of the following item_(I).[(I) or (II) optional] on Party A's provision of materials:

(I)

1. As long as the conditions specified in the following_(1) are satisfied:

- (1) The drawdown amount of a single loan exceeds RMB Five Million and any external payment amount in plan under this drawdown exceeds RMB Five Million;

- (2) This column is left blank.

Party A shall provide the following materials for Party B at the latest five working days in advance before the drawdown of a single loan:

- (1) Loan re-deposit certificate and payment settlement certificate signed and stamped by Party A;

- (2) Trading data (including but not limited to commodity, service and fund contracts and/or invoices and other written or electronic documents that can prove the explicit purpose of the loan funds);

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association , resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

2. Except for the circumstances specified in Item 1 above, or where Party B considers that Party A can pay independently as specified in Paragraph VII of this Article after examining the above materials provided by Party A, Party A shall provide the following materials for Party B at the latest five working days in advance before the drawdown of a single loan:

- (1) Fund use plan corresponding to the loan to be issued (please refer to Annex 3 for the format of the fund use plan);
(2) Loan re-deposit certificate signed and stamped by Party A;

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association , resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

(II)

Regardless of the drawdown amount of a single loan, Party A shall provide the following materials for Party B at the latest (this column is left blank) working days in advance before the drawdown of a single loan:

- (1) Loan re-deposit certificate and payment settlement certificate signed and stamped by Party A;
(2) Trading data (including but not limited to commodity, service and fund contracts and/or invoices and other written or electronic documents that can prove the explicit purpose of the loan funds);

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association, resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

VI. Entrusted Payment of Party B

1. Applicable circumstances of the entrusted payment of Party B

As long as the single loan complies with the following circumstance (1), Party B shall be entrusted to pay, i.e., Party A irrevocably entrusts Party B to pay the loan funds to Party A's trading partner. Party A shall not pay the above-mentioned loan funds to its trading partner or any other third party by itself.

- (1) The drawdown amount of a single loan exceeds RMB Five Million and any external payment amount in plan under this drawdown exceeds RMB Five Million. Besides, Party B considers that it complies with the characteristic that the payment object is clear after examining the materials provided by Party A;
- (2) In spite of the drawdown amount of a single loan, Party B shall be entrusted to pay;
- (3) This column is left blank.
2. Under the circumstance of entrusted payment of Party B, Party B shall re-deposit the loan funds to the loan issuing account, and then directly pay the loan funds to the account of Party A's trading partner from the loan issuing account. Party A shall not dispose of the loan funds in any form (including but not limited to transfer and withdrawal).
3. Party B shall conduct formal examination on the payment amount, payment time, payment object, payment method and handling account according to the materials provided by Party A. Party B shall pay the loan funds to Party A's trading partner after completing formal examination on the above-mentioned payment elements and finding that they meet its requirements. Once the loan funds enter the account of the trading partner provided by Party A, Party B shall be deemed to have fulfilled the obligation of entrusted payment. Party A shall inquire whether the payment is made successfully within one working day after the payment date, and notify Party B immediately if it fails. Party A shall ensure that its trading partner is consistent with the specific use of the loan and trading data.
4. Party B's formal examination on the aforementioned payment elements does not mean that Party B confirms the authenticity, legitimacy and compliance of the trading, nor does it mean that Party B intervenes in any dispute between Party A and its trading partner or any other third party or needs to bear any liability and obligation of Party A. Party A shall compensate Party B for all its losses arising from the entrusted payment.
5. Where the loan funds are not paid to the account of Party A's trading partner successfully or timely because the materials provided by Party A are incomplete, untrue, inaccurate or inconsistent with the specific use of the loan, or conflict in the information, or due to any other reason not liable by Party B, the following provisions shall apply:

- (1) All the consequences arising therefrom, including but not limited to all the losses caused by the failure to pay the loan funds to the accounts of Party A's trading partners successfully or timely, shall be borne by Party A. Party B shall not bear any liability, and Party A shall compensate Party B for all its losses arising therefrom;
- (2) Party A shall not dispose of this part of loan funds in any form (including but not limited to transfer and withdrawal);
- (3) Party A shall fulfill its obligations of providing and correcting the materials again according to Party B's requirements within five working days;
This column is left blank.

Where Party A violates any of the above provisions, Party B shall be entitled to recover this part of loan funds in advance.

6. All risks, liabilities and losses of the failure, error and delay in payment of loan funds not caused by Party B's fault shall be borne by Party A, and Party B shall not bear any liability. All losses of Party B arising therefrom shall be compensated by Party A.

VII. Independent Payment of Party A

If the drawdown of a single loan does not comply with the circumstances of entrusted payment of Party B as specified in Item 1 of Paragraph VI of this Article, Party A shall pay independently, i.e., after Party B issues the loan funds to the loan issuing account according to Party A's withdrawal application, Party A shall pay to its trading partner independently. Party A shall ensure that its trading partner is consistent with the specific use of the loan and trading data.

VIII. Regardless of whether Party B is entrusted to pay or Party A pays independently, once the loan funds enter the loan issuing account, Party B shall be deemed to have fulfilled its obligation of issuing the loan. Party A shall ensure that the loan issuing account is in a normal state (including but not limited to not being frozen by the competent authority, etc.). All risks, liabilities and losses caused by the freezing and deduction of loan funds by competent authority, etc. after they enter the loan issuing account shall be borne by Party A. All losses of Party B arising therefrom shall be compensated by Party A.

IX. Change of Payment Method

Under any of the following circumstances, Party B shall have the right to change the payment method of loan funds, including but not limited to adjusting the applicable circumstances of entrusted payment (for example, adjusting the amount standard for entrusted payment), changing the payment method of a single loan, etc.:

1. Party A has any breach of contract as agreed in this Contract;
2. Any circumstance specified in this Contract that may endanger the creditor's rights of Party B occurs;

3. Other circumstances in which Party B considers it necessary to change the payment method of loan funds.

Where Party B changes the payment method, Party A shall fulfill its obligations of submitting related materials again, etc. according to the provisions of this Contract and Party B's requirements.

Article VI Use and Supervision of Account

I. Loan Issuing Account

The loan issuing account under this Contract shall be determined according to the following 2nd method:

1. Within (this column is left blank) working days from the effective date of this Contract and before the loan is issued for the first time, Party A shall open a special loan issuing account at Party B, which shall be specially used for the issuance and payment of all loan funds under this Contract.
2. Other accounts opened by Party A at Party B (account number: [***]).

II. Fund Repayment Account

1. Within three working days from the effective date of this Contract, Party A shall open a fund repayment account at Party B or take the existing account (account number: [***]) opened at Party B as the fund repayment account.
2. Party A shall regularly summarize and report the inflow and outflow of funds in the fund repayment account to Party B on a quarterly ("monthly" or "quarterly" optional) basis. Party A shall summarize and report the inflow and outflow of funds in the previous cycle to Party B at the latest within the first ten working days of each cycle.
3. Party B shall be entitled to manage the inflow and outflow of recouped funds in this account. Specifically, the fund repayment account shall meet the requirements as specified in the following Item (10):
 - (1) Average stock of funds in the account:
This column is left blank.
 - (2) In-place time of recouped funds:
This column is left blank.
 - (3) The proportion of Party A's overall sales funds entering the account:
This column is left blank.

- (4) Limit for a single sum of external payment of funds in the account:
This column is left blank.
- (5) Limit for a daily sum of external payment of funds in the account:
This column is left blank.
- (6) Restrictions on signing online banking for this account:
This column is left blank.
- (7) External payment of the funds in the account shall be approved by Party B;
- (8) This account shall be used exclusively for the collection and repayment of loans under this Contract, and shall not be used for any other purpose;
- (9) This column is left blank.
- (10) Other requirements proposed by Party B;
- (11) It shall be implemented in accordance with relevant provisions of the Account Management Agreement entered between both parties separately.

Article VII Repayment

I. Repayment Principles

Party A's repayment under this Contract shall be made according to the following principles:

Party B shall have the right to use Party A's repayment to first pay off various expenses that should be borne by Party A as agreed in this Contract, but paid in advance by Party B, as well as the expenses for Party B to realize its creditor's rights. The rest of the funds shall be used for repayment on the principle of paying interest first and then repaying principal with the interest settled together with the principal. However, for the loan whose principal has been overdue for more than ninety days, the loan whose interest has been overdue for more than ninety days, or the loan otherwise stipulated by applicable laws, regulations or rules, Party A shall repay the principal first and then pay the interest after paying off the aforesaid expenses.

II. Payment of Interest

Party A shall pay the interest due to Party B on the interest settlement date. The first interest payment date shall be the first interest settlement date after the loan is issued. In the last repayment, the interest will be paid off together with the principal.

III. Principal Repayment Plan

The principal repayment plan shall be determined according to the following method (I):

- (I) The principal repayment plan is made as follows:

1. July 15, 2021; Amount: RMB Five Million only.
 2. This column is left blank; Amount: this column is left blank;
 3. This column is left blank; Amount: this column is left blank;
 4. This column is left blank; Amount: this column is left blank;
 5. This column is left blank; Amount: this column is left blank;
 6. This column is left blank; Amount: this column is left blank.
 7. This column is left blank.
- (II) This column is left blank.

IV. Repayment Method

Party A shall reserve enough funds payable in the current period in the fund repayment account or other accounts opened at Party B before the repayment date specified in this Contract, and transfer the funds for repayment by itself (Party B also has the right to transfer the funds from this account for payment), or transfer the funds from other accounts for repayment on the repayment date as specified in this Contract.

V. Advance Repayment

Where Party A repays the principal in advance, it shall submit a written application to Party B ten working days in advance, and may repay part or all of the principal in advance with the consent of Party B.

Where Party A repays the principal in advance, the interest shall be calculated according to the actual fund use days and the loan interest rate specified in this Contract.

If Party B agrees with Party A's advance repayment of principal, it shall have the right to claim compensation from Party A, and the amount of compensation shall be determined according to the 1st standard below:

1. The amount of compensation = amount of advance repayment x the number of months advanced for repayment x 1%; if it is less than one month, it shall be calculated as one month;
2. This column is left blank.

Where Party A repays the loan in installments, if it repays part of the loan principal in advance, it shall make repayment in the reverse order as specified the repayment plan. After advance repayment, the outstanding loan funds shall still bear interest according to the loan interest rate as specified in this Contract.

Article VIII Rights and Obligations of Party A

I. Rights of Party A

- (I) Have the right to require Party B to issue the loan as specified in the contract;
- (II) Have the right to use the loan for the intended use as specified in this Contract;
- (III) Have the right to apply to Party B for loan extension under the conditions as stipulated by Party B;
- (IV) It's entitled to require Party B to keep confidential the relevant financial materials and business secrets in production and operation provided by Party A, unless otherwise stipulated by relevant laws, regulations and rules, or otherwise required by competent authorities or otherwise agreed by both parties;
- (V) Have the right to refuse the request of Party B and its staff for bribes, and report the above-mentioned behavior or Party B's violation against relevant national laws and regulations on credit interest rate, service charge, etc. to relevant departments.

II. Obligations of Party A

- (I) Withdraw funds and pay off the loan principal and interest in full as specified in this Contract, and bear various expenses as specified in this Contract;
- (II) Provide various materials such as financial accounting materials, materials of production and operation status, etc. as required by Party B, including but not limited to providing Party B with the Balance Sheet as of the end of the last quarter and the Income Statement (Statement of Revenues and Expenditures for public institutions) as of the end of the last quarter within the first ten working days of the first month of each quarter, and timely provide the Cash Flow Statement of the current year at the end of each year, and ensure that all materials provided are legitimate, true, complete, accurate and effective. It's forbidden to provide false materials or conceal important operation and financial facts;
- (III) Where Party A suffers from any major unfavorable event which affects its solvency or any other circumstance that endangers the creditor's rights of Party B, or makes any change in industrial and commercial registration items such as the name, legal representative (person-in-charge), domicile, business scope, registered capital or Articles of Association of the company (enterprise), etc., it shall notify Party B in writing within 3 working days after the occurrence, and attach relevant materials after the change;
- (IV) Party A shall apply the loan to the intended use as specified in this Contract, and shall not misuse or misappropriate it or engage in any trading that violates relevant laws or regulations with the bank loan, or use the loan for investment in fixed assets, equity, etc. or in the production and operation fields and purposes prohibited by the state, or use it to offset the liabilities arising from Party A's investment in fixed assets, equity, etc.; Party A shall cooperate with and accept Party B's inspection and supervision on its production, operation and financial activities, and the use and payment of the loan under this Contract, and also cooperate with and accept Party B's relevant requirements for post-loan management; Party A shall not withdraw funds, transfer assets or use connected transactions to avoid the debt to Party B; Party A shall not realize bank discount or pledge, or take bank funds or credit by false contracts with related parties, and notes receivable, accounts receivable and other creditor's rights without actual trading background; Party A shall pay loan funds according to the provisions of this Contract, and shall not evade entrusted payment of Party B by breaking up the whole into parts;

- (V) Where Party A uses the loan under this Contract for manufacturing, it shall abide by relevant national regulations on environmental protection;
- (VI) Before paying off the loan principal and interest to Party B, Party A shall not use the assets formed by the loan under this Contract to provide guarantee for any third party without the consent of Party B;
- (VII) If Party A is a group client, it shall promptly report the connected transactions valuing more than 10% of its net assets to Party B, including:
 - (1) The association relationship of transaction parties; (2) Transaction items and nature of the transaction; (3) Amount of the transaction or the corresponding proportion; (4) Pricing policy (including transactions with no amount or with only symbolic amount);
- (VIII) Party A shall get Party B's written consent before executing major events such as merger, separation, equity transfer, foreign investment, substantial increase of debt financing, etc. However, Party B's written consent will not affect its right to take remedial measures as specified in this Contract when it thinks that the above-mentioned behaviors may endanger the security of its creditor's rights in the future;
- (IX) Where Party A pays independently, it shall summarize and report the use and payment of the loan to Party B on a monthly basis. Party A shall summarize and report the use and payment of the loan in the previous month to Party B at the latest within ten working days at the beginning of each month, and submit the actual payment list until the loan payment is completed. Please refer to Annex 4 for the format of summary report.

Article IX Rights and Obligations of Party B

- I. Party B shall be entitled to require Party A to repay the loan principal, interest and expenses on schedule, manage and control the payment of loan funds, dynamically monitor the overall cash flow of Party A, recover the loan in advance according to the Party A's recouping of funds, exercise other rights as specified in this Contract, and require Party A to fulfill other obligations under this Contract;

- II. Party B shall have the right to participate in Party A's large-scale financing (i.e., financing with the total amount exceeding RMB One Hundred Million only or equivalent amount in foreign currency), asset sale, merger, separation, shareholding reform, bankruptcy liquidation and other activities to safeguard its creditor's rights. Party B shall participate in the aforementioned activities in the following 1st method:
1. Party A shall get the written consent of Party B when carrying out the above-mentioned activities;
 2. Party B shall arrange the large-scale financing of Party A;
 3. The asset sales price and object of Party A shall comply with the following provisions:
This column is left blank.
 4. This column is left blank.
 5. Other methods that Party B thinks should be adopted.
- III. Issue the loan according to the provisions of this Contract, except for the delay or failure caused by Party A's reasons or other reasons not attributable to Party B;
- IV. Keep confidential the relevant financial materials and business secrets in production and operation provided by Party A, unless otherwise stipulated by relevant laws, regulations and rules, or otherwise required by competent authorities or otherwise agreed by both parties;
- V. It's strictly prohibited to offer bribes to Party A and its staff, or ask for or accept bribes from them;
- VI. It's strictly prohibited to act dishonestly or with damage to Party A's legitimate interests.

Article X Liability for Breach of Contract and Remedial Measures for the Circumstances Endangering the Creditor's Rights of Party B

- I. Party B's Breach of Contract and Its Liability for Breach of Contract
- (I) Where Party B fails to issue the loan as specified in this Contract without justified reasons, Party A may require Party B to continue to issue the loan according to this Contract;
 - (II) Where Party B violates any prohibitive stipulation of national laws and regulations to collect interest or expenses that should not be collected from Party A, Party A shall have the right to request Party B to refund.

II. Party A's Breach of Contract

- (I) Party A violates any provision of this Contract or any legal obligation;
- (II) Party A expressly or by its behavior indicates that it will not perform any obligation under this Contract.

III. Circumstances that May Endanger the Creditor's Rights of Party B

- (I) Under any of the following circumstances, Party B considers that the security of its creditor's rights under this Contract may be endangered: Party A is subject to contracting, trusteeship (takeover), leasing, shareholding reform, decrease of registered capital, investment, joint operation, merger, consolidation, acquisition and reorganization, separation, joint venture, equity transfer or substantial increase of debt financing, or applies (is applied) for suspension of business for internal rectification, applies for dissolution, is revoked, applies (is applied) for bankruptcy, changes its controlling shareholder/ actual controller or is subject to major asset transfer, stops production, goes out of business, is severely fined by competent authorities, is subject to cancellation registration or revocation of business license, involves major legal disputes, is extremely difficult in production and operation or deteriorates in its financial position or in its credit status, or its legal representative or person-in-charge cannot perform his duties normally;
- (II) Under any of the following circumstances, Party B considers that the security of its creditor's rights under this Contract may be endangered: Party A fails to fulfill its obligation of repaying other debts due (including debts due to the institutions at all levels of China Construction Bank or to other third parties), transfers its property at a low price without compensation, reduces or relieves the debts of any third party, is lazy to exercise its creditor's rights or other rights, or provides guarantee for any third party; Party A fails to continuously meet the requirements of Annex 2 "Financial Indicator Constraint Clause" in its financial indicators; The funds in any account of Party A (including but not limited to fund repayment account and other accounts monitored by Party B) fluctuate abnormally; Party A has any major cross default event; The main business of Party A does not have strong profitability; The loan funds are used abnormally;
- (III) Party A's shareholders abuse the independent status of the company as a legal person or shareholders' limited liability to evade debts, and Party B thinks that it may endanger the security of its creditor's rights under this Contract;
- (IV) Any precondition for issuing the loan as specified in this Contract is not continuously satisfied;
- (V) Under any of the following circumstances for the guarantor, Party B considers that the security of its creditor's rights under this Contract may be endangered:
 - 1. Violate any provision of the guarantee contract or there is any falsehood, error or omission in the representations and warranties;

2. If it occurs contracting, trusteeship (takeover), leasing, shareholding reform, decrease of registered capital, investment, joint operation, merger, consolidation, acquisition and reorganization, separation, joint venture, equity transfer or substantial increase of debt financing, or applies (is applied) for suspension of business for internal rectification, applies for dissolution, is revoked, applies (is applied) for bankruptcy, changes its controlling shareholder/actual controller or is subject to major asset transfer, assigns property at a low price or without reward, reduce and cancel debts of the third party, is slack to excise the creditor's right or other rights, stops production, goes out of business, is severely fined by competent authorities, is subject to cancellation registration or revocation of business license, involves major legal disputes, is extremely difficult in production and operation or deteriorates in its financial position or in its credit status, or its legal representative or person-in-charge cannot perform his duties normally, the ability to guarantee of the guarantor may be effected;
 3. Other circumstances in which it loses or may lose the ability to guarantee;
- (VI) Under any of the following circumstances in mortgage and pledge, which Party B thinks may endanger the security of its creditor's rights under this Contract:
1. The mortgaged or pledged property is damaged, lost or devalued due to the behaviors of any third party, national expropriation, confiscation, requisition, unpaid recovery, demolition, market changes or any other reason;
 2. The mortgaged or pledged property is sealed up, detained, frozen, deducted, retained, auctioned, or supervised by administrative organs, or involves in any dispute over its ownership;
 3. The mortgagor or pledgor violates any provision of the mortgage or pledge contract, or there is any falsehood, error or omission in the representations and warranties;
 4. Other circumstances that may endanger the realization of Party B's mortgage or pledge right;
- (VII) The guarantee is ungrounded, does not take effect, or is invalid, revoked or relieved, the guarantor breaches the contract or explicitly indicates or shows by his behavior that he will not perform his guarantee responsibility, or the guarantor partially or completely loses the guarantee ability, or the guaranty is devalued, etc., and Party B thinks that it may endanger the security of its creditor's rights under this Contract; Or
- (VIII) Other circumstances that Party B thinks may endanger the security of its creditor's rights under this Contract.
- IV. Remedial Measures of Party B
- Under any of the circumstances as specified in Paragraph II or III of this Article, Party B shall have the right to exercise one or more of the following rights:

- (I) Stop issuing the loan;
- (II) Supplement the conditions for the issuance and payment of loan;
- (III) Change the loan payment method according to the provisions of this Contract;
- (IV) Declare that the loan is due immediately, and require Party A to immediately repay the principal, interest and expenses of all debts due and undue under this Contract;
- (V) If Party A fails to withdraw the loan as specified in the contract, Party B shall have the right to require Party A to pay liquidated damages equivalent to 5% of the amount not withdrawn as agreed, and be entitled to refuse Party A to withdraw the funds that have not been withdrawn under this Contract;
- (VI) If Party A fails to use the loan according to the intended use as specified in this Contract, interest and compound interest will be charged for the part appropriated by Party A according to the default interest rate and interest settlement method as specified in this Contract from the date when Party A fails to use the loan as agreed in this Contract to the date when the principal and interest are fully paid off;
- (VII) If the loan is overdue, interest and compound interest will be charged for the loan principal and interest that Party A fails to pay off on time (including the loan principal and interest declared by Party B to be due in advance in whole or in part) according to the default interest rate and interest settlement method as agreed in this Contract from the date when the loan becomes overdue to the date when the principal and interest are fully paid off. Overdue loan refers to the behavior that Party A fails to pay off the loan on schedule or repay the loan beyond the period in the plan of principal repayment in installments as specified in this Contract.

Before the loan is due, compound interest will be charged for the interest that Party A fails to pay off on schedule according to the loan interest rate and interest settlement method as agreed in this Contract;
- (VIII) Other remedial measures, including but not limited to:
 - 1. Transfer the corresponding funds in RMB or other currencies from the account opened by Party A in China Construction Bank system without prior notice to Party A;
 - 2. Exercise the guarantee right;
 - 3. Require Party A to provide a new guarantee in line with Party B's requirements for all debts under this Contract;
 - 4. Refuse Party A's disposal of the corresponding amount of deposit in the account (including but not limited to the fund repayment account) opened by Party A in China Construction Bank system;
 - 5. Dissolve this Contract.

Article XI Miscellaneous Clause

I. Bearing of Expenses

The expenses arising from Party A's breach of any provision of this Contract (including but not limited to the legal cost, arbitration fee, property preservation fee, travel expense, execution fee, evaluation fee, auctioneer's fee, notarization fees, delivery fee, announcement fee, attorney fee and other expenses actually incurred by Party B due to Party A's breach of contract) shall be borne by Party A;

For other expenses, both parties agree as follows: Unless otherwise agreed by both parties, Party A shall bear the expenses (if any) for custody, appraisal, notarization, legal service, insurance, etc. related to the loan under this Contract and the expenses that can be borne by the borrower according to the stipulations of applicable laws, regulations and rules. The expenses incurred by Party B for conducting due diligence and mortgaged property evaluation for the loan under this Contract shall be borne by Party B.

II. Use of Party A's Information

Party A agrees that Party B may, from financial credit information basic database and other credit reporting agencies established according to law, inquire, print and keep Party A's credit status, and provide them with Party A's information. Party A also agrees that Party B can reasonably use and disclose Party A's information for business needs.

III. Collection by Announcement

Party B shall be entitled to notify relevant departments or units of Party A's default in loan principal and interest or other breach of contract, and to make an announcement for collection through news media.

IV. Effectiveness of the Evidence Recorded by Party B

Unless there is reliable and definite evidence to the contrary, Party B's internal accounting records related to the principal, interest, expenses, repayment records, etc., the documents and vouchers prepared or retained by Party B in the business process of Party A's withdrawal, repayment and interest payment, and Party B's records and vouchers for loan collection shall all constitute definite evidence to effectively prove the credit relation between Party A and Party B. Party A cannot raise an objection just because the above records, recordation, documents and vouchers are unilaterally prepared or retained by Party B.

V. Reservation of Rights

Party B's rights under this Contract will not affect or exclude any right enjoyed by it according to relevant laws, regulations and other contracts. Any leniency, grace or preference for any breach of contract or delay, or the delay in exercising any right under this Contract shall not be regarded as a waiver of the rights and interests under this Contract or the permission or recognition of any violation against this Contract, nor shall it restrict, prevent or hinder the continued exercise of this right or the exercise of any other right, nor shall it cause Party B to bear any obligation and liability to Party A.

VI. In addition to the debts under this Contract, if Party A has other debts due to Party B, Party B shall have the right to transfer the funds in RMB or other currencies from the account opened by Party A in China Construction Bank system to pay off any debt due first, and Party A agrees not to raise any objection.

VII. In case of any change in Party A's correspondence address or contact information, it shall immediately notify Party B in writing, otherwise, it shall bear any loss caused by the failure to notify in time.

VIII. Transfer of Payables

For all payables of Party A under this Contract, Party B shall have the right to transfer the corresponding amount in RMB or other currencies from the account opened by Party A in China Construction Bank system without prior notice to Party A. If it is required to go through the exchange settlement and sales, or foreign exchange trading formalities, Party A shall be obligated to assist Party B, and the foreign exchange risk shall be borne by Party A.

IX. Dispute Resolution

Any dispute arising from the performance of this Contract can be settled through negotiation. If the negotiation fails, it shall be settled by the following 1st method:

1. Bring a lawsuit to the people's court in the place where Party B is located.
2. Submit it to (this column is left blank) Arbitration Commission (the place of arbitration is (this column is left blank)) for arbitration according to the currently effective arbitration rules of the Commission. The arbitration award is final and binding on both parties.

During the litigation or arbitration, the clauses of this Contract that do not involve in the dispute shall still be performed.

X. Entry-into-force Conditions of the Contract

This Contract shall come into force after being signed by the legal representative (person-in-charge) or authorized agent of Party A and the person-in-charge or authorized agent of Party B, and affixed with official seals of both parties.

As an integral part of this Contract, the annexes hereunder shall have the same legal effect as this Contract.

XI. This Contract is made in triplicate.

XII. Other Matters Agreed

(I) Relevant Provisions on Value-added Tax

1. The price and additional charges under this Contract are tax-included prices including VAT, unless otherwise agreed by the parties.
2. Invoice
 - 2.1 Party B shall issue invoices according to the following Item (this column is left blank):
 - (1) If Party A puts forward the demand for invoicing, Party B shall issue the VAT invoice of the current payment amount after receiving the payment from Party A.
 - (2) Other provisions: This column is left blank.
 - 2.2 Invoicing information provided by Party A
Company name (full name): This column is left blank.
Taxpayer's registration number: This column is left blank.
Bank account: This column is left blank.
Bank of deposit: This column is left blank.
Address: This column is left blank.
Tel.: This column is left blank.
 - 2.3 If the invoice needs to be made invalid or credit note is required, Party A shall provide assistance as required by Party B in a timely manner. If the invoice cannot be made invalid or credit note cannot be issued due to Party A's reasons, Party A shall compensate Party B for all its losses, including but not limited to taxes, additional taxes, fines and late fees.
 3. If Party A is an overseas institution in the People's Republic of China, and the price and additional charges under this Contract are subject to tax preferences according to relevant stipulations of applicable laws, regulations and rules or relevant departments, and tax filing is required, Party A shall timely provide Party B with sufficient and accurate tax preference filing materials of VAT as required by Party B to help Party B complete tax filing and other work.

(II) Agreed Service Clause

Party A and Party B agree as follows on the address for service of various notices, agreements and instruments related to this Contract and corresponding legal consequences:

1. Address for service

- (1) Party A confirms that its effective address for service is:

Detailed address: 10/F, Building 1, No. 926, Yishan Road, Xuhui District, Shanghai; Zip code: 200233; Tel.: [***]

- (2) Party B confirms that its effective address for service is:

Detailed address: No.158, Wangdun Road; Zip code: 215000; Tel.: [***]

2. Scope of application of the address for service

The above addresses for service are applicable to the service of all kinds of notices, agreements and instruments related to this Contract, including but not limited to the service of various notices, agreements and other documents during the performance of the contract, as well as the service of relevant documents and legal instruments in case of any dispute arising from the contract, including the service of relevant documents in the first and second instances, retrial, enforcement procedures and other procedures after the dispute enters into arbitration and civil proceedings.

3. Change in the address for service

- (1) If Party A needs to change its address for service, it shall notify Party B in writing five working days in advance, and the written notice shall be delivered to Party B's address for service;
- (2) If Party B needs to change its address for service, it shall notify Party A by any means, including not limited to in writing, or by mail, short message or announcement, etc.
- (3) If one party changes its address in arbitration or civil action, it shall also perform the obligation of notifying the arbitration institution and the court in writing.
- (4) After one party fulfills its obligation of issuing a change notice according to the above provisions, its changed address shall be the effective address for service, otherwise, the previously confirmed address for service shall still be the effective address for service.
4. Legal consequences
- (1) If the notices, agreements, legal instruments and other documents are not actually received by either party because the address for service provided or confirmed by it is inaccurate, the notification obligation is not fulfilled as aforesaid in a timely manner after the address for service is changed, or the party or its designated addressee refuses to sign for it, for the service by mail, the date of service shall be the date when the documents are returned; For direct service, the date of service shall be the date on which the addressee notes the situation on the proof of service on the spot.

- (2) The arbitration institution and the court may serve documents to the above-mentioned address for service directly by mail. Even if the parties fail to receive the documents served by the arbitration institution and the court by mail, they shall still be deemed to have been served due to the above provisions.
- (III) The signature of Party A's legal representative (person-in-charge) or authorized agent as specified in the "Entry-into-force Conditions of the Contract" under this Contract may be replaced by a personal seal.

Article XII Statement Clause

- I. Party A clearly knows Party B's business scope and authority.
- II. Party A has read all clauses of this Contract. At the request of Party A, Party B has made corresponding explanations on this Contract. Party A has fully known and understood the meanings and corresponding legal consequences of the clauses of this Contract.
- III. Party A's signing and performance of its obligations under this Contract comply with the stipulations of applicable laws, administrative regulations and rules, and Party A's Articles of Association or internal organization documents, and have been approved by internal competent authorities of the company and/or national competent authorities.
- IV. Party A's production and operation are legal and compliant;
- V. Party A has the sustainable operation ability and legal sources of repayment;
- VI. Party A promises that all loan funds under this Contract are based on the real needs of the specific use of the loan without going beyond its actual needs.
- VII. Party A and its controlling shareholder have good credit status and no major bad records.
- VIII. Party B is entitled to entrust other sub-branches of China Construction Bank to issue the loan under this Contract and to exercise and fulfill its rights and obligations under this Contract, and Party A has no objection to this.
- IX. Party A states that it and its important related parties do not have any behavior or situation that violates the laws, regulations and rules on environmental and social risk management when this Contract is concluded, and promises to strengthen environmental and social risk management of itself and its important related parties after the conclusion of this Contract, to strictly abide by relevant laws, regulations and rules on environmental and social risk management, and to completely eradicate the harm and related risks to the environment and society (including but not limited to environmental and social problems related to energy consumption, pollution, land, health, safety, resettlement of affected residents, ecological protection, energy conservation and emission reduction, climate change, etc.) in construction, production and operation activities. security, resettlement, ecological protection, energy conservation, climate change and other related environmental and social issues). Party A agrees that Party B has the right to conduct supervision on Party A's environmental and social risk management and request Party A to submit an environmental and social risk report. If the above statement made by Party A is false or the above promise is not fulfilled, or Party A may result in environmental and social risks, Party B shall have the right to stop granting credit to Party A (including but not limited to refusing to issue the loan, provide financing, open the letter of guarantee, letter of credit or bank acceptance, etc.), or declare that the principal and interest under the creditor's rights (including but not limited to the loan, financing, advances that have occurred or may occur, etc.) are due in advance, or take other remedial measures specified in this Contract or permitted by law.

Party A (Official Seal):

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.

Legal representative (person-in-charge) or authorized agent (Signature): Cao Wei

Party B (Official Seal):

/s/ Suzhou Industrial Park Sub-branch of China Construction Bank Corporation
Suzhou Industrial Park Sub-branch of China Construction Bank Corporation

Annex 1:

Basic Information of the Loan

1. Specific use of the loan under this Contract
- (1) Pay for goods;

(2) Others
- Without written consent of Party B, Party A shall not change the specific use of the loan.
2. Source of repayment of the loan under this Contract:
- Production and operating revenues of Party A and financing.
- Party A shall ensure that the source of repayment is true and legitimate, and the cash flow for repayment is stable and sufficient.
3. Other:
- The remainder of this page is intentionally left blank.
-
-
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Annex 2:

Financial Indicator Constraint Clause

The financial indicators of Party A shall continuously comply with the following restrictions:

- 1. The asset-liability ratio shall not exceed 85%;
- 2. The current ratio shall not be smaller than 0.8.

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Party B shall have the right to modify the above restrictions with a notice to Party A seven working days in advance.

Annex 3

Fund Use Plan

Contract No.					
Withdrawal date		July 16, 2020			
No.	Planned use	Expected payment amount	Expected payment object (if any)		Remarks
1	Pay for goods	RMB 2 million	Shanghai Dianyue Biotechnologies Ltd.		
2	Pay for goods	RMB 3 million	Suzhou Baituo Biotechnologies Ltd.		
...					
...					
Total	RMB 5 million (in words: RMB Five Million only)				

Name of the Borrower (Seal):

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.

Annex 4:

Summary of Independent Payment

Contract No.

Submission date

No.	Actual use	Payment object	Amount	Supporting document	Planned matter or not
1					
2					
...					

Total RMB 0,000 (in words:)
Name of the Borrower (Seal):

/s/Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.



Working Capital (in RMB) Loan Contract

Contract No.: HTZ322988800LDZJ202000182

Borrower (Party A): Suzhou Gracell Biotechnologies Co., Ltd.

Domicile: Building 12, Block B, Biomedical Industrial Park Phase II, No. 218, Sangtian Street, Suzhou Industrial Park

Zip code: 215123

Legal representative (person-in-charge): Cao Wei

Fax: This column is left blank.

Tel.: [***]

Lender (Party B): Suzhou Industrial Park Sub-branch of China Construction Bank Corporation

Domicile: Room 104, 1/F and Room 802, 8/F, Building 1, Real Estate Plaza, No. 158, Wangdun Road, Suzhou Industrial Park

Zip code: 215021

Person-in-charge: Wan Haimin

Fax: 0512-62781092

Tel.: [***]

In view of the need of paying for goods, Party A applies for a loan from Party B, and Party B agrees to issue a loan to Party A. This Contract has been entered into by and between both parties through negotiation and in accordance with relevant laws, regulations and rules for mutual compliance.

Article I Loan Amount

Party A will borrow RMB (in words) Five Million only from Party B.

Article II Intended Use of the Loan and Source of Repayment

Party A shall use the loan as the working fund for daily production and operation.

Please refer to Annex 1 "Basic Information of the Loan" for the specific use and source of repayment of the loan under this Contract.

Article III Loan Term

The loan term specified in this Contract shall be twelve months, i.e., from September 10, 2020 to September 9, 2021.

In case of any inconsistency between the starting date of the loan term under this Contract and the loan re-deposit certificate (receipt for loan, the same below), the actual loan issuing date specified in the loan re-deposit certificate for initial loan issuance shall prevail, and the maturity date of the loan as agreed in Paragraph I of this Article shall be adjusted accordingly.

The loan re-deposit certificate is an integral part of this Contract, which shall have the same legal effect as this Contract.

Article IV Loan Interest Rate, Default Interest Rate, Interest Accrual and Interest Settlement

I. Loan Interest Rate

The loan interest rate under this Contract shall be annual interest rate, as specified in the following (I):

- (I) Fixed interest rate, i.e., LPR + ("+" or "-" optional) 0 basis points (1 basis point = 0.01%, accurate to (0.01 basis point), which will remain unchanged during the loan term;
- (II) Floating interest rate, i.e., LPR (this column is left blank) ("+" or "-" optional) (this column is left blank) basis point (1 basis point = 0.01%, accurate to 0.01 basis point), which shall be adjusted every (this column is left blank) month according to the LPR one working day before the adjustment date of interest rate and the above-mentioned +/- basis points from the value date to the date when the principal and interest under this Contract are fully paid off. Adjustment date of interest rate shall be the corresponding date of the value date in the adjustment month. In case of no corresponding date of the value date in the current month, the last day of the current month shall be the adjustment date of interest rate;

(III) This column is left blank

II. Default Interest Rate

- (I) Where Party A fails to use the loan for the intended use as specified in the contract, the default interest rate shall be 100% higher than the loan interest rate. If the loan interest rate is adjusted according to Item (II) of Paragraph I of this Article, the default interest rate shall be adjusted correspondingly according to the adjusted loan interest rate and the floating rate as mentioned herein.
- (II) The default interest rate of the overdue loan under this Contract shall be 50% higher than the loan interest rate. If the loan interest rate is adjusted according to Item (II) of Paragraph I of this Article, the default interest rate shall be adjusted correspondingly according to the adjusted loan interest rate and the floating rate as mentioned herein.
- (III) For the loan that are overdue and misappropriated simultaneously, both the default interest and compound interest shall be charged.
- III. The value date mentioned in this Article refers to the date when the loan issued for the first time under this Contract is re-deposited to the loan issuing account (hereinafter referred to as the “loan issuing account”) specified in Article VI of this Contract. LPR under this Contract shall be determined according to the following Item 2:
1. When the loan is issued under this Contract for the first time, LPR refers to the quoted one-year loan market interest rate (1Y LPR) of the National Interbank Funding Center one working day before the effective date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted one-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
 2. When the loan is issued under this Contract for the first time, LPR refers to the quoted one-year loan market interest rate (1Y LPR) of the National Interbank Funding Center one working day before the value date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted one-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
 3. When the loan is issued under this Contract for the first time, LPR refers to the quoted over five-year loan market interest rate (5Y LPR) of the National Interbank Funding Center one working day before the effective date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted over five-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.

4. When the loan is issued under this Contract for the first time, LPR refers to the quoted over five-year loan market interest rate (5Y LPR) of the National Interbank Funding Center one working day before the value date of this Contract; Thereafter, when the loan interest rate is adjusted according to the aforementioned provisions, LPR refers to the quoted over five-year loan market interest rate of the National Interbank Funding Center one working day before the adjustment date.
- IV. The loan interest shall be calculated from the date when the loan is re-deposited to the loan issuing account. The loan under this Contract shall bear interest on a daily basis with the daily interest rate = annual interest rate/360. Where Party A fails to pay interest at the interest settlement date as agreed in this Contract, compound interest will be accrued from the next day.
- V. Interest Settlement
 - (I) For the loan with a fixed interest rate, the interest shall be calculated and settled according to the agreed interest rate. For the loan with a floating interest rate, the interest shall be calculated according to the current interest rate determined in each floating period; In case of interest rate fluctuation for multiple times in a single interest settlement period, the interest in each floating period shall be calculated first, and the interest in this interest settlement period shall be calculated by totaling the interest in each floating period at the interest settlement date.
 - (II) The interest of the loan under this Contract shall be settled according to the following 1st method:
 1. The interest shall be settled on a monthly basis, i.e., on the 20th day of each month;
 2. The interest shall be settled on a quarterly basis, i.e., on the 20th day of the last month of each quarter;
 3. This column is left blank.

Article V Issuance and Payment of the Loan

I. Preconditions for Issuing the Loan

Unless Party B gives up in whole or in part, it is obligated to issue the loan only if all the following preconditions are continually satisfied:

1. Party A has completed the approval, registration, delivery, insurance and other legal procedures related to the loan under this Contract;
2. In case of any guarantee in this Contract, the guarantee that meets Party B's requirements has come into effect and remains valid;

3. Party A has opened an account for withdrawal and repayment as required by Party B;
 4. Party A does not have any breach of contract as agreed in this Contract;
 5. Any circumstance specified in this Contract that may endanger the creditor's rights of Party B does not occur;
 6. The loan under this Contract is not prohibited or restricted from being issued by any law, regulation, rule or competent department;
 7. Party A's financial indicators continuously meet the requirements of Annex 2 "Financial Indicator Constraint Clause";
 8. Party A has submitted relevant materials before the issuance of the loan in accordance with this Contract;
 9. The materials provided by Party A for Party B are legitimate, true, complete, accurate and effective, and meet other requirements proposed by Party B;
 10. Other preconditions:
This column is left blank.
- II. Loan Drawdown Plan

Loan drawdown refers to Party B's behavior of issuing the loan funds to the loan issuing account according to Party A's application and the provisions of this Contract.

The loan drawdown plan shall be determined according to the following method_(I):

- (I) The loan drawdown plan is made as follows:
1. September 10, 2020; Amount: RMB Five Million only.
 2. This column is left blank; Amount: this column is left blank;
 3. This column is left blank; Amount: this column is left blank;
 4. This column is left blank; Amount: this column is left blank;
 5. This column is left blank; Amount: this column is left blank;
 6. This column is left blank; Amount: this column is left blank.
This column is left blank.
- (II) The loan drawdown plan is made as follows:
1. From (this column is left blank) to (this column is left blank)
Amount: this column is left blank;
 2. From (this column is left blank) to (this column is left blank)
Amount: this column is left blank;

3. From (this column is left blank) to (this column is left blank)

Amount: this column is left blank;

4. From (this column is left blank) to (this column is left blank)

Amount: this column is left blank;

5. From (this column is left blank) to (this column is left blank)

Amount: this column is left blank;

6. From (this column is left blank) to (this column is left blank)

Amount: this column is left blank.

This column is left blank.

(III) Apply for fund use at any time according to Party A's actual needs.

(IV) This column is left blank

III. Party A shall make use of the loan funds according to the loan drawdown plan as agreed in Paragraph II, and shall not advance, postpone, split or cancel the fund use unless otherwise agreed upon by Party B in writing.

IV. Where Party A uses the loan funds in installments, the maturity date of the loan shall still be determined according to the provisions of Article III of this Contract.

V. Materials to Be Provided by Party A

Both parties choose to apply the provisions of the following item_(I)_[(I) or (II) optional] on Party A's provision of materials:

(I)

1. As long as the conditions specified in the following_(1) are satisfied:

(1) The drawdown amount of a single loan exceeds RMB Five Million and any external payment amount in plan under this drawdown exceeds RMB Five Million;

(2) This column is left blank.

Party A shall provide the following materials for Party B at the latest five working days in advance before the drawdown of a single loan:

(1) Loan re-deposit certificate and payment settlement certificate signed and stamped by Party A;

(2) Trading data (including but not limited to commodity, service and fund contracts and/or invoices and other written or electronic documents that can prove the explicit purpose of the loan funds);

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association, resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

2. Except for the circumstances specified in Item 1 above, or where Party B considers that Party A can pay independently as specified in Paragraph VII of this Article after examining the above materials provided by Party A, Party A shall provide the following materials for Party B at the latest five working days in advance before the drawdown of a single loan:

- (1) Fund use plan corresponding to the loan to be issued (please refer to Annex 3 for the format of the fund use plan);
- (2) Loan re-deposit certificate signed and stamped by Party A;

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association, resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

(II)

Regardless of the drawdown amount of a single loan, Party A shall provide the following materials for Party B at the latest (this column is left blank) working days in advance before the drawdown of a single loan:

- (1) Loan re-deposit certificate and payment settlement certificate signed and stamped by Party A;
- (2) Trading data (including but not limited to commodity, service and fund contracts and/or invoices and other written or electronic documents that can prove the explicit purpose of the loan funds);

This column is left blank.

And other materials that Party B requires Party A to provide (including but not limited to business license, power of attorney, Articles of Association, resolutions of the board of shareholders or the board of directors, etc. of Party A's trading partner).

VI. Entrusted Payment of Party B

1. Applicable circumstances of the entrusted payment of Party B

As long as the single loan complies with the following circumstance (1), Party B shall be entrusted to pay, i.e., Party A irrevocably entrusts Party B to pay the loan funds to Party A's trading partner. Party A shall not pay the above-mentioned loan funds to its trading partner or any other third party by itself.

- (1) The drawdown amount of a single loan exceeds RMB Five Million and any external payment amount in plan under this drawdown exceeds RMB Five Million. Besides, Party B considers that it complies with the characteristic that the payment object is clear after examining the materials provided by Party A;
- (2) In spite of the drawdown amount of a single loan, Party B shall be entrusted to pay;
- (3) This column is left blank.
2. Under the circumstance of entrusted payment of Party B, Party B shall re-deposit the loan funds to the loan issuing account, and then directly pay the loan funds to the account of Party A's trading partner from the loan issuing account. Party A shall not dispose of the loan funds in any form (including but not limited to transfer and withdrawal).
3. Party B shall conduct formal examination on the payment amount, payment time, payment object, payment method and handling account according to the materials provided by Party A. Party B shall pay the loan funds to Party A's trading partner after completing formal examination on the above-mentioned payment elements and finding that they meet its requirements. Once the loan funds enter the account of the trading partner provided by Party A, Party B shall be deemed to have fulfilled the obligation of entrusted payment. Party A shall inquire whether the payment is made successfully within one working day after the payment date, and notify Party B immediately if it fails. Party A shall ensure that its trading partner is consistent with the specific use of the loan and trading data.
4. Party B's formal examination on the aforementioned payment elements does not mean that Party B confirms the authenticity, legitimacy and compliance of the trading, nor does it mean that Party B intervenes in any dispute between Party A and its trading partner or any other third party or needs to bear any liability and obligation of Party A. Party A shall compensate Party B for all its losses arising from the entrusted payment.
5. Where the loan funds are not paid to the account of Party A's trading partner successfully or timely because the materials provided by Party A are incomplete, untrue, inaccurate or inconsistent with the specific use of the loan, or conflict in the information, or due to any other reason not liable by Party B, the following provisions shall apply:
 - (1) All the consequences arising therefrom, including but not limited to all the losses caused by the failure to pay the loan funds to the accounts of Party A's trading partners successfully or timely, shall be borne by Party A. Party B shall not bear any liability, and Party A shall compensate Party B for all its losses arising therefrom;
 - (2) Party A shall not dispose of this part of loan funds in any form (including but not limited to transfer and withdrawal);
 - (3) Party A shall fulfill its obligations of providing and correcting the materials again according to Party B's requirements within five working days;

This column is left blank.

Where Party A violates any of the above provisions, Party B shall be entitled to recover this part of loan funds in advance.

6. All risks, liabilities and losses of the failure, error and delay in payment of loan funds not caused by Party B's fault shall be borne by Party A, and Party B shall not bear any liability. All losses of Party B arising therefrom shall be compensated by Party A.

VII. Independent Payment of Party A

If the drawdown of a single loan does not comply with the circumstances of entrusted payment of Party B as specified in Item 1 of Paragraph VI of this Article, Party A shall pay independently, i.e., after Party B issues the loan funds to the loan issuing account according to Party A's withdrawal application, Party A shall pay to its trading partner independently. Party A shall ensure that its trading partner is consistent with the specific use of the loan and trading data.

- VIII. Regardless of whether Party B is entrusted to pay or Party A pays independently, once the loan funds enter the loan issuing account, Party B shall be deemed to have fulfilled its obligation of issuing the loan. Party A shall ensure that the loan issuing account is in a normal state (including but not limited to not being frozen by the competent authority, etc.). All risks, liabilities and losses caused by the freezing and deduction of loan funds by competent authority, etc. after they enter the loan issuing account shall be borne by Party A. All losses of Party B arising therefrom shall be compensated by Party A.

IX. Change of Payment Method

Under any of the following circumstances, Party B shall have the right to change the payment method of loan funds, including but not limited to adjusting the applicable circumstances of entrusted payment (for example, adjusting the amount standard for entrusted payment), changing the payment method of a single loan, etc.:

1. Party A has any breach of contract as agreed in this Contract;
2. Any circumstance specified in this Contract that may endanger the creditor's rights of Party B occurs;
3. Other circumstances in which Party B considers it necessary to change the payment method of loan funds.

Where Party B changes the payment method, Party A shall fulfill its obligations of submitting related materials again, etc. according to the provisions of this Contract and Party B's requirements.

Article VI Use and Supervision of Account

I. Loan Issuing Account

The loan issuing account under this Contract shall be determined according to the following 2nd method:

1. Within (this column is left blank) working days from the effective date of this Contract and before the loan is issued for the first time, Party A shall open a special loan issuing account at Party B, which shall be specially used for the issuance and payment of all loan funds under this Contract.
2. Other accounts opened by Party A at Party B (account number: [***]).

II. Fund Repayment Account

1. Within three working days from the effective date of this Contract, Party A shall open a fund repayment account at Party B or take the existing account (account number: [***]) opened at Party B as the fund repayment account.
2. Party A shall regularly summarize and report the inflow and outflow of funds in the fund repayment account to Party B on a quarterly ("monthly" or "quarterly" optional) basis. Party A shall summarize and report the inflow and outflow of funds in the previous cycle to Party B at the latest within the first ten working days of each cycle.
3. Party B shall be entitled to manage the inflow and outflow of recouped funds in this account. Specifically, the fund repayment account shall meet the requirements as specified in the following Item (10):
 - (1) Average stock of funds in the account:
This column is left blank.
 - (2) In-place time of recouped funds:
This column is left blank.
 - (3) The proportion of Party A's overall sales funds entering the account:
This column is left blank.
 - (4) Limit for a single sum of external payment of funds in the account:
This column is left blank.
 - (5) Limit for a daily sum of external payment of funds in the account:
This column is left blank.
 - (6) Restrictions on signing online banking for this account:
This column is left blank.
 - (7) External payment of the funds in the account shall be approved by Party B;

- (8) This account shall be used exclusively for the collection and repayment of loans under this Contract, and shall not be used for any other purpose;
- (9) This column is left blank.
- (10) Other requirements proposed by Party B;
- (11) It shall be implemented in accordance with relevant provisions of the Account Management Agreement entered between both parties separately.

Article VII Repayment

I. Repayment Principles

Party A's repayment under this Contract shall be made according to the following principles:

Party B shall have the right to use Party A's repayment to first pay off various expenses that should be borne by Party A as agreed in this Contract, but paid in advance by Party B, as well as the expenses for Party B to realize its creditor's rights. The rest of the funds shall be used for repayment on the principle of paying interest first and then repaying principal with the interest settled together with the principal. However, for the loan whose principal has been overdue for more than ninety days, the loan whose interest has been overdue for more than ninety days, or the loan otherwise stipulated by applicable laws, regulations or rules, Party A shall repay the principal first and then pay the interest after paying off the aforesaid expenses.

II. Payment of Interest

Party A shall pay the interest due to Party B on the interest settlement date. The first interest payment date shall be the first interest settlement date after the loan is issued. In the last repayment, the interest will be paid off together with the principal.

III. Principal Repayment Plan

The principal repayment plan shall be determined according to the following method(I):

- (I) The principal repayment plan is made as follows:
1. September 9, 2021; Amount: RMB Five Million only;
 2. This column is left blank; Amount: this column is left blank;
 3. This column is left blank; Amount: this column is left blank;
 4. This column is left blank; Amount: this column is left blank;
 5. This column is left blank; Amount: this column is left blank;
 6. This column is left blank; Amount: this column is left blank.
 7. This column is left blank.

(II) This column is left blank

IV. Repayment Method

Party A shall reserve enough funds payable in the current period in the fund repayment account or other accounts opened at Party B before the repayment date specified in this Contract, and transfer the funds for repayment by itself (Party B also has the right to transfer the funds from this account for repayment), or transfer the funds from other accounts for repayment on the repayment date as specified in this Contract.

V. Advance Repayment

Where Party A repays the principal in advance, it shall submit a written application to Party B ten working days in advance, and may repay part or all of the principal in advance with the consent of Party B.

Where Party A repays the principal in advance, the interest shall be calculated according to the actual fund use days and the loan interest rate specified in this Contract.

If Party B agrees with Party A's advance repayment of principal, it shall have the right to claim compensation from Party A, and the amount of compensation shall be determined according to the 1st standard below:

1. The amount of compensation = amount of advance repayment × the number of months advanced for repayment × 1‰; if it is less than one month, it shall be calculated as one month;
2. This column is left blank.

Where Party A repays the loan in installments, if it repays part of the loan principal in advance, it shall make repayment in the reverse order as specified the repayment plan. After advance repayment, the outstanding loan funds shall still bear interest according to the loan interest rate as specified in this Contract.

Article VIII Rights and Obligations of Party A

I. Rights of Party A

- (I) Have the right to require Party B to issue the loan as specified in the Contract;
- (II) Have the right to use the loan for the intended use as specified in this Contract;
- (III) Have the right to apply to Party B for loan extension under the conditions as stipulated by Party B;
- (IV) It's entitled to require Party B to keep confidential the relevant financial materials and business secrets in production and operation provided by Party A, unless otherwise stipulated by relevant laws, regulations and rules, or otherwise required by competent authorities or otherwise agreed by both parties;

- (V) Have the right to refuse the request of Party B and its staff for bribes, and report the above-mentioned behavior or Party B's violation against relevant national laws and regulations on credit interest rate, service charge, etc. to relevant departments.
- II. Obligations of Party A
- (I) Withdraw funds and pay off the loan principal and interest in full as specified in this Contract, and bear various expenses as specified in this Contract;
- (II) Provide various materials such as financial accounting materials, materials of production and operation status, etc. as required by Party B, including but not limited to providing Party B with the Balance Sheet as of the end of the last quarter and the Income Statement (Statement of Revenues and Expenditures for public institutions) as of the end of the last quarter within the first ten working days of the first month of each quarter, and timely provide the Cash Flow Statement of the current year at the end of each year, and ensure that all materials provided are legitimate, true, complete, accurate and effective. It's forbidden to provide false materials or conceal important operation and financial facts;
- (III) Where Party A suffers from any major unfavorable event which affects its solvency or any other circumstance that endangers the creditor's rights of Party B, or makes any change in industrial and commercial registration items such as the name, legal representative (person-in-charge), domicile, business scope, registered capital or Articles of Association of the company (enterprise), etc., it shall notify Party B in writing within 3 working days after the occurrence, and attach relevant materials after the change;
- (IV) Party A shall apply the loan to the intended use as specified in this Contract, and shall not misuse or misappropriate it or engage in any trading that violates relevant laws or regulations with the bank loan, or use the loan for investment in fixed assets, equity, etc. or in the production and operation fields and purposes prohibited by the state, or use it to offset the liabilities arising from Party A's investment in fixed assets, equity, etc.; Party A shall cooperate with and accept Party B's inspection and supervision on its production, operation and financial activities, and the use and payment of the loan under this Contract, and also cooperate with and accept Party B's relevant requirements for post-loan management; Party A shall not withdraw funds, transfer assets or use connected transactions to avoid the debt to Party B; Party A shall not realize bank discount or pledge, or take bank funds or credit by false contracts with related parties, and notes receivable, accounts receivable and other creditor's rights without actual trading background; Party A shall pay loan funds according to the provisions of this Contract, and shall not evade entrusted payment of Party B by breaking up the whole into parts;
- (V) Where Party A uses the loan under this Contract for manufacturing, it shall abide by relevant national regulations on environmental protection;

- (VI) Before paying off the loan principal and interest to Party B, Party A shall not use the assets formed by the loan under this Contract to provide guarantee for any third party without the consent of Party B;
- (VII) If Party A is a group client, it shall promptly report the connected transactions valuing more than 10% of its net assets to Party B, including:
(1) The association relationship of transaction parties; (2) Transaction items and nature of the transaction; (3) Amount of the transaction or the corresponding proportion; (4) Pricing policy (including transactions with no amount or with only symbolic amount);
- (VIII) Party A shall get Party B's written consent before executing major events such as merger, separation, equity transfer, foreign investment, substantial increase of debt financing, etc. However, Party B's written consent will not affect its right to take remedial measures as specified in this Contract when it thinks that the above-mentioned behaviors may endanger the security of its creditor's rights in the future;
- (IX) Where Party A pays independently, it shall summarize and report the use and payment of the loan to Party B on a monthly basis. Party A shall summarize and report the use and payment of the loan in the previous month to Party B at the latest within ten working days at the beginning of each month, and submit the actual payment list until the loan payment is completed. Please refer to Annex 4 for the format of summary report.

Article IX Rights and Obligations of Party B

- I. Party B shall be entitled to require Party A to repay the loan principal, interest and expenses on schedule, manage and control the payment of loan funds, dynamically monitor the overall cash flow of Party A, recover the loan in advance according to the Party A's recouping of funds, exercise other rights as specified in this Contract, and require Party A to fulfill other obligations under this Contract;
- II. Party B shall have the right to participate in Party A's large-scale financing (i.e., financing with the total amount exceeding RMB One Hundred Million or equivalent amount in foreign currency), asset sale, merger, separation, shareholding reform, bankruptcy liquidation and other activities to safeguard its creditor's rights. Party B shall participate in the aforementioned activities in the following 1st method:
1. Party A shall get the written consent of Party B when carrying out the above-mentioned activities;
 2. Party B shall arrange the large-scale financing of Party A;
 3. The asset sales price and object of Party A shall comply with the following provisions:
This column is left blank.

4. This column is left blank.
5. Other methods that Party B thinks should be adopted.
- III. Issue the loan according to the provisions of this Contract, except for the delay or failure caused by Party A's reasons or other reasons not attributable to Party B;
- IV. Keep confidential the relevant financial materials and business secrets in production and operation provided by Party A, unless otherwise stipulated by relevant laws, regulations and rules, or otherwise required by competent authorities or otherwise agreed by both parties;
- V. It's strictly prohibited to offer bribes to Party A and its staff, or ask for or accept bribes from them;
- VI. It's strictly prohibited to act dishonestly or with damage to Party A's legitimate interests.

Article X Liability for Breach of Contract and Remedial Measures for the Circumstances Endangering the Creditor's Rights of Party B

- I. Party B's Breach of Contract and Its Liability for Breach of Contract
 - (I) Where Party B fails to issue the loan as specified in this Contract without justified reasons, Party A may require Party B to continue to issue the loan according to this Contract;
 - (II) Where Party B violates any prohibitive stipulation of national laws and regulations to collect interest or expenses that should not be collected from Party A, Party A shall have the right to request Party B to refund.
- II. Party A's Breach of Contract
 - (I) Party A violates any provision of this Contract or any legal obligation;
 - (II) Party A expressly or by its behavior indicates that it will not perform any obligation under this Contract.
- III. Circumstances that May Endanger the Creditor's Rights of Party B
 - (I) Under any of the following circumstances, Party B considers that the security of its creditor's rights under this Contract may be endangered: Party A is subject to contracting, trusteeship (takeover), leasing, shareholding reform, decrease of registered capital, investment, joint operation, merger, consolidation, acquisition and reorganization, separation, joint venture, equity transfer or substantial increase of debt financing, or applies (is applied) for suspension of business for internal rectification, applies for dissolution, is revoked, applies (is applied) for bankruptcy, changes its controlling shareholder/ actual controller or is subject to major asset transfer, stops production, goes out of business, is severely fined by competent authorities, is subject to cancellation registration or revocation of business license, involves major legal disputes, is extremely difficult in production and operation or deteriorates in its financial position or in its credit status, or its legal representative or person-in-charge cannot perform his duties normally;

- (II) Under any of the following circumstances, Party B considers that the security of its creditor's rights under this Contract may be endangered: Party A fails to fulfill its obligation of repaying other debts due (including debts due to the institutions at all levels of China Construction Bank or to other third parties), transfers its property at a low price without compensation, reduces or relieves the debts of any third party, is lazy to exercise its creditor's rights or other rights, or provides guarantee for any third party; Party A fails to continuously meet the requirements of Annex 2 "Financial Indicator Constraint Clause" in its financial indicators; The funds in any account of Party A (including but not limited to fund repayment account and other accounts monitored by Party B) fluctuate abnormally; Party A has any major cross default event; The main business of Party A does not have strong profitability; The loan funds are used abnormally;
- (III) Party A's shareholders abuse the independent status of the company as a legal person or shareholders' limited liability to evade debts, and Party B thinks that it may endanger the security of its creditor's rights under this Contract;
- (IV) Any precondition for issuing the loan as specified in this Contract is not continuously satisfied;
- (V) Under any of the following circumstances for the guarantor, Party B considers that the security of its creditor's rights under this Contract may be endangered:
1. Violate any provision of the guarantee contract or there is any falsehood, error or omission in the representations and warranties;
 2. If it occurs contracting, trusteeship (takeover), leasing, shareholding reform, decrease of registered capital, investment, joint operation, merger, consolidation, acquisition and reorganization, separation, joint venture, equity transfer or substantial increase of debt financing, or applies (is applied) for suspension of business for internal rectification, applies for dissolution, is revoked, applies (is applied) for bankruptcy, changes its controlling shareholder/actual controller or is subject to major asset transfer, assigns property at a low price or without reward, reduce and cancel debts of the third party, is slack to excise the creditor's right or other rights, stops production, goes out of business, is severely fined by competent authorities, is subject to cancellation registration or revocation of business license, involves major legal disputes, is extremely difficult in production and operation or deteriorates in its financial position or in its credit status, or its legal representative or person-in-charge cannot perform his duties normally, the ability to guarantee of the guarantor may be effected;

3. Other circumstances in which it loses or may lose the ability to guarantee;
- (VI) Under any of the following circumstances in mortgage and pledge, which Party B thinks may endanger the security of its creditor's rights under this Contract:
1. The mortgaged or pledged property is damaged, lost or devalued due to the behaviors of any third party, national expropriation, confiscation, requisition, unpaid recovery, demolition, market changes or any other reason;
 2. The mortgaged or pledged property is sealed up, detained, frozen, deducted, retained, auctioned, or supervised by administrative organs, or involves in any dispute over its ownership;
 3. The mortgagor or pledgor violates any provision of the mortgage or pledge contract, or there is any falsehood, error or omission in the representations and warranties;
 4. Other circumstances that may endanger the realization of Party B's mortgage or pledge right;
- (VII) The guarantee is ungrounded, does not take effect, or is invalid, revoked or relieved, the guarantor breaches the contract or explicitly indicates or shows by his behavior that he will not perform his guarantee responsibility, or the guarantor partially or completely loses the guarantee ability, or the guaranty is devalued, etc., and Party B thinks that it may endanger the security of its creditor's rights under this Contract; Or
- (VIII) Other circumstances that Party B thinks may endanger the security of its creditor's rights under this Contract.
- IV. Remedial Measures of Party B
- Under any of the circumstances as specified in Paragraph II or III of this Article, Party B shall have the right to exercise one or more of the following rights:
- (I) Stop issuing the loan;
 - (II) Supplement the conditions for the issuance and payment of loan;
 - (III) Change the loan payment method according to the provisions of this Contract;
 - (IV) Declare that the loan is due immediately, and require Party A to immediately repay the principal, interest and expenses of all debts due and undue under this Contract;
 - (V) If Party A fails to withdraw the loan as specified in the contract, Party B shall have the right to require Party A to pay liquidated damages equivalent to 5% of the amount not withdrawn as agreed, and be entitled to refuse Party A to withdraw the funds that have not been withdrawn under this Contract;
 - (VI) If Party A fails to use the loan according to the intended use as specified in this Contract, interest and compound interest will be charged for the part appropriated by Party A according to the default interest rate and interest settlement method as specified in this Contract from the date when Party A fails to use the loan as agreed in this Contract to the date when the principal and interest are fully paid off;

(VII) If the loan is overdue, interest and compound interest will be charged for the loan principal and interest that Party A fails to pay off on time (including the loan principal and interest declared by Party B to be due in advance in whole or in part) according to the default interest rate and interest settlement method as agreed in this Contract from the date when the loan becomes overdue to the date when the principal and interest are fully paid off. Overdue loan refers to the behavior that Party A fails to pay off the loan on schedule or repay the loan beyond the period in the plan of principal repayment in installments as specified in this Contract.

Before the loan is due, compound interest will be charged for the interest that Party A fails to pay off on schedule according to the loan interest rate and interest settlement method as agreed in this Contract;

(VIII) Other remedial measures, including but not limited to:

1. Transfer the corresponding funds in RMB or other currencies from the account opened by Party A in China Construction Bank system without prior notice to Party A;
2. Exercise the guarantee right;
3. Require Party A to provide a new guarantee in line with Party B's requirements for all debts under this Contract;
4. Refuse Party A's disposal of the corresponding amount of deposit in the account (including but not limited to the fund repayment account) opened by Party A in China Construction Bank system;
5. Dissolve this Contract.

Article XI Miscellaneous Clause

I. Bearing of Expenses

The expenses arising from Party A's breach of any provision of this Contract (including but not limited to the legal cost, arbitration fee, property preservation fee, travel expense, execution fee, evaluation fee, auctioneer's fee, notarization fees, delivery fee, announcement fee, attorney fee and other expenses actually incurred by Party B due to Party A's breach of contract) shall be borne by Party A;

For other expenses, both parties agree as follows: Unless otherwise agreed by both parties, Party A shall bear the expenses (if any) for custody, appraisal, notarization, legal service, insurance, etc. related to the loan under this Contract and the expenses that can be borne by the borrower according to the stipulations of applicable laws, regulations and rules. The expenses incurred by Party B for conducting due diligence and mortgaged property evaluation for the loan under this Contract shall be borne by Party B.

II. Use of Party A's Information

Party A agrees that Party B may, from financial credit information basic database and other credit reporting agencies established according to law, inquire, print and keep Party A's credit status, and provide them with Party A's information. Party A also agrees that Party B can reasonably use and disclose Party A's information for business needs.

III. Collection by Announcement

Party B shall be entitled to notify relevant departments or units of Party A's default in loan principal and interest or other breach of contract, and to make an announcement for collection through news media.

IV. Effectiveness of the Evidence Recorded by Party B

Unless there is reliable and definite evidence to the contrary, Party B's internal accounting records related to the principal, interest, expenses, repayment records, etc., the documents and vouchers prepared or retained by Party B in the business process of Party A's withdrawal, repayment and interest payment, and Party B's records and vouchers for loan collection shall all constitute definite evidence to effectively prove the credit relation between Party A and Party B. Party A cannot raise an objection just because the above records, recordation, documents and vouchers are unilaterally prepared or retained by Party B.

V. Reservation of Rights

Party B's rights under this Contract will not affect or exclude any right enjoyed by it according to relevant laws, regulations and other contracts. Any leniency, grace or preference for any breach of contract or delay, or the delay in exercising any right under this Contract shall not be regarded as a waiver of the rights and interests under this Contract or the permission or recognition of any violation against this Contract, nor shall it restrict, prevent or hinder the continued exercise of this right or the exercise of any other right, nor shall it cause Party B to bear any obligation and liability to Party A.

VI. In addition to the debts under this Contract, if Party A has other debts due to Party B, Party B shall have the right to transfer the funds in RMB or other currencies from the account opened by Party A in China Construction Bank system to pay off any debt due first, and Party A agrees not to raise any objection.

VII. In case of any change in Party A's correspondence address or contact information, it shall immediately notify Party B in writing, otherwise, it shall bear any loss caused by the failure to notify in time.

VIII. Transfer of Payables

For all payables of Party A under this Contract, Party B shall have the right to transfer the corresponding amount in RMB or other currencies from the account opened by Party A in China Construction Bank system without prior notice to Party A. If it is required to go through the exchange settlement and sales, or foreign exchange trading formalities, Party A shall be obligated to assist Party B, and the foreign exchange risk shall be borne by Party A.

IX. Dispute Resolution

Any dispute arising from the performance of this Contract can be settled through negotiation. If the negotiation fails, it shall be settled by the following 1st method:

1. Bring a lawsuit to the people's court in the place where Party B is located.
2. Submit it to (this column is left blank) Arbitration Commission (the place of arbitration is (this column is left blank)) for arbitration according to the currently effective arbitration rules of the Commission. The arbitration award is final and binding on both parties.

During the litigation or arbitration, the clauses of this Contract that do not involve in the dispute shall still be performed.

X. Entry-into-force Conditions of the Contract

This Contract shall come into force after being signed by the legal representative (person-in-charge) or authorized agent of Party A and the person-in-charge or authorized agent of Party B, and affixed with official seals of both parties.

As an integral part of this Contract, the annexes hereunder shall have the same legal effect as this Contract.

XI. This Contract is made in triplicate.

XII. Other Matters Agreed

(I) Relevant Provisions on Value-added Tax

1. The price and additional charges under this Contract are tax-included prices including VAT, unless otherwise agreed by the parties.
2. Invoice
 - 2.1 Party B shall issue invoices according to the following Item (this column is left blank):
 - (1) If Party A puts forward the demand for invoicing, Party B shall issue the VAT invoice of the current payment amount after receiving the payment from Party A.
 - (2) Other provisions: This column is left blank.
 - 2.2 Invoicing information provided by Party A
Company name (full name): This column is left blank.
Taxpayer's registration number: This column is left blank.
Bank account: This column is left blank.

Bank of deposit: This column is left blank.

Address: This column is left blank.

Tel.: This column is left blank.

- 2.3 If the invoice needs to be made invalid or credit note is required, Party A shall provide assistance as required by Party B in a timely manner. If the invoice cannot be made invalid or credit note cannot be issued due to Party A's reasons, Party A shall compensate Party B for all its losses, including but not limited to taxes, additional taxes, fines and late fees.
3. If Party A is an overseas institution in the People's Republic of China, and the price and additional charges under this Contract are subject to tax preferences according to relevant stipulations of applicable laws, regulations and rules or relevant departments, and tax filing is required, Party A shall timely provide Party B with sufficient and accurate tax preference filing materials of VAT as required by Party B to help Party B complete tax filing and other work.
- (II) Agreed Service Clause

Party A and Party B agree as follows on the address for service of various notices, agreements and instruments related to this Contract and corresponding legal consequences:

1. Address for service

- (1) Party A confirms that its effective address for service is:

Detailed address: 5/F, Building 3, No. 418, Guilin Road, Xuhui District, Shanghai; Zip code: 200233; Tel.: [***]

- (2) Party B confirms that its effective address for service is:

Detailed address: No. 158, Wangdun Road; Zip code: 215000; Tel.: [***]

2. Scope of application of the address for service

The above addresses for service are applicable to the service of all kinds of notices, agreements and instruments related to this Contract, including but not limited to the service of various notices, agreements and other documents during the performance of the contract, as well as the service of relevant documents and legal instruments in case of any dispute arising from the contract, including the service of relevant documents in the first and second instances, retrial, enforcement procedures and other procedures after the dispute enters into arbitration and civil proceedings.

3. Change in the address for service

- (1) If Party A needs to change its address for service, it shall notify Party B in writing five working days in advance, and the written notice shall be delivered to Party B's address for service;
 - (2) If Party B needs to change its address for service, it shall notify Party A by any means, including not limited to in writing, or by mail, short message or announcement, etc.
 - (3) If one party changes its address in arbitration or civil action, it shall also perform the obligation of notifying the arbitration institution and the court in writing.
 - (4) After one party fulfills its obligation of issuing a change notice according to the above provisions, its changed address shall be the effective address for service, otherwise, the previously confirmed address for service shall still be the effective address for service.
4. Legal consequences
- (1) If the notices, agreements, legal instruments and other documents are not actually received by either party because the address for service provided or confirmed by it is inaccurate, the notification obligation is not fulfilled as aforesaid in a timely manner after the address for service is changed, or the party or its designated addressee refuses to sign for it, for the service by mail, the date of service shall be the date when the documents are returned; For direct service, the date of service shall be the date on which the addressee notes the situation on the proof of service on the spot.
 - (2) The arbitration institution and the court may serve documents to the above-mentioned address for service directly by mail. Even if the parties fail to receive the documents served by the arbitration institution and the court by mail, they shall still be deemed to have been served due to the above provisions.
- (III) The signature of Party A's legal representative (person-in-charge) or authorized agent as specified in the "Entry-into-force Conditions of the Contract" under this Contract may be replaced by a personal seal.

Article XII Statement Clause

- I. Party A clearly knows Party B's business scope and authority.
- II. Party A has read all clauses of this Contract. At the request of Party A, Party B has made corresponding explanations on this Contract. Party A has fully known and understood the meanings and corresponding legal consequences of the clauses of this Contract.
- III. Party A's signing and performance of its obligations under this Contract comply with the stipulations of applicable laws, administrative regulations and rules, and Party A's Articles of Association or internal organization documents, and have been approved by internal competent authorities of the company and/or national competent authorities.

-
- IV. Party A's production and operation are legal and compliant;
- V. Party A has the sustainable operation ability and legal sources of repayment;
- VI. Party A promises that all loan funds under this Contract are based on the real needs of the specific use of the loan without going beyond its actual needs.
- VII. Party A and its controlling shareholder have good credit status and no major bad records.
- VIII. Party B is entitled to entrust other sub-branches of China Construction Bank to issue the loan under this Contract and to exercise and fulfill its rights and obligations under this Contract, and Party A has no objection to this.
- IX. Party A states that it and its important related parties do not have any behavior or situation that violates the laws, regulations and rules on environmental and social risk management when this Contract is concluded, and promises to strengthen environmental and social risk management of itself and its important related parties after the conclusion of this Contract, to strictly abide by relevant laws, regulations and rules on environmental and social risk management, and to completely eradicate the harm and related risks to the environment and society (including but not limited to environmental and social problems related to energy consumption, pollution, land, health, safety, resettlement of affected residents, ecological protection, energy conservation and emission reduction, climate change, etc.). Party A agrees that Party B has the right to conduct supervision on Party A's environmental and social risk management and request Party A to submit an environmental and social risk report. If the above statement made by Party A is false or the above promise is not fulfilled, or Party A may result in environmental and social risks, Party B shall have the right to stop granting credit to Party A (including but not limited to refusing to issue the loan, provide financing, open the letter of guarantee, letter of credit or bank acceptance, etc.), or declare that the principal and interest under the creditor's rights (including but not limited to the loan, financing, advances that have occurred or may occur, etc.) are due in advance, or take other remedial measures specified in this Contract or permitted by law.

Party A (Official Seal):

/s/ Suzhou Gracell Biotechnologies Co., Ltd.

Suzhou Gracell Biotechnologies Co., Ltd.

Legal representative (person-in-charge) or authorized agent (Signature): Cao Wei

Party B (Official Seal):

/s/ Suzhou Industrial Park Sub-branch of China Construction Bank Corporation

Suzhou Industrial Park Sub-branch of China Construction Bank Corporation

Annex 1:

Basic Information of the Loan

1. Specific use of the loan under this Contract

- (1) Pay for goods;
- (2) Others.

Without written consent of Party B, Party A shall not change the specific use of the loan.

2. Source of repayment of the loan under this Contract:

Production and operating revenues of Party A and financing.

Party A shall ensure that the source of repayment is true and legitimate, and the cash flow for repayment is stable and sufficient.

3. Other:

This column is left blank.

Annex 2:

Financial Indicator Constraint Clause

The financial indicators of Party A shall continuously comply with the following restrictions:

1. The asset-liability ratio shall not exceed 85%;
2. The current ratio shall not be smaller than 0.8.

Party B shall have the right to modify the above restrictions with a notice to Party A five working days in advance.

Annex 3

Fund Use Plan

Contract No.

Withdrawal date

No.	Planned use	Expected payment amount	Expected payment object (if any)	Remark
1				
2				
••				
••				
Total	RMB 0,000 (in words:)			

Name of the Borrower (Seal):

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.

Annex 4

Summary of Independent Payment

Contract No.

Submission date

No.	Actual use	Payment object	Amount	Supporting document	Planned matter or not
1					
2					

Total RMB 0,000 (in words:)

Name of the Borrower (Seal): □

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.

Fixed Assets Loan Contract

No.: 512HT2020104831

☐ This Contract is a specific Contract under the Credit Extension Agreement numbered ___/ (If this article is applicable, check the box).

Lender: China Merchants Bank Co., Ltd. Suzhou Branch (hereinafter referred to as “Party A”)

Borrower: Suzhou Gracell Biotechnologies Co., Ltd. (hereinafter referred to as “Party B”)

Through friendly negotiation, Party A and Party B reach a consensus on Party A’s provision of a fixed assets (project) loan to Party B upon Party B’s application and enter into this Contract, whose content is as follows:

Part 1 Basic Conditions for the Loan**1. Type of Loan**

This loan is a fixed assets (project) loan.

2. Currency and Amount of Loan

RMB (in words) TWENTY-NINE MILLION ONLY.

3. Purpose of Loan

This loan can only be used for equipment purchase, and shall not be used by Party B for other purposes with the written consent of Party A.

The total investment amount of the project as approved by the competent government department is: RMB FORTY-ONE MILLION FOUR HUNDRED AND FORTY THOUSAND, including the funds raised by Party B or its shareholders in the amount of RMB TWELVE MILLION FOUR HUNDRED AND FORTY THOUSAND, and a financing amount of RMB TWENTY-NINE MILLION from the financial institution.

4. Loan Term

The loan term is 60 months, from June 2, 2020 to June 1, 2025. The drawdown period is from June 2, 2020 to June 1, 2025, and during this period, Party B may conduct drawdown in a few phases, and Party A will not accept any new drawdown application beyond this period; the grace period is from /__ to /__, and during this period, Party B is only required to pay the interest and is not required to repay the loan principal; the repayment period is from June 2, 2020 to June 1, 2025, and during this period, Party B shall repay the loan principal based on the frequency of at least once every six months, with interest paid off together with the principal (Party A may also require a higher repayment frequency according to the situation of the project), and the specific repayment plan shall be the one recorded in the drawdown application. When the drawdown date specified in the drawdown application is different from the one specified in the loan note (or recorded in Party A’s system), the drawdown date specified in the loan note (or recorded in Party A’s system) shall prevail; if an installment repayment plan is laid out in the drawdown application, Party B has the obligation to repay the loan according to the installment repayment time and the installment repayment amount recorded in the drawdown application, provided that the final maturity date shall be the one specified in the loan note (or recorded in Party A’s system). The term determined at the time of the last drawdown shall not exceed the loan term.

5. Loan Interest Rate and Interest

5.1 Interest Rate:

5.1.1 This loan is based on (Check the box before the chosen one):

☒ Fixed interest rate ☐ Floating interest one

5.1.2 Determination of the interest rate within the term hereof (If applicable, check the box):

5.1.2.1 If a RMB loan is granted,

the benchmark interest rate shall be the interest rate quoted in the loan market (LPR) for a period of ☒ one year / ☐ more than 5 years as published by the National Interbank Funding Center 1 working day before the ☒ pricing date, ☒ plus / ☐ minus 100 basic points (BPs), or the benchmark interest rate shall be ☐ / ☐ plus / ☐ minus basic points (BPs), or ☐ increasing / ☐ decreasing by %.

Floating on the basis of the benchmark interest rate (hereinafter referred to as the Floating Ratio) or plus or minus basic points (hereinafter referred to as Basic Points) as agreed herein refers to the Floating Ratio and / or Basic Points determined at the time of signature of this Contract. If the Floating Ratio or Basic Points (BPs) and other interest rate elements agreed in this Contract are inconsistent with the records of the loan note (or Party A's system), the record of loan note (or Party A's system) shall prevail.

5.1.2.2 If a foreign currency loan is granted, the benchmark interest rate shall be for the loan in the same currency on the pricing date or 1 or 2 working days before the pricing date, ☐ plus / ☐ minus Basic Points (BPs). Whether the date of determination of the interest rate shall be the pricing date or 1 or 2 working days before the pricing date shall be determined by Party A by reference to international practices.

The pricing date refers to the reference date used to determine the benchmark interest rate within the loan period or floating period. If the loan is based on a fixed interest rate, the pricing date shall be the actual loan granting date (If the loan is extended, it refers to the commencement date of such extension); if the loan is based on a floating interest rate, the pricing date shall be determined according to the provisions of Article 5.1.3.

- 5.1.3 If this loan is based on a floating interest rate, the floating period shall be / and the benchmark interest rate applicable in each floating period shall be determined according to the provisions of this article.
- The actual loan granting date (If the loan is extended, it refers to the commencement date of such extension) shall be the pricing date of the first floating period, and the first day of each floating period thereafter shall be the pricing date of such floating period.
- 5.1.4 **Party A has the right to regularly or irregularly adjust the benchmark interest rate or interest rate pricing method in light of the changes of relevant national policies, domestic and foreign markets or Party A's own credit policies. Such adjustment shall take effect after notification to Party B by Party A (the notification method is to make an announcement at Party A's outlets or on the official website of China Merchants Bank, or send a notice to Party B at or by any of the reserved contact addresses / methods in this Contract). The specific benchmark interest rate, Floating Ratio and / or Basic Points of any loan that is newly withdrawn by Party B and any loan that has been withdrawn by Party B and has not been repaid before such notice takes effect shall be based on the notice of Party A. If Party B does not accept such adjustment, it may prepay the loan; otherwise Party B shall be deemed to recognize that such notice shall be followed.**
- In case of any inconsistency between this section and other relevant provisions of this Contract, the provisions of this section shall prevail.**
- 5.1.5 If Party B fails to use the loan according to the provisions of the Contract, penalty interest shall be charged for the part of the loan that it fails to use for the purpose agreed herein at the interest rate increasing by 100% on the basis of the original interest rate from the date of change of the purpose of the loan. The original interest rate refers to the interest rate that is applicable before the purpose of the loan is changed.
- If Party B fails to repay the loan on schedule, overdue interest (i.e. penalty interest) shall be charged for the outstanding part of the loan at the interest rate increasing by 50% (interest rate of the overdue loan) on the basis of the original interest rate from the overdue date. The original interest rate refers to the interest rate that is applicable before the maturity date (including the early maturity date) of the loan (if it is a floating rate, it refers to the interest rate that is applicable in the last floating period before the maturity date of the loan (including the early maturity date)).
- If the loan is overdue and is not used for the purpose agreed herein at the same time, the interest shall be calculated according to the higher of the above provisions.
- 5.1.6 If the People's Bank of China adjusts the loan interest rate during the loan period, relevant provisions of the People's Bank of China shall apply.

- 5.2 Interest Calculation: The loan interest shall be calculated according to the actual amount of the granted loan and the actual number of days of occupation from the date when the loan is deposited into Party B's account, and the interest date shall be ☐ the 20th day of each month / ☒ the 20th day of the last month of each quarter / ☐ the maturity date of the loan / ☐ other date: ____ . The daily interest rate of RMB = annual interest rate / 360, and the conversion method for the daily interest rate of a foreign currency shall be based on international practices.
- If the maturity date of the loan is a holiday, the maturity date of the loan will be automatically extended to the first working day after such holiday, and the interest shall be calculated according to the actual number of days of occupation of loan funds.
- 5.3 Interest Payment: Party B shall pay the interest on each interest date, and Party A may directly deduct the interest payable from any account of Party B in China Merchants Bank. If the repayment date of the last phase of the loan principal is not an interest date, the repayment date of the last phase of such loan principal shall be the interest payment date, and the Borrower shall pay off all the interest payable on such loan principal on such date.
- If Party B fails to pay the interest on time, Party A has the right to charge compound interest for the outstanding interest (including the penalty interest) according to the interest rate of the overdue loan as specified in this article.

☒ **6. Project-Specific Account**

- 6.1 Both parties agree that Party B shall open an account in Party A for loan granting, external payment and receipt of sales income / operating or rental income (When this item applies, check the box):
- Account Name: Suzhou Gracell Biotechnologies Co., Ltd.
- Name of Account Opening Bank: _____
- Account Number: _____
- The specific requirements that shall be followed by Party B with respect to account monitoring and fund retention are as follows:
- _____
- 6.2 Party B shall provide the fund inflow and outflow of the above account each quarter and cooperate with Party A to monitor the relevant account and the collected funds.
6. 3 Party B shall ensure that % of the total amount of the project or % of the income cash flow of Party B is deposited into the project-specific account, and the fund amount of the project-specific account shall not be less than RMB at any time point within the loan period (any foreign currency shall be converted at the exchange rate announced by Party A at the time of calculation).

Part 2 Use and Repayment

7. Prepayment

- 7.1 If Party B applies for prepayment, it shall submit a written application to Party A 7 working days before the planned repayment date, and pay Party A liquidated damages for prepayment. Liquidated damages for prepayment = the amount of prepayment * the percentage of liquidated damages ($\angle\%$). After Party A reviews and approves Party B's application for prepayment, Party B shall pay Party A liquidated damages for prepayment in full within the time frame required by Party A; otherwise Party A shall still have the right to refuse Party B's application for prepayment. Party A has the right, but has not the obligation, to properly reduce the amount of liquidated damages for prepayment payable by Party B at its sole discretion according to relevant factors such as the remaining term of the loan when Party B prepays the loan.
- 7.2 After prepaying the liquidated damages for prepayment according to the requirements of Party A, Party B shall handle the repayment procedures in the reverse order of the repayment phases recorded in the corresponding drawdown application, that is, first repay the last loan that is due, and the rest may be done by analogy.
- 7.3 For the prepaid amount, Party A will calculate the interest payable according to the actual loan term, and Party B shall pay Party A such interest payable on the prepayment date according to the requirements of Party A.

8. Loan Extension

If Party B fails to repay the loan for any phase under this Contract on schedule, it shall notify Party A in writing one month before the maturity date of such loan, and Party A shall determine whether to extend such loan according to its credit policy. If Party A agrees to extend such loan, both parties shall determine the extension repayment plan through negotiation and separately sign a written extension agreement; if Party A does not agree to such extension, this Contract shall still apply. The loan occupied by Party B and the interest payable shall be paid according to the provisions of this Contract.

9. Drawdown in Phases

- 9.1 Party B shall withdraw the loan hereunder in phases within the drawdown period, and Party A will not accept the drawdown application of Party B beyond the drawdown period.
- Party A has the right to consider whether to approve Party B's drawdown application in light of its internal management requirements and Party B's operating conditions, and has the right to unilaterally reject Party B's drawdown application without assuming any form of legal liability to Party B. In case of conflict between this section and other provisions, this section shall prevail.
- 9.2 Party A has the right to require Party B to open a special account in Party A for loan granting, external payment and receipt of sales income / operating or rental income. If such special account is opened, the granting of all the loan funds, external payment and sales income / operating or rental income under this Contract must be handled through such account.

- 9.3 Party B must satisfy the following conditions when it requests drawdown; otherwise Party A has the right to refuse its drawdown request:
- 9.3.1 All the materials submitted by Party B at the request of Party A are true, legal and valid;
- 9.3.2 All the statements and warranties made by Party B under this Contract are true, legal and valid;
- 9.3.3 When Party B plans to pay a single loan amount exceeding or equal to RMB5 million (or an equivalent amount in a foreign currency) to the same beneficiary when it applies for drawdown, or a single loan amount to be paid to the same beneficiary is greater than or equal to 5% of the total project investment recorded in this Contract and is greater than or equal to RMB500,000 (or an equivalent amount in a foreign currency), Party B must submit relevant transaction information to Party A according to Party A's time limit requirements, and entrust Party A with the external payment of the loan fund for and on behalf of Party B (that is, the entrusted payment of the Lender);
- The entrusted payment of the Lender refers to Party A's payment of a loan fund to Party B's counterParty According to Party B's drawdown application and payment entrustment.
- 9.3.4 The actual progress of the fixed assets project hereunder before drawdown shall match the investment amount;
- 9.3.5 No event of default hereunder has occurred.
- 9.4 At the time of drawdown, Party B shall submit to Party A a drawdown application (stamped with Party B's official seal or Party B's reserved seal in Party A), a loan note, and the materials that Party A requires Party B to submit according to different requirements of independent payment and entrusted payment. Otherwise Party A has the right to refuse Party B's drawdown application. The installment repayment plan shall be specified in the drawdown application.
- If the loan is a real estate development loan, Party B shall also provide Party A with a project construction Contract, a project progress / supervision report, actual progress measurement data, relevant agreements signed with equipment and material suppliers, and other materials, which indicate the actual purpose, amount and payee of the loan.
- 9.5 If Party A agrees to grant a loan after receipt and review of a drawdown application and the supporting documents for the use of the loan fund, the actual granted amount, start and end dates, purpose, interest rate and other matters of each loan / drawdown shall be based on the record of the loan note (or Party A's system), and the content not recorded therein shall still be based on the provisions of this Contract.
- 9.6 For any loan fund based on entrusted payment, Party B shall authorize Party A to pay Party B's counterparty through Party B's account on the date of loan granting (no later than the next working day after loan granting).

10. Installment Repayment

- 10.1 Party B shall repay each loan in full and on time on the installment repayment date recorded in the corresponding drawdown application.**
- 10.2 Party B shall reserve sufficient funds in its account opened with Party A before the specified repayment date for Party A's direct deduction on such repayment date.
- 10.3 Party B shall make repayment in the same currency as the drawdown.

Part 3 Guarantee Clause

11. For all the debts owed by Party B to Party A under this Contract, Party B or the third party recognized by Party A shall provide a property mortgage or pledge guarantee or joint guarantee, and Party B or the third Party As guarantor shall separately issue or sign a guarantee text according to Party A's requirements.
- If the guarantor provides a real estate mortgage guarantee for all the debts owed by Party B to Party A under this Contract, when Party B knows that the collateral has been or may be included in the government's demolition and expropriation plan, Party B shall immediately inform Party A, and urge the guarantor to continue providing a guarantee for Party B's debts with the compensation provided by the demolition party according to relevant provisions of the Mortgage Contract and to complete the corresponding guarantee procedures in time, or to provide other safeguard measures recognized by Party A according to Party A's requirements.
- If the circumstance mentioned in the preceding paragraph occurs to the collateral so that it is necessary to re-create a guarantee or take other safeguard measures, the guarantor shall be responsible for the relevant expenses incurred thereby, and Party B shall be jointly and severally liable for such expenses. Party A shall have the right to directly deduct such expenses from Party B's account.
- 12. If the guarantor fails to sign the guarantee text and complete the guarantee procedures according to relevant provisions, Party A has the right to refuse to grant the loan to Party B.**

Part 4 Preconditions for the Loan

13. Within 30 days after signature of this Contract, Party B must satisfy the following conditions; otherwise Party A has no obligation to grant any fund under this Contract to the Borrower:
- 13.1 Party B has complied with the national provisions on the investment project capital system and the special requirements made by Party A for the capital of the project involved in the specific loan under this Contract, and the project conforms to the relevant national policies on industry, land and environmental protection.

Under the real estate development loan, the capital of the project is fully paid up before the loan is actually used.

- 13.2 If there is any mortgage / pledge, the mortgage / pledge registration procedures required by relevant laws and regulations have been properly handled, and the originals of the related property right certificate and the registration certificate have been filed with Party A.
- 13.3 If Party A requires purchase of insurance for the collateral, the insurance procedures with Party A as the first beneficiary have been completed and the original insurance policy has been filed with Party A.
- 13.4 This Contract and all the subsidiary guarantee contracts hereof have been effectively signed.
- 13.5 Party B has opened a settlement account with Party A according to Party A's requirements.
- 13.6 Party A has received the following documents:
- 13.6.1 Copies or duplicates of Party B's articles of association and business license, whose authenticity, legality and validity are certified under Party B's official seal, and specimen signatures of the legal representative and the members of the board of directors registered in the administration for industry and commerce;
- 13.6.2 A copy or duplicate of Party B's capital verification report issued by a qualified accounting firm, whose authenticity, legality and validity are certified under an official seal;
- 13.6.3 A duplicate of the ID card of Party B's legal representative, whose authenticity, legality and validity are certified under Party B's official seal;
- 13.6.4 The original of the true, legal and valid resolution on permitting Party A to apply for the loan under this Contract and accepting the loan conditions required by Party A, which are voted through by the quorum of the members at the meeting held by Party B's competent organization according to legal procedures;
- 13.6.5 If the project using the loan under this Contract shall be reported for approval or go through other management procedures according to the provisions or requirements of the competent government department, Party B shall provide Party A with corresponding supporting documents that are true and valid;
- 13.6.6 If there is a third party guarantee, the articles of association and the business license, whose authenticity, legality and validity are certified under the guarantor's legal representative's signature and the guarantor's official seal, specimen signatures of the legal representative and the members of the board of directors, and the true, legal and valid resolution made by such guarantor's competent organization on agreeing to provide a guarantee for the loan under this Contract.
- 13.7 When the loan under this Contract is used for real estate development, the following conditions shall also be satisfied:

- 13.7.1 Party B has obtained the qualification certificate of the real estate development enterprise as issued by the competent department or has the qualification to undertake the development and construction of the loan project, and complies with the special qualification requirements specified by Party A. If Party B is a foreign-invested enterprise, it shall provide Party A with relevant documents for approval of its establishment from the competent department;
- 13.7.2 The real estate project planning to be constructed with the loan under this Contract has been incorporated into the national or local construction and development plan, and its project approval or filing documents are legal, complete, true and valid;
- 13.7.3 The real estate project planning to be constructed with the loan under this Contract has at least be provided with a certificate for the use of state-owned land, a construction land planning permit, a construction project planning permit and a construction project construction permit, all of which are legal and valid;
- 13.7.4 The ownership of the land occupied by the real estate project planning to be constructed with the loan under this Contract is clear.
- 13.7.5 The unused project capital and other funds raised by Party B for the project have been transferred into the project-specific account;
- 13.7.6 Environmental impact assessment reply issued by the competent government department.
- 13.8 Other legal and valid materials related to the project that have been submitted by Party B to Party A according to Party A's requirements.
- 14. The preconditions for the loan are created to protect the rights and interests of Party A, and Party A has the right to unilaterally reduce the requirements for the preconditions for the loan.**

Part 5 Expense Clause

15. If this Contract involves notarization (except compulsory notarization) or other matters entrusted to a third party based on provision of services, relevant expenses shall be borne by the entrusting party; if both parties jointly act as the entrusting party, both parties shall respectively bear 50% of relevant expenses unless otherwise specified in relevant national policies and other normative documents.
- If Party B fails to repay the principal and interest of the loan hereunder on schedule and pay the expenses payable, Party B shall solely bear the attorney fees, litigation fees, travel expenses and all the other expenses paid by Party A to realize the creditor's rights, and Party B authorizes Party A to directly deduct the same from its bank account. If there is any shortfall, Party B guarantees to pay the shortfall in time after receipt of Party A's notice.

Part 6 Statements and Warranties

- 16. Party B makes the following statements and warranties to Party A:**

- 16.1 Party B is an entity formally established and legally existing according to Chinese laws and having the legal personality, the publicity procedures of its registration and annual reports are true, legal and valid, and it has sufficient civil capacity to sign and perform this Contract;
- 16.2 Party B's signature and performance of this Contract has been effectively authorized by Party B's board of directors or other competent organization, and this Contract has legal and valid binding force on Party B as of the date of signature;
- 16.3 The loan project and its loan matters comply with the requirements of laws and regulations, and the loan shall not be used as project capital or equity capital, or used to pay land transfer fees; the loan project is legally owned or legally controlled by Party B, and there is no third party's rights and interests that are not disclosed to Party A and may affect the security of Party A's loan; the real estate development loan fund shall not be used for demolition compensation and other expenses unrelated to the project, shall not be transferred to the Borrower's account in the same name (except for the syndicated loan), and shall not be used to repay other financing or pay the Borrower's other development project funds without the consent of Party A;
- 16.4 If the Borrower's independent payment is used for the payment of the loan fund, Party B shall regularly summarize and report the payment of the loan fund to Party A, and Party A has the right to check whether the loan payment complies with the agreed purpose through account analysis, certificate inspection, on-site investigation and any other method.
- The Borrower's independent payment means that after Party A grants a loan fund to Party B's account according to Party B's drawdown application, Party B will independently pay the loan fund to Party B's counterparty that complies with the purpose agreed in the Contract.
- 16.5 Party B shall regularly provide Party A with Party B's financial reports according to Party A's requirements, and ensure the authenticity and validity thereof; if the loan under this Contract is used for project construction, Party B shall also regularly provide Party A with periodic reports on project construction and other relevant materials according to Party A's requirements, and ensure the authenticity and validity thereof;
- 16.6 For the real estate development loan, Party B specially warrants as follows:
- 16.6.1 If it is necessary to open a separate account for sales collection at the sales stage of the project, the account shall be opened with Party A. If the project is operated by Party B itself, the account for collection of operating and rental incomes shall be opened with Party A. Such account shall be managed by reference to the management of the project-specific account under this Contract. Party B shall ensure that the sales income corresponding to the loan / the operating and rental incomes after the completion of the project will be deposited in the special account opened with Party A.
- 16.6.2 From the date when a presale permit is legally obtained for the real estate development project, Party B guarantees to provide Party A with a sales (presale) information sheet of such project on a monthly basis, including the number of houses sold (presold), house numbers, prices, etc.

- 16.6.3 If the land use right, construction in progress or completed housing corresponding to the real estate development loan project is mortgaged with Party A as a guarantee for the loan, the said property shall not be mortgaged with any third party other than Party A without the permission of Party A.
- 16.6.4 Party B undertakes that before full payment of the principal and interest of Party A's development loan and the completion of the project, Party B's self-raised project construction funds and presale, sales and rental incomes as well as the real estate development loan granted by Party A can only be used for the development and construction of the agreed development project under this Contract, and shall not be illegally drawn out, occupied or misappropriated in any form.
- 16.7 All the documents, materials and certificates provided by Party B in connection with Party B, the surety, the mortgagor (pledgor) and the mortgaged (pledged) property shall be true, accurate, complete and valid during the performance period of this Contract, and shall not contain any material error inconsistent with the fact or omit any material fact;
- 16.8 At the time of signature of this Contract, there is no lawsuit, arbitration or criminal or administrative punishment which causes material adverse consequences to Party B or Party B's main property, and it is expected that such lawsuit, arbitration or criminal or administrative punishment will not occur during the performance of this Contract; in case of occurrence thereof, Party B shall immediately notify Party A;
- 16.9 Party B shall strictly observe national laws and regulations in its business activities, carry out all kinds of business in strict accordance with the business scope stipulated in its Business License of the Legal Person as an Enterprise, and handle the procedures for the registration of the enterprise (legal person), the annual report of the enterprise and the renewal / extension of the business term on time;
- 16.10 Party B shall maintain or improve the existing operation and management level and ensure the value maintenance and appreciation of the existing assets, and will not give up any creditor's rights that fall due, or dispose of the existing major property free of charge or in any other improper way;
- 16.11 Party B warrants that there is no performance under the cross-border guarantee with the guarantor registered abroad and both the debtor and the creditor registered at home. If there is such circumstance, Party B shall inform Party A in time, and Party A shall have the right to suspend the signature of a new contract related thereto or the handling of new drawdown; Party B warrants that in case of guarantee performance, the sum of the outstanding principal balance and the existing external liabilities shall not exceed the weighted balance of Party B's cross-border financing risk, and the risk arising from the excess of the weighted balance of Party B's cross-border financing risk shall be borne by Party B;

- 16.12 At the time of signature of this Contract, Party B is not involved in any other major event that may affect the performance of Party B's obligations under this Contract.
- 16.13 Party B's Statements and Warranties on the Management of Environmental and Social Risks
- 16.13.1 Party B shall establish and improve the internal management system of environmental and social risks, and specify in detail the responsibilities, obligations and punishment measures of relevant personnel responsible therefor, and ensure that the internal management documents related to environmental and social risks comply with the requirements of laws and regulations and are practically implemented; all the behavior and performance related to environmental and social risks are in compliance with relevant provisions, and there is no major litigation case related to environmental and social risks;
- 16.13.2 Party B shall establish and improve the emergency response mechanism and measures for environmental and social risk emergencies, set up a special department and / or designate special personnel to be responsible for environmental and social risk matters;
- 16.13.3 Party B shall cooperate with Party A or the third Party recognized by Party A in the assessment and inspection of environmental and social risks;
- 16.13.4 In the face of strong queries from the public or other stakeholders on Party B's performance in controlling environmental and social risks, Party B shall ensure that an appropriate response will be made or any other necessary action will be taken;
- 16.13.5 Party B shall urge Party B's important affiliates to strengthen management to prevent their environmental and social risks from infecting Party B;
- 16.13.6 Party B shall inform Party A of the relevant situation of environmental and social risk control in time, including but not limited to various permits, approvals and ratifications related to the environment, society and risk in the process of construction commencement, construction, operation and shutdown; assessment and inspection of environmental and social risks of Party B or its important affiliates by the environmental and social risk supervision organization or its recognized organization; supporting construction and operation of environmental facilities; discharge and compliance of pollutants; safety and health of Party B's employees; major complaints and protests from neighboring communities against Party B or its important affiliates; major environmental and social claims; other major situations that Party A deems to be related to environmental and social risks;
- 16.13.7 Party B shall perform other matters that Party A deems to be related to the control of environmental and social risks.
- 16.14 With respect to a mortgage loan for a small enterprise, Party B shall ensure that the settlement, payment and other revenue and expenditure activities are mainly carried out in the bank settlement account opened with Party A. Party B's settlement transaction share in such account during the loan period shall not be less than the share of Party B's financing amount from Party A in Party B's financing from all the banks.

- 16.15 If the balance of the margin account is less than 95% of the specific loan amount due to the fluctuation of the exchange rate when Party B provides margin pledge, Party B is obligated to add the corresponding amount of the margin or any other guarantee according to Party A's requirements.
- 16.16 Party B undertakes that during the loan period, the undistributed profit shall not be distributed to shareholders as dividends without the approval of Party A.
- 16.17 Party B shall strictly observe and implement relevant national anti-money laundering policies and regulations in business activities, and observe and implement the provisions of Party A's anti-money laundering system documents according to Party A's requirements.

Part 7 Rights and Obligations

17. Party A's Rights and Obligations

- 17.1 Party A has the following rights:
- 17.1.1 Party A has the right to require Party B to repay the loan principal and interest on schedule;
- 17.1.2 Party A has the right to require Party B to provide various materials related to the loan;
- 17.1.3 Party A has the right to know about Party B's production, operation and financial activities;
- 17.1.4 Party A has the right to supervise Party B's use of the loan for the purpose agreed in this Contract;
- 17.1.5 If the loan under this Contract is used for project construction, Party A has the right to supervise the progress of the project and put forward suggestions and requirements;
- 17.1.6 Party A has the right to supervise the account opened by Party B with Party A and entrust any institution of China Merchants Bank other than Party A to supervise Party B's account, and control the payment of loan funds according to the loan purpose and payment scope agreed by both parties; and when it is necessary for business operation, Party A has the right to unilaterally and directly suspend or restrict the corporate online banking / corporate APP / other online functions of Party B's account (including but not limited to closing the corporate online banking / corporate APP / other online functions, and presetting a payment object list / a single payment limit / a stage payment limit or other restrictive measures) and other electronic payment channels, restrict the sale of settlement vouchers, or restrict the non-face-to-face payment and transfer of Party B's account as well as the payment and withdrawal functions of non-counter channels such as telephone banking and mobile banking;
- 17.1.7 Party A has the right to directly deduct the loan principal and interest and other related expenses from any account of Party B in China Merchants Bank (when the loan provided by Party A is not RMB, Party A has the right to purchase foreign exchange directly from Party B's RMB account according to the exchange rate announced by Party A at the time of deduction, so as to repay the loan principal, interest and expenses);

- 17.1.8 Party A has the right to transfer its creditor's rights against Party B, and has the right to notify Party B of such transfer by any means it thinks fit, including without limitation fax, mail, personal delivery, or announcement on public media, and demand payment from Party B;
- 17.1.9 If Party B fails to perform the obligations stipulated in this Contract, Party A has the right to take measures according to the provisions of this Contract;
- 17.1.10 When Party A finds that Party B is involved in any of the circumstances stipulated in Article 18.2.6 of this Contract, Party A has the right to require Party B to implement the safeguard measures for the safe repayment of the loan principal and interest and all related expenses under the Contract according to Party A's requirements, and also has the right to directly take one or more remedial measures stipulated in the "Handling of an Event of Default" in this Contract;
- 17.1.11 Party A has other rights stipulated in this Contract.
- 17.2 Party A bears the following obligations:
 - 17.2.1 Party A shall grant the loan to Party B according to the conditions stipulated in this Contract;
 - 17.2.2 Party A shall maintain the confidentiality of Party B's debt, finance, production and operation information, unless otherwise stipulated by laws and regulations, otherwise required by regulatory authorities, or provided to Party A's higher or subordinate organizations, or external auditors, accountants or lawyers or other professional organizations that bear the same confidentiality obligations.

18. Party B's Rights and Obligation

- 18.1 Party B has the following rights:
 - 18.1.1 Party B has the right to withdraw and use all the loans according to the provisions of the Contract;
 - 18.1.2 Party B has the right to require Party A to bear the obligations for the confidentiality of the information provided by Party B according to the provisions of this Contract.
- 18.2 Party B bears the following obligations:
 - 18.2.1 Party B shall truthfully provide the documents and materials required by Party A as well as the information on all its account opening banks, account numbers and balances of deposits and loans, and cooperate with Party A in investigation, examination and inspection;
 - 18.2.2 Party B shall accept the supervision of Party A on its use of credit funds and relevant production, operation and financial activities; cooperate with Party A in the inspection of financial data and materials related to the fixed assets project under this Contract, facilitate Party A's on-site inspection of Party B, and promptly take reasonable handling measures with respect to Party A's suggestions or requirements;

- 18.2.3 Party B shall use the loan according to the purpose agreed in this Contract and comply with Party A's requirements on loan fund payment management; and regularly report the loan fund payment to Party A according to Party A's requirements;
- 18.2.4 The loan principal and interest shall be paid in full and on time according to the provisions of this Contract;
- 18.2.5 In case of transfer of all or part of the debts under this Contract to a third party, the written consent of Party A shall be obtained;
- 18.2.6 In case of any of the following circumstances, Party B shall immediately inform Party A and actively implement the safeguard measures for full and timely repayment of the loan principal and interest and all other expenses under this Contract according to Party A's requirements:
- 18.2.6.1 Any major financial loss, asset loss or other financial crisis occurs;
- 18.2.6.2 Party B provides a third party with a loan exceeding RMB ONE MILLION or provides a guarantee for a third party's debt exceeding RMB ONE MILLION;
- 18.2.6.3 Its credit situation declines and the profitability of its main business is weakened;
- 18.2.6.4 Its business is suspended, its business license is revoked or canceled, application for bankruptcy or dissolution is made by or against it, or its important enterprise information is changed, such as change of its enterprise name, registered address, place of operation, beneficial owner and other information;
- 18.2.6.5 Its controlling shareholder, actual controller and other affiliates have a major crisis in terms of operation or finance, which affects its normal operation;
- 18.2.6.6 The Borrower's legal representative / main leader, director or important senior executive is changed, or is punished / restricted in terms of personal freedom by the competent state authorities for violation of laws and discipline, or is missing for more than 7 days, which affects the normal operation of the Borrower;
- 18.2.6.7 The Borrower's shareholder or equity is changed by more than 1%, or its registered capital is changed, or its business mode and business scope are significantly adjusted;
- 18.2.6.8 The Borrower has significant related transactions with its controlling shareholder and other affiliates, which affects its normal operation;
- 18.2.6.9 There is any lawsuit, arbitration or criminal or administrative punishment that causes material adverse consequences to its business or property status;
- 18.2.6.10 The progress of the project obviously lags behind the progress of fund utilization, or the project demolition is involved in any major dispute;
- 18.2.6.11 Party B or its actual controller conducts private usury financing;

- 18.2.6.12 There occurs any other major event that may affect its solvency.
- 18.2.7 Party B shall not be slack in managing and recovering its creditor's rights due and payable, or dispose of the existing main property free of charge or in any other improper way; without the written consent of Party A, Party B shall not create any third party's rights and interests on the project assets (including but not limited to mortgage, pledge, transfer, alienation guarantee or financial lease), or use its own property (right) to create any mortgage or pledge to others or provide an external guarantee.
- 18.2.8 **Party B shall first obtain the written consent of Party A before occurrence of its merger, division, reorganization, equity transfer, joint venture (cooperation), property right transfer, shareholding system transformation, foreign investment, substantial increase of debt financing or other major matter;**
- 18.2.9 Party B shall regularly report the payment of project construction funds to Party A according to Party A's requirements, and ensure that the project construction funds are not in arrears.
- 18.2.10 Party B shall not be involved in land hoarding, land speculation, property hoarding or housing resource hoarding, default on land transfer fees, participate in the handling of "false mortgage loans", conduct double financing or excessive financing through the same project, or defraud the bank of loan funds, or otherwise violate laws and rules.

Part 8 Default Clause

19. Event of Default
- 19.1 If any of the following circumstances occurs to Party B, an event of default shall be deemed to have occurred:
- 19.1.1 Party B fails to withdraw and use the loan according to the provisions of this Contract, or fails to repay the principal, interest and expenses of the loan in full and on time according to the provisions of this Contract, or Party B fails to receive and pay the project fund according to the requirements of Party A, or fails to accept the supervision of Party A, or fails to make corrections immediately according to the requirements of Party A;
- 19.1.2 Party B fails to satisfy the requirements of the statements and warranties in this Contract, or breaches the provisions of this Contract, and fails to make corrections immediately according to the requirements of Party A;
- 19.1.3 Party B fails to carefully fulfill / fails to satisfy the statements and warranties on the management of environmental and social risks, or is punished by the relevant government departments due to poor management of environmental and social risks, or receives strong queries from the public and / or the media due to poor management of environmental and social risks, or is involved in any other event of default related to environmental and social risk management agreed with Party A, including cross-default events;

- 19.1.4 Party B breaks through all the financial index limits stipulated in this Contract and fails to make corrections within 1 month after Party B breaks through such limits;
- 19.1.5 Party B fails to report the payment of project construction funds according to the requirements of Party A, and Party A requires Party B to make corrections within a time limit, but Party B fails to do so within the time limit; or Party A deems that the safe recovery of Party A's loan is affected by serious default on project construction funds;
- 19.1.6 Party B is involved in a material default matter under the legal and valid contract signed with another creditor of Party B, and fails to solve such matter satisfactorily within three months from the date of occurrence of such default.

A material default matter means that Party B's default entitles its creditors to claim compensation in the amount of more than RMB ONE MILLION.

- 19.1.7 Party B uses the loan by "breaking up the whole into parts" to avoid the requirement that Party B should entrust Party A to pay the loan fund to the third party according to the requirements of this Contract;
- 19.1.8 Party B's financial indices fail to continuously comply with the requirements of this Contract; or any of the preconditions (if any) agreed herein with respect to Party A's provision of the loan / financing to Party B are not continuously satisfied.
- 19.1.9 Party B's business activities may bring anti-money laundering or sanction compliance risks to Party A;
- 19.1.10 Party B breaches other obligations stipulated in this Contract, or is involved in any other circumstance that Party A has the reasonable ground to deem affects its legal rights and interests.
- 19.2 If any of the following circumstances occurs to the surety, Party A requires Party B to make corrections within a time limit, or requires Party B to add or replace the guarantee conditions, but the surety or Party B fails to cooperate, an event of default shall be deemed to have occurred:
 - 19.2.1 One of the circumstances similar to those mentioned in Articles 18.2.6, 18.2.7 and 18.2.8 of the Contract occurs;
 - 19.2.2 When a letter of guarantee is issued, Party B conceals its actual ability to undertake the guarantee liability, or fails to obtain the authorization of the competent authority;
 - 19.2.3 Party B fails to handle the procedures for registration, the annual report of the enterprise and / or the renewal / extension of the business term on time;
 - 19.2.4 Party B is slack in managing and recovering its creditor's rights due and payable, or dispose of the existing main property free of charge or in any other improper way.
- 19.3 If one of the following circumstances occurs to the mortgagor (or the pledgor), Party A requires the mortgagor (or the pledgor) to make corrections within a time limit, or requires Party B to add or replace the guarantee conditions, but the mortgagor (or the pledgor) or Party B does not cooperate, an event of default shall be deemed to have occurred:

- 19.3.1 There is no ownership of or disposition right to the mortgaged (or pledged) property, or the ownership is disputed;
- 19.3.2 The mortgaged (or pledged) property has not gone through the mortgage / pledge registration procedures, or has been leased, sealed up, detained or supervised, and has the priority of common ownership / legal precedence (including but not limited to the priority of construction project funds), and / or conceals the occurrence of such circumstance;
- 19.3.3 The mortgagor transfers, leases, re-mortgages or disposes of the mortgaged property in any improper way without the written consent of Party A; or, although the mortgagor has obtained the written consent of Party A, the proceeds from the disposal of the mortgaged property are not used to repay the debts owed by Party B to Party A according to the requirements of Party A;
- 19.3.4 The mortgagor fails to properly keep, maintain and repair the mortgaged property, which causes the value of the mortgaged property to be obviously reduced; the act of the mortgagor directly endangers the mortgaged property, which causes the value of the mortgaged property to be obviously reduced;
- 19.3.5 During the mortgage period, the mortgagor fails to purchase / renew the insurance for the mortgaged property according to the requirements of Party A;
- 19.3.6 When the risk of expropriation and demolition occurs or may occur to the mortgaged property, the mortgagor fails to inform Party A immediately and perform the relevant obligations according to the provisions of the mortgage contract ;
- 19.3.7 If the mortgagor provides a residual value mortgage guarantee for the business under this Contract with its property mortgaged with China Merchants Bank, the mortgagor settles his personal mortgage loan in advance without the consent of Party A before Party B pays off the debts under this Contract.
- 19.3.8 If the pledgor has pledged financial products, the source of subscription funds for such financial products is illegal / non-compliant.
- 19.3.9 Any other matter that affects the value of the mortgaged (pledged) property or Party A's mortgage (pledge) right occurs or may occur.
- 19.4 When the guarantee under this Contract includes the pledge of accounts receivable, if the debtor of the accounts receivable debtor is involved in obvious business deterioration, transfers property / illegally withdraws funds to evade debts, colludes with the pledgor of the accounts receivable to change the collection path so that the collected amount of the accounts receivable is not deposited in the special collection account, loses its business reputation, loses or may lose the ability to perform the contract or is involved in any other material matter affecting its solvency, Party A has the right to require Party B to provide a corresponding guarantee or provide new effective accounts receivable for the pledge; if Party B fails to provide, an event of default shall be deemed to have occurred.

20. Handling of an Event of Default

Once any such event of default occurs, Party A has the right to take any of the following measures simultaneously or respectively, and Party B has no objection to that:

- 20.1 Stop granting the unused loan of Party B;
- 20.2 Recover the loan principal and interest and related expenses in advance;
- 20.3 Directly freeze / deduct the deposits in the settlement account or other accounts of Party B, and entrust other institutions of China Merchants Bank to freeze / deduct the deposits of Party B in such institutions, so as to pay off all the debts of Party B under this Contract, or stop opening new settlement accounts for Party B, and stop opening new credit cards for Party B's representative;
- 20.4 Submit Party B's default and credit breach information to the credit organization and the banking association, and have the right to share such information among banking institutions and even publicize such information the public by appropriate means;
- 20.5 Dispose of the mortgaged / pledged property and / or claim compensation from the surety according to the provisions of the guarantee text;
- 20.6 Change the entrusted payment conditions of the loan fund and cancel Party B's use of the loan in the manner of "independent payment";
- 20.7 Party A may also directly require Party B to provide other property acceptable to Party A as a new guarantee. If Party B fails to provide a new guarantee as required, it shall bear liquidated damages equivalent to 30% of the loan amount under this Contract.
- 20.8 Conduct recourse according to the provisions of this Contract.
- 21. The amount recovered by Party A shall be repaid in the order from the last to the first according to the maturity date of the loan of each phase. The specific repayment order of the loan of each phase shall be in the order of expenses, liquidated damages, compound interest, penalty interest, interest and finally the loan principal until all the principal and interest and all the related expenses thereof are paid off.

Party A has the right to unilaterally adjust the above repayment order unless otherwise required by laws and regulations.

Part 9 Change and Rescission of the Contract

- 22. This Contract may be changed or terminated after both parties reach a consensus through negotiation and enters into a written agreement. Before a written agreement is entered into, this Contract shall remain valid. Neither party may unilaterally change, modify or terminate this Contract without authorization.

23. Changes in Circumstances and Force Majeure

- 23.1 If Party A's loan behavior under this Contract becomes illegal due to the change of applicable laws or policies, Party A has the right to terminate this Contract and announce that all the loans granted are due ahead of schedule, and Party B shall immediately repay such loans according to the requirements of Party A.
- 23.2 If Party A's performance of the loan obligations under this Contract results in additional costs due to the change of applicable laws and policies, Party A shall be responsible for reimbursing the additional costs incurred by Party A according to the requirements of Party A.
- 23.3 If one party or both parties encounter an event of force majeure during the performance hereof, the party suffering from the event of force majeure is not required to bear compensation liability for the losses hence suffered by the other party, but it is obligated to inform the other party in time and take reasonable measures to prevent the losses from increasing; otherwise such party is obligated to compensate the other party for the increased losses.

24. Reservation of Rights

During the term of this Contract, Party A's tolerance, grace or deferred performance of its interests or rights hereunder to any breach or delay of Party B shall not damage, affect or restrict all the interests and rights that shall be enjoyed by Party A as a creditor according to this Contract and relevant laws and regulations, or be treated as Party A's permission or recognition of any breach of this Contract, or deemed as Party A's waiver of the right to take action against the existing or future breach.

25. Partial Invalidity

If this Contract becomes legally invalid for any reason or some clauses become invalid, Party B shall still perform all the repayment responsibilities. If the said circumstance occurs, Party A has the right to terminate this Contract, announce that all the loans granted are due ahead of schedule, and immediately recover the loan principal and interest and other relevant funds hereunder from Party B.

26. Notice

- 26.1 Any notice, demand or other document between Party A and Party B in connection with this Contract shall be sent in writing (including but not limited to letters, faxes, e-mails, corporate online banking / corporate APP and other electronic platforms, SMS or WeChat, etc.). If it is delivered by hand (including but not limited to the service of lawyers / notaries, express delivery, etc.), it shall be deemed to have been served at the time of receipt by the receiver (If the receiver rejects it, it shall be deemed to have been served on the rejection date / return date or seven days after the mailing date (whichever is earlier); if it is delivered by postal letter, it shall be deemed to have been served seven days after mailing; if it is sent by fax, e-mail, Party A's electronic platform notice, SMS or WeChat or other electronic means, the date when the sender's corresponding system displays the successful sending thereof shall be deemed as the date of service.

If Party A notifies Party B of the transfer of the creditor's rights or demands payment from Party B by means of announcement on the public media, such notice shall be deemed to have been served on the date of announcement.

If either party changes its contact address, e-mail address, fax number or mobile phone number, WeChat number, etc., it shall notify the other party of the changed information within five working days from the date of such change; otherwise the other party has the right to deliver the information according to the original contact address or contact information. If unsuccessful service results from the change of the contact address or information, the date of return or three days after sending (whichever is earlier) shall be deemed as the date of service. The changing party shall solely bear the loss that may be caused thereby, which does not affect the legal effect of service.

- 26.2 The contact addresses, e-mail addresses, fax numbers, mobile phone numbers, We-Chat numbers, etc. listed in this Contract shall also be used as their respective addresses for service of notarial instruments and judicial instruments (including but not limited to the pleadings / arbitration application, evidence, summons, the notice of response to action, the notice of proof, the notice of court trial, the hearing notice, the judgment / award, the written ruling, the letter of mediation, the notice of performance within a time limit, and other legal instruments at the stages of trial and performance), and when the accepting court or the notary office delivers any such instrument to such service address in the manner specified in this Contract, such instrument shall be deemed to have been effectively served (For the specific service standard, refer to the provisions of the preceding paragraph).

27. Components of the Contract

Any written supplementary agreement entered into by Party A and Party B with respect to any matters not covered herein and any changed matters through negotiation, the attachments under this Contract, the drawdown application, the loan note and other business documents constitute an integral part of this Contract.

Both parties agree that for the specific drawdown application, the loan note and other business documents and vouchers, it is sufficient that Party B affixes the reserved seal in Party A with the consent of Party A, and both parties recognize the validity of such seal.

28. Business Operation

In order to facilitate business handling, Party A's operations related to the loan (including but not limited to acceptance of the application, review of materials, loan granting, transaction confirmation, deduction, inquiry, receipt printing, collection, deduction of funds and various notices) may be handled by any business outlet under Party A's jurisdiction, and relevant correspondence will be generated, issued or provided by such business outlet; the business operation and correspondence of the outlet under Party A's jurisdiction shall be deemed as the behavior of Party A and shall be binding upon Party B.

29. Other Agreements

- 29.1 Before each drawdown, Party B shall ensure that the project capital, self-raised funds and the drawdown amount are in place according to the following requirements: The capital contribution percentage of the self-owned funds shall not be less than 30%, and shall be in place in the same proportion as the fixed assets loan;
- 29.2 Party B shall ensure that all the financial indices of Party B during the loan period shall not be lower than the following requirements:
The asset-liability ratio is not higher than : / , and the total financing amount does not exceed: /
- 29.3 The content and form of the supporting documents for the use of the loan fund as submitted by Party B at the time of entrusted payment shall comply with the following requirements in content and form: /
- 29.4 The special requirements made by Party A for the project capital of the project related to the specific loan under the Contract are as follows:
 /
- 29.5 Other Agreed Matter: During the credit extension period, Party B's clinical trial data, financing progress, listing process and other important business information shall be reported to Party A in time. If Party B's clinical trial is declared to fail or Party B's equity financing is not in place as of March 31, 2021, Party B shall be deemed to have breached the Contract, and Party A has the right to take various remedial measures stipulated in this Loan Contract against such breach.

Part 11 Governing Law and Dispute Resolution

30. Governing Law

The conclusion, interpretation and dispute resolution of this Contract shall be governed by the laws of the People's Republic of China (excluding the laws of Hong Kong, Macao and Taiwan), and the rights and interests of Party A and Party B shall be protected by the laws of the People's Republic of China.

31. Dispute Resolution

- 31.1 In case of any dispute between Party A and Party B during the performance of this Contract, both parties shall endeavor to resolve such dispute through negotiation. If such negotiation fails, either party may act as follows (Check the box before the chosen one):
- ☒ 31.1.1 File a lawsuit with the people's court with jurisdiction in the place where Party A is located;
- ☐ 31.1.2 File a lawsuit with the people's court with jurisdiction in the place where the Contract is signed, and such place is: / ;

☐31.1.3 Apply to (Insert the name of the arbitration institution) for arbitration according to its arbitration rules in force at that time. The place of arbitration is .

31.2 After this Contract has been notarized by both parties with the force of enforcement, in order to claim the mature debts owed by Party B under this Contract, Party A may directly apply to the people's court with jurisdiction for enforcement.

32. Effectiveness of the Contract

This Contract shall come into force on the date when the legal representatives / leaders of both parties or their authorized agents sign / affix their official seals / contract-specific seals to this Contract, and shall automatically become invalid until all the loan principal and interest and all other relevant expenses under this Contract are paid off.

33. Supplementary Provisions

This Contract is made in two copies, and both copies have the same force. Each Party, and / holds one copy.

Note:

All the clauses of this Contract have been fully negotiated by both parties. Party A has drawn Party B's special attention to clauses with respect to exemption or limitation of Party A's liabilities, Party A's unilateral possession of certain rights, increase of Party B's liabilities or limitation of Party B's rights, and has caused Party B to have a full and accurate understanding thereof. Party A has explained the said clauses at the request of Party B. Both parties hereto have an identical understanding of the causes of this Contract.

(The remainder of this page is intentionally left blank)

(The following are the signature columns of the Fixed Asset Loan Contract numbered 512HT2020104831)

Party A

/s/ China Merchants Bank Co., Ltd. Suzhou Branch
China Merchants Bank Co., Ltd. Suzhou Branch

Main Leader or Authorized Agent (Signature / Name Seal):

Contact Address: CMB Building, 36 Wansheng Street, Suzhou Industrial Park, Jiangsu Province

Bank E-mail Box: /

Bank Fax Number: /

Contact Person's Mobile Phone Number: /

Bank WeChat Number: /

Party B

/s/ Suzhou Gracell Biotechnologies Co., Ltd.
Suzhou Gracell Biotechnologies Co., Ltd.

Legal Representative / Head or Authorized Agent (Signature / Name Seal):

Contact Address: Building No. 12, Area B, Phase II, Biomedical Industrial Park, 218 Sangtian Street, Suzhou Industrial Park, Jiangsu Province

Company E-mail Box: /

Company Fax Number: /

Contact Person's Mobile Phone Number: /

Company WeChat Number: /

Date: July 24, 2020

EXCLUSIVE LICENSE AGREEMENT

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because Gracell Biotechnologies Inc. has determined it is not material and would be competitively harmful if publicly disclosed.**

THIS AGREEMENT is made and entered into on ____April 19th____, 2017 (hereinafter “EFFECTIVE DATE”) by and between ProMab Biotechnologies, Inc. a _____ corporation, whose address is 2600 Hilltop Drive, Building B, Suite C320, Richmond, CA 94806 USA (hereinafter “PROMAB”) and Unitex Capital Ltd., a BVI limited liability company, whose address is 1208 E. Arques Ave., Sunnyvale, CA 94085 (hereinafter “LICENSEE”). PROMAB and LICENSEE are sometimes hereinafter referred to individually as a “Party” and collectively as the “Parties”.

WHEREAS, in the course of research conducted at PROMAB, certain employees of PROMAB (“Inventor”) has produced a list of Chimeric Antigen Receptor T cells (CAR-T) intellectual properties for cancer immune therapies (CAR-T IP);

WHEREAS, PROMAB wishes to have the invention claimed in the LICENSED TECHNOLOGIES and any resulting patents commercialized to benefit the public good;

WHEREAS, LICENSEE is experienced in developing and commercializing products similar to the LICENSED TECHNOLOGY and shall act diligently to develop and commercialize the LICENSED TECHNOLOGY for public use throughout the LICENSED TERRITORY (as defined below); and

WHEREAS, PROMAB is willing to grant an exclusive license to its rights in the LICENSED TECHNOLOGIES to LICENSEE and LICENSEE desires to receive such an exclusive license to the LICENSED TECHNOLOGIES solely for the market of LICENSED TERRITORY, subject to the terms and conditions of this Agreement.

WHEREAS, under a certain “CAR-T Cell Therapy Phase I Collaborative Clinical Trail ([***) agreement” executed between PROMAB and First Affiliated Hospital of Harbin Medical University as attached in Appendix C, PROMAB had provided part of the LICENSED TECHNOLOGY to [***].

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises herein made and exchanged, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PROMAB and LICENSEE agree as follows:

ARTICLE 1 INCORPORATION OF RECITALS AND DEFINITIONS

1.1. The foregoing recitals are hereby incorporated herein by reference and acknowledged as true and correct. Unless specifically set forth to the contrary in this Agreement, the following terms, whether used in the singular or plural, shall have the respective meanings set forth below.

1.2. "AFFILIATE" shall mean any entity or person that directly or indirectly controls, is controlled by or is under common control with LICENSEE or PROMAB. For purposes of this definition, "control" means possession of the power to direct the management of such entity or person, whether through ownership of more than fifty percent (50%) of voting securities, by contract or otherwise

1.3. "CHANGE OF CONTROL" shall mean

- 1) any consolidation, merger, combination, reorganization or other transaction in which the party is not the surviving entity other than a transaction, the principal purpose of which is to effect a change in domicile or the form of entity of the party;
- 2) the shares of stock of the party constituting in excess of fifty percent (50%) of the voting power are exchanged for or changed into other stock or securities, cash, and/or other property other than in the context of a financial transaction; or
- 3) a sale or other disposition of all or substantially all of the assets of the party, or the permitted assignment of this Agreement pursuant to Article 16.6.

1.4. "COMPASSIONATE USE" means legally permitted use of a LICENSED TECHNOLOGY in a market where the LICENSED TECHNOLOGY has not been approved for commercial sale, for purposes of (i) treating patients in a single patient trial; or (ii) providing expanded access outside of a clinical trial to patients with serious or life-threatening conditions who do not meet the enrollment criteria for a clinical trial.

1.5. "CONFIDENTIAL INFORMATION" shall mean all information disclosed by one party to the other during the negotiation of or under this Agreement in any manner, whether orally, visually or in tangible form, that relates to LICENSED TECHNOLOGIES, or the Agreement itself, unless such information is subject to an exception described in Article 7.2. CONFIDENTIAL INFORMATION shall include, without limitation, the following, whether or not patentable: materials, know-how and data (whether technical or non-technical), trade secrets, inventions, methods and processes. Notwithstanding any other provisions of this Article 1.5, CONFIDENTIAL INFORMATION of LICENSEE that is subject to Article 7 of this Agreement is limited to information that LICENSEE supplies pursuant to LICENSEE's obligations under Articles 6 and 8 of this Agreement, unless otherwise mutually agreed to in writing by the parties. PROMAB Confidential Information may include certain Confidential Information of other third-parties that is obtained by PROMAB in accordance with one or more agreements between PROMAB and the applicable third party.

1.6. INTENTIONALLY LEFT BLANK.

1.7. "EFFECTIVE DATE" is defined in the introductory paragraph of this Agreement.

1.8. "FIELD" shall mean Human Therapeutics.

1.9. “FIRST COMMERCIAL SALE” shall mean (a) a NET SALE, as defined below, made after the LICENSED TECHNOLOGY has received regulatory approval for commercial sale, (ii) the sale is a for-profit sale, and (iii) a minimum of ten (10) different patients have been treated as a result of such for-profit sales. For the avoidance of doubt, a COMPASSIONATE USE, whether the result of a sale or not, shall not constitute and shall not be considered a FIRST COMMERCIAL SALE.

1.10. “IMPROVEMENTS” shall mean, including but not limited to, any improvements, derivative works, inventions, enhancements, technical advances, modifications, adaptations, new models, or data, including data resulting from failed or successful tests or trials, created based upon or derived from the LICENSED TECHNOLOGY.

1.11. “INDEPENDENTLY DEVELOPED IP” shall mean any and all patents, patent applications, inventions (whether patentable or not), copyrights, works of authorship, trade secrets, know-how, and all other proprietary or confidential information conceived or developed by an employee(s) or agent(s) of LICENSEE independently of PROMAB, that are not based on or derived from the LICENSED TECHNOLOGY, and that are not conceived or developed in performance of the LICENSEE’S obligations under this Agreement.

1.12. “INTELLECTUAL PROPERTY RIGHTS” means rights in all inventions, patents or patent applications (including all kinds of the same such as utility, process, method, or design), copyrights, trademarks, service marks, trade dress, trade secrets, know-how, utility models, industrial designs, mask works, moral rights, works, or other data or information whether or not protectable under any applicable law of the United States or a foreign country, including the right to file for registration or protection for the same and all renewals, continuations, divisionals, reexaminations, and extensions thereof, whether or not such rights have been applied-for, patented or registered in any jurisdiction .

1.13. “LICENSE” refers to the license granted under Article 2.1.

1.14. “LICENSED TECHNOLOGY” or “LICENSED TECHNOLOGIES” shall mean any process(es), product(s), machine(s), manufacture, composition of matter, apparatus, kit, or any part thereof, which incorporate, embody, utilize, or are claimed in (i) any patent application and patent listed in Appendix A, which is incorporated into this Agreement; (ii) any continuations, divisionals, and continuations-in-part, to the extent the claims of any such patent applications are directed to subject matter specifically described in the patents and patent applications listed in (i) and any patents that issue therefrom; (iii) any patents or patent applications that claim priority to any of the patents or patent applications listed in (i) or (ii); (iv) any reissues, re-examinations, extensions or substitutions of the patents listed in (i), (ii) or (iii); and (v) the relevant international equivalents of any of the foregoing; provided, however, INDEPENDENTLY DEVELOPED IP shall be excluded.

1.15. “LICENSED TERRITORY” shall mean Greater China, including the People’s Republic of China (PRC), Taiwan, Hong Kong, Macau and all of China’s Special Administrative Regions (SAR).

1.16. "NET SALES" shall mean net sales as defined by United States Generally Accepted Accounting Principles (U.S GAAP), namely, the total dollar amount invoiced on sales of LICENSED TECHNOLOGY by LICENSEE and SUBLICENSEE(s), less the deduction of returns, allowances for damaged or missing goods, and any discount customary in the trade and actually allowed. For avoidance of double, NET SALES shall not include the gross invoice price for LICENSED TECHNOLOGIES used by, sold to, or leased to, any AFFILIATE or SUBLICENSEE unless such AFFILIATE or SUBLICENSEE is the final customer of such LICENSED TECHNOLOGIES, in which case such NET SALES shall be calculated using the average gross invoice price charged to third parties who are not AFFILIATES or SUBLICENSEES during the same quarter. For the avoidance of doubt, any COMPASSIONATE USES, whether the result of a sale or not, shall not constitute and shall not be considered NET SALES.

1.17. "PHASE I CLINICAL TRIAL" shall mean a human clinical trial approved by appropriate regulatory bodies, the principal purpose of which is to determine toxicity, absorption, metabolism and/or safe dosage range in patients with the disease target being studied as required in 21 C.F.R. §312.21(a) or its foreign equivalent.

1.18. "PHASE II CLINICAL TRIAL" shall mean a human clinical trial approved by appropriate regulatory bodies, the principal purpose of which is to evaluate the effectiveness of a drug for a particular indication in patients with the disease and to determine the common short-term side effects and risks associated with the drug as required in 21 C.F.R. §312.21(b) or its foreign equivalent.

1.19. "PHASE III CLINICAL TRIAL" shall mean expanded controlled and uncontrolled human clinical trials approved by appropriate regulatory bodies, performed after preliminary evidence suggesting effectiveness has been obtained, and is intended to gather the additional information about effectiveness and safety that is needed to evaluate the overall benefit-risk relationship of the drug and to provide an adequate basis for physician labeling, as required in 21 C.F.R. §312.21(c) or its foreign equivalent.

1.20. "REASONABLE COMMERCIAL EFFORTS" shall mean documented efforts that are consistent with those utilized by companies of similar size and type to LICENSEE that have successfully developed products and services similar to LICENSED TECHNOLOGIES in the FIELD.

1.21. "SUBLICENSEE" shall mean any third party sublicensed by LICENSEE or otherwise granted any other right, license, privilege or immunity to make, have made, use, sell, have sold, import or export any LICENSED TECHNOLOGY.

1.22. "TERM" is defined in Article 2.4.

ARTICLE 2 LICENSE GRANT AND TERM

2.1. Subject to all the terms and conditions of this Agreement, PROMAB hereby grants to LICENSEE an exclusive license to its rights under the LICENSED TECHNOLOGIES, with the right to grant sublicenses, to make, have made, use, sell, have sold, import or export LICENSED TECHNOLOGIES within the FIELD in the LICENSED TERRITORY (the "LICENSE") provided this Agreement is in effect and LICENSEE is not in material breach of its obligations hereunder.

i. In the event that PROMAB develops any IMPROVEMENTS to the LICENSED TECHNOLOGY that may be useful to LICENSEE'S efforts to commercialize the LICENSED TECHNOLOGY, PROMAB will promptly notify LICENSEE of such IMPROVEMENTS and disclose such IMPROVEMENTS to LICENSEE. PROMAB shall not disclose or license any such IMPROVEMENTS to a third party until after LICENSEE had the opportunity to evaluate the same for purposes of licensing such IMPROVEMENTS.

ii. In the event PROMAB or a third party desires to describe in a scholarly or scientific publication, prior to taking any steps to publishing any such publication, PROMAB will first consult with LICENSEE so that LICENSEE can determine whether any CONFIDENTIAL INFORMATION of LICENSEE'S is at risk of disclosure or publication. LICENSEE has thirty (30) days to review and determine whether any CONFIDENTIAL INFORMATION of LICENSEE'S should be redacted. PROMAB agrees to redact LICENSEE'S CONFIDENTIAL INFORMATION in such proposed disclosure or publication.

2.2. Unless terminated earlier as provided in Article 12, the term of the LICENSE ("the TERM") shall commence on the EFFECTIVE DATE and shall automatically expire on the later of: (a) the date on which the last of the claims of the patents described in the LICENSED TECHNOLOGIES expires, lapses or is declared to be invalid by a final, non-appealable decision of a court of competent jurisdiction through no fault or cause of LICENSEE; or (b) twenty (20) years after the EFFECTIVE DATE.

ARTICLE 3 SUBLICENSES

3.1. LICENSEE shall have the right to grant sublicenses to SUBLICENSEES under this Agreement solely for the market of LICENSED TERRITORY without PROMAB's prior written consent. Any agreement granting SUBLICENSEE shall state that the SUBLICENSE is subject to the terms and conditions of this Agreement and to the termination of this Agreement.

ARTICLE 4 PAYMENTS/CONSIDERATION

4.1. License Issue Fee

LICENSEE shall pay to PROMAB a non-refundable license issue fee of [***] within three (3) days of the EFFECTIVE DATE.

4.2. Delivery Payment

LICENSEE shall pay to PROMAB a non-refundable license delivery fee of [***] within six month of the EXECUTIVE DATE, provided that: [***];

4.3. Additional Sub-License Fee

LICENSEE shall pay to PROMAB a non-refundable sub-licensee fee of [***] for an additional exclusive sub-license of GTR as CAR-T costimulatory molecule [***] from PROMAB to LICENSEE for use in the FIELD in the LICENSED TERRITORY. PROMAB will make due effort to assist LICENSEE to [***].

4.4. Milestone Payment:

In addition to all other payment required under this Agreement, LICENSEE agrees to pay PROMAB milestone payments upon complete execution of Article 4.2, as follows:

- i. a non-refundable milestone payment of [***] 60 days after IND filing of [***], whichever occurs first;
- ii. a non-refundable milestone payment of [***] after LICENSEE successfully treated [***] patients in a PHASE I CLINICAL TRIAL with [***];
- iii. a non-refundable milestone payment of [***] when LICENSEE successfully treated [***] patients in a PHASE I CLINICAL TRIAL with [***] and achieved [***];
- iv. a non-refundable milestone payment of [***] 60 days after IND approval for [***], in no event shall the aggregate be more than [***]
- v. a non-refundable milestone payment of [***] when LICENSEE obtains the China Food and Drug Administration (CFDA) approval for [***];

ARTICLE 5 INTENTIONALLY LEFT BLANK

ARTICLE 6 DUE DILIGENCE

6.1. LICENSEE shall use all REASONABLE COMMERCIAL EFFORTS to develop, commercialize, and market the LICENSED TECHNOLOGY with diligent research and development, testing, government approval, manufacturing, marketing and sale or lease of LICENSED TECHNOLOGY.

6.2. LICENSEE shall use all REASONABLE COMMERCIAL EFFORTS to implement the clinical trials and to obtain regulatory approval for the LICENSED TECHNOLOGY, and to diligently commercialize and develop markets for the LICENSED TECHNOLOGY.

6.3. LICENSEE shall deliver to PROMAB all records required by regulatory authorities to be maintained with respect to the sale and use of the LICENSED TECHNOLOGY, all documents, data and information related to clinical trials and other studies of LICENSED TECHNOLOGY, any other data, techniques, know-how and other information developed or generated that relate to the LICENSED TECHNOLOGIES or LICENSED TECHNOLOGY, and all copies and facsimiles of such materials, documents, information and files.

6.4. If at any time LICENSEE abandons or suspends its research, development, or marketing of the LICENSED TECHNOLOGY, or its intent to research, develop and market such products or methods, or otherwise fails to comply with its due diligence obligations under this Article for a period exceeding [***], LICENSEE shall immediately notify PROMAB giving reasons and a statement of its intended actions.

6.5. Provided that the CFDA has published executable guideline of CAR-T cell therapy new drug IND application (REGULATION DATE), LICENSEE agrees that PROMAB shall be entitled to terminate this Agreement pursuant to Article 12.1(b), and subject to LICENSEE'S right to cure as provided therein, upon the occurrence of any of the following:

- i. LICENSEE has failed to initiate a PHASE I CLINICAL TRIAL for a LICENSED TECHNOLOGY within [***] of the REGULATION DATE; or
- ii. LICENSEE has failed to initiate a PHASE II CLINICAL TRIAL for a LICENSED TECHNOLOGY within [***] of the REGULATION DATE; or
- iii. LICENSEE has failed to initiate a PHASE III CLINICAL TRIAL for a LICENSED TECHNOLOGY within [***] of the REGULATION DATE; or
- iv. LICENSEE has failed to achieve a FIRST COMMERCIAL SALEFIRST COMMERCIAL SALE within [***] of the REGULATION DATE.

ARTICLE 7 CONFIDENTIALITY AND PUBLICITY

7.1. Subject to the parties' rights and obligations pursuant to this Agreement, PROMAB and LICENSEE agree that during the term of this Agreement and for ten (10) years thereafter, each of them:

- i. will keep confidential and will cause their AFFILIATES and, in the case of LICENSEE, its SUBLICENSEES, to keep confidential, CONFIDENTIAL INFORMATION disclosed to it by the other party, by taking whatever action the party receiving the CONFIDENTIAL INFORMATION would take to preserve the confidentiality of its own CONFIDENTIAL INFORMATION, which in no event shall be less than reasonable care; and

ii. will only disclose that part of the other's CONFIDENTIAL INFORMATION to its officers, employees or agents that is necessary for those officers, employees or agents who need to know to carry out its responsibilities under this Agreement; and

iii. will not use the other party's CONFIDENTIAL INFORMATION other than as expressly set forth in this Agreement or disclose the other's CONFIDENTIAL INFORMATION to any third parties under any circumstance without advance written permission from the other party; and

iv. will, within sixty (60) days of termination of this Agreement, return all the CONFIDENTIAL INFORMATION disclosed to it by the other party pursuant to this Agreement except for one copy which may be retained by the recipient for monitoring compliance with this Article 7.

7.2. The obligations of confidentiality described above shall not pertain to that part of the CONFIDENTIAL INFORMATION that as established by written records:

i. is already in the recipient's possession prior to receipt from the disclosing party; or

ii. is in the public domain by use and/or publication at the time of receipt from the disclosing party, or enters into the public domain through no improper act of the receiving party; or

iii. is developed independently by the receiving party without reference to the information of the disclosing party; or

iv. is properly obtained by receiving party from a third party with a valid legal right to disclose such information and such third party is not under a confidentiality obligation to such information to the disclosing party; or

v. is required to be disclosed by law in the opinion of recipient's attorney, but only after the disclosing party is given prompt written notice and an opportunity to seek a protective order.

7.3. Except as required by law, or as may be necessary to obtain advice from its respective attorneys, financial advisors, or accountants or for such individuals to perform their duties, neither party may disclose the financial terms of this Agreement without the prior written consent of the other party.

ARTICLE 8 REPORTS

8.1. LICENSEE shall, within thirty (30) days after the calendar quarter in which NET SALES first occur, provide PROMAB with a written report, detailing the NET SALES and uses, if any, made by LICENSEE, its SUBLICENSEES and AFFILIATES of LICENSED TECHNOLOGY. NET SALES of LICENSED TECHNOLOGY shall be deemed to have occurred on the date of invoice for such LICENSED TECHNOLOGY. Each such report shall be signed by an officer of LICENSEE (or the officer's designee), and must include names and addresses of all SUBLICENSEES and the type and amount of any SUBLICENSE income received from each SUBLICENSEE.

ARTICLE 9 PATENT PROTECTION AND OWNERSHIP OF IMPROVEMENTS

9.1. To the extent of the trade secret is a basis for any patents or patent application, PROMAB shall advise LICENSEE in writing at such time as the applicable patent application is filed and any patent is subsequently allowed and issued. If LICENSEE believes that the LICENSED TECHNOLOGY including any inventions that are or may be patentable in the LICENSED TERRITORY, LICENSEE shall notify PROMAB, and the parties together shall consider the further actions that may be advisable to secure applicable patents.

9.2. PROMABM agrees that to the extent that LICENSEE developed or created any IMPROVEMENTS to or based upon the LICENSED TECHNOLOGIES following the EFFECTIVE DATE of this Agreement, namely April 19, 2017, in the LICENSED TERRITORY, LICENSEE is the sole owner of such IMPROVEMENTS, including all INTELLECTUAL PROPERTY RIGHTS therein.

9.3. Following the EFFECTIVE DATE of this Agreement, LICENSEE develops or creates any IMPROVEMENTS to or based upon the LICENSED TECHNOLOGY, including but not limited to any data or other information, LICENSEE shall be the sole owner of such IMPROVEMENTS or derivatives, including and comprising all INTELLECTUAL PROPERTY RIGHTS therein, with all rights to apply for and prosecute any applications for patents, trademarks and copyrights covering the same in the LICENSED TERRITORY. Cost for preparing and prosecuting such application shall be incurred by LICENSEE. PROMAB agrees that, if necessary, and at LICENSEE'S expense, it shall reasonably cooperate with LICENSEE in perfecting LICENSEE'S ownership in such IMPROVEMENTS by, including but not limited to executing and all further documents requested by LICENSEE that may be necessary or advisable to effectuate or perfect LICENSEE'S ownership in such IMPROVEMENTS.

9.4. PROMAB agrees to delegate to LICENSEE the responsibility to direct the filing, prosecution and maintenance of such patent applications and patents using independent patent counsel selected by LICENSEE in the LICENSED TERRITORY. Said independent patent counsel shall represent LICENSEE. LICENSEE shall have such responsibility to direct the filing, prosecution and maintenance of such patent applications and patents. The relevant cost shall include, but not limited to any future taxes, annuities, working fees, maintenance fees, renewal and extension charges. Payment of such cost shall be made by LICENSEE directly to the patent counsel.

9.5. With respect to any patent applications and patents contained in the LICENSED TECHNOLOGIES, the party responsible for directing prosecution (the "Prosecuting Party") and patent counsel shall (a) consult with the other party (the "Non-prosecuting Party") and keep the Non-prosecuting Party fully informed of the progress of the preparation, filing, prosecution and maintenance of such patent applications and patents, (b) consult with the Non-prosecuting Party and keep the Non-prosecuting Party fully informed about patent strategy with respect to such patent applications and patents, (c) provide to the Non-prosecuting Party advance copies of documents relevant to preparation, filing, prosecution and maintenance of such patent applications and patents sufficiently in advance of filing to allow the Non-prosecuting Party a reasonable opportunity to review and comment on such documents, (d) consider and implement all the Non-prosecuting Party's reasonable comments on such patent filings, and (e) provide the Non-prosecuting Party with final copies of such documents. The Prosecuting Party agrees to use commercially reasonable efforts to obtain broad and strong patent protection in the best interest of itself and the Non-prosecuting Party. The Prosecuting Party will not finally abandon any patent application, or make decisions that would have a material impact on the nature or scope of any claims without the Non-prosecuting Party's prior written consent.

9.6. LICENSEE shall apply, and shall require SUBLICENSEES to apply, the patent marking notices required by the law of any country where such LICENSED TECHNOLOGY are made, sold, used or shipped, including, but not limited to, the applicable patent laws of that country.

ARTICLE 10 INFRINGEMENT AND LITIGATION

10.1. Each party shall promptly notify the other in writing in the event that (a) it obtains knowledge of activity by third parties infringing or otherwise violating the INTELLECTUAL PROPERTY RIGHTS in the LICENSED TECHNOLOGIES, or (b) it is sued or threatened with an infringement suit, in any country in the LICENSED TERRITORY as a result of activities that concern the LICENSED TECHNOLOGIES, and shall supply the other party with documentation of the infringing activities that it possesses.

10.2. During the TERM of this Agreement:

i. LICENSEE shall have the first right, but not the obligation, to assert and defend rights in the LICENSED TECHNOLOGIES respecting infringement or other violation of INTELLECTUAL PROPERTY RIGHTS in the LICENSED TECHNOLOGIES by third parties in the FIELD and in the LICENSED TERRITORY using counsel of its own selection. This right includes bringing any legal action for infringement and defending any counter claim of a third party respecting the LICENSED TECHNOLOGIES such as a counter claim or declaratory judgment for invalidity, non-infringement, or unenforceability. If, in the reasonable opinion of LICENSEE's counsel, PROMAB is required to be a named party to any such suit for standing purposes, LICENSEE may join PROMAB as a party; provided, however, that (i) PROMAB shall not be the first named party in any such action, (ii) the pleadings and any public statements about the action shall state that the action is being pursued by LICENSEE and that LICENSEE has joined PROMAB as a party; and (iii) LICENSEE shall keep PROMAB reasonably apprised of all developments in any such action. LICENSEE may settle such suits only with PROMAB's prior written consent, which shall not be unreasonably withheld, conditioned, or delayed. LICENSEE shall bear the expense of such legal actions, including PROMAB's expenses. Except for providing reasonable assistance, at the request and expense of LICENSEE, including but not limited to cooperating with LICENSEE in any such action with respect to discovery, production of evidence, or attendance in court proceedings, PROMAB shall have no obligation regarding the legal actions described in Article 10.2 unless required to participate by law. However, PROMAB shall have the right to participate in any such action through its own counsel and at its own expense. Any recovery shall first be applied to LICENSEE's out of pocket expenses and second shall be applied to PROMAB's out of pocket expenses, including legal fees. PROMAB shall recover [***] of any excess recovery over those expenses.

ii. In the event LICENSEE fails to initiate and pursue or participate in the actions described in the preceding paragraph (a) within sixty (60) days of LICENSEE first becoming aware of an infringement or other violation of INTELLECTUAL PROPERTY RIGHTS in the LICENSED TECHNOLOGIES or (b) upon notice by LICENSEE to PROMAB that it does not intend to initiate, pursue or participate in such action(s), whichever is earlier, PROMAB shall have the right to initiate or take over such legal action at its own expense and PROMAB may use the name of LICENSEE as a party in such action. In such case, LICENSEE shall provide reasonable assistance to PROMAB if requested to do so. PROMAB shall keep LICENSEE reasonably apprised of all developments in any such action. PROMAB may settle such actions solely through its own counsel. However, in the event that any such settlement may have a material effect on the LICENSE rights granted to LICENSEE under this Agreement, PROMAB shall not settle any such action without first consulting with LICENSEE and obtaining LICENSEE's prior written consent, which shall not be unreasonably withheld. Any recovery shall be split between PROMAB and LICENSEE on a pro rata basis as determined by the relative total out of pocket and legal expenses incurred by each party in pursuing the legal action solely through PROMAB's counsel and settled in favor of PROMAB.

10.3. In the event LICENSEE is permanently enjoined from exercising its LICENSE under this Agreement pursuant to an infringement action brought by a third party, or if both LICENSEE and PROMAB elect not to undertake the defense or settlement of a suit alleging infringement for a period of six (6) months from notice of such suit, then either party shall have the right to terminate this Agreement in the country where the suit was filed with respect to the licensed patent following thirty (30) days' written notice to the other party in accordance with the terms of Article 14.

ARTICLE 11 USE OF PROMAB'S NAMES

LICENSEE shall not use the name "PROMAB Biotechnologies, Inc.," nor any variation or adaptation thereof, nor any trademark, tradename or other designation owned by PROMAB, nor the names of any of its directors, officers, employees or agents, for any purpose without the prior written consent of the appropriate party in each instance, except that LICENSEE may state that it has exclusively licensed from PROMAB one or more of the patents and/or applications within the LICENSED TECHNOLOGIES in connection with, including but not limited to investor reports and strategic partner discussions.

ARTICLE 12 TERMINATION

12.1. PROMAB shall have the right, at its option, upon written notice to LICENSEE (a) to terminate this Agreement or (b) to convert all exclusive licenses granted herein to nonexclusive licenses, in either case in the event LICENSEE:

i. fails to make any payment whatsoever not disputed in good faith due and payable pursuant to this Agreement unless LICENSEE shall make all such payments within the sixty (60) day period after receipt of written notice from PROMAB, or within the sixty (60) day period after resolution of any disputed amounts; or

ii. commits a material breach of any other provision of this Agreement which is not cured (if capable of being cured) within the sixty (60) day period after receipt of written notice thereof from PROMAB, or upon receipt of such notice if such breach is not capable of being cured; or

iii. challenges, directly or indirectly urging of a third party on behalf of the LICENSEE, whether as a claim, a cross-claim, counterclaim, or defense, the validity or enforceability of any patents or patent applications included within the LICENSED TECHNOLOGIES before any court, arbitrator, or other tribunal or administrative agency in any jurisdiction.

12.2. Notwithstanding any provision herein to the contrary, this Agreement shall terminate automatically without any notice to LICENSEE in the event LICENSEE shall cease to carry on its business or becomes insolvent or a petition in bankruptcy is filed against LICENSEE and is consented to, acquiesced in or remains undismissed for sixty (60) days, or LICENSEE makes a general assignment for the benefit of creditors, or a receiver is appointed for LICENSEE.

12.3. LICENSEE shall have the right to terminate this Agreement upon written notice to PROMAB:

i. at any time without cause, and without incurring any additional obligation, liability or penalty, on two (2) months' written notice to PROMAB, provided LICENSEE is not in material breach and upon payment of all undisputed amounts due PROMAB throughout the effective date of termination;

ii. in the event PROMAB commits a material breach of any of the provisions of this Agreement, including but not limited to breach of any of the Presentations and Warranties clauses, and such material breach is not cured (if capable of being cured) within the sixty (60) day period after receipt of written notice thereof from LICENSEE, or upon receipt of such notice if such breach is not capable of being cured. PROMAB shall unconditionally return to the LICENSEE the full amount of consideration which has been paid in accordance with Article 4.

iii. in the event of a FORCE MAJEURE EVENT as set forth in Article 17.8; or

iv. at any time in the event it is determined that none of the LICENSED TECHNOLOGIES are patentable subject matter by a non-appealable decision of a court of competent jurisdiction or applicable patent office administrative tribunal, or all the patents included within LICENSED TECHNOLOGIES are declared invalid by a non-appealable decision of a court of competent jurisdiction or applicable patent office administrative tribunal.

12.4. Upon termination of this Agreement, for any reason, all rights and licenses granted to LICENSEE under the terms of this Agreement are terminated. Upon such termination, LICENSEE shall cease to manufacture or sell LICENSED TECHNOLOGY.

12.5. Within sixty (60) days of the effective date of termination LICENSEE shall return to PROMAB:

i. All materials relating to or containing the LICENSED TECHNOLOGIES, and all CONFIDENTIAL INFORMATION disclosed by PROMAB;

ii. the last report required under Article 8;

iii. all payments incurred up to the effective date of termination; and

(d) PROMAB shall return to LICENSEE all of LICENSEE'S CONFIDENTIAL INFORMATION disclosed by LICENSEE, or destroy all of LICENSEE'S CONFIDENTIAL INFORMATION disclosed by LICENSEE, except for copies to be kept for PROMAB's records.

12.6. Upon the termination of this Agreement, nothing herein shall be construed to release either party from any obligation that matured prior to the effective date of such termination. LICENSEE shall remain obligated to make payment to PROMAB specified by Article 4 to the date of termination. The following provisions shall survive any termination: Article 7, Article 11, this Article 12.5, Article 12.8, Article 13, Article 14, Article 15.1, Article 16.

12.7. The rights provided in this Article 12 shall be in addition and without prejudice to any other rights and remedies under the law which the parties may have with respect to any breach of the provisions of this Agreement.

12.8. Waiver by either party of one or more defaults or breaches shall not deprive such party of the right to terminate because of any subsequent default or breach.

12.9. Upon termination of this Agreement for any reason other than breach by PROMAB, LICENSEE shall permit PROMAB and their future licensees to utilize, reference and otherwise have the benefit of all regulatory approvals of, or clinical trials or other studies conducted on, and all filings made with regulatory agencies with respect to, the LICENSED TECHNOLOGY.

ARTICLE 13 REPRESENTATIONS AND WARRANTIES

13.1. PROMAB represents and warrants to the best of its knowledge that: (i) it is the sole and exclusive legal and beneficial owner of the patent application listed on Appendix A hereto and other patents and patent applications included in the LICENSED TECHNOLOGIES; (ii) it has the unconditional right, power and authority to grant the LICENSE under this Agreement, and will retain such right, power and authority throughout the TERM; (iii) aside from the agreement attached on Appendix C, it has not granted and will not grant any rights to any third party under the patent application listed on Appendix A hereto or otherwise to the LICENSED TECHNOLOGIES.

13.2. PROMAB represents and warrants that the LICENSED TECHNOLOGY is advanced, practical and reliable without abuse, misappropriation of any third party's intellectual property or other legal rights, and there is no conflict with any third party's intellectual property rights. There have never been any circumstances where any third party raises objections or claims on the ground of infringements by the LICENSED TECHNOLOGIES.

13.3. By signing this Agreement, to PROMAB's knowledge, no entity has been engaging in any activities in violation of any intellectual property rights of the LICENSED TECHNOLOGY. The LICENSED TECHNOLOGY and the INTELLECTUAL PROPERTY RIGHTS associated are not subject to any rulings or orders of any nature, and there are no pending or potential objections, litigation, investigations, complaints, claims or requests that are of adverse impact to the legality, enforceability, right of use or ownership of INTELLECTUAL PROPERTY RIGHTS of the LICENSED TECHNOLOGY of PROMAB.

13.4. PROMAB represents and warrants that it will not grant license to others in the LICENSED TERRITORY to use, make or sell products or processes, not covered by the LICENSED TECHNOLOGY, which may be similar and/ or compete with the LICENSED TECHNOLOGIES.

13.5. PROMAB warrants to provide LICENSEE and its affiliated parties the LICENSED TECHNOLOGIES in full and in a timely manner in accordance with Article 4.1 and Article 4.2

13.6. PROMAB warrants to provide the LICENSEE and its affiliates parties with technical support and training, ensuring that LICENSEE and its affiliated parties (i) fully grasp the LICENSED TECHNOLOGY; (ii) are able to repeat certain key experiments listed in Appendix B under PROMAB's guidance within 12 months; and (iii) are capable of independent application of LICENSED TECHNOLOGY.

13.7. PROMAB warrants that it will not use any data LICENSEE provided in accordance with Article 6.3 for any publications or third party use.

13.8. Each party hereby represents and warrants to the other party that: (i) it is duly authorized to execute and deliver this Agreement and to perform its obligation hereunder; (ii) this Agreement is a legal and valid obligation binding upon it and enforceable in accordance with its terms; (iii) the execution, delivery and performance of this Agreement do no conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any law or regulation of any court, government body or administrative or other agency having jurisdiction over it.

ARTICLE 14 LIMITATION OF LIABILITY

14.1. EXCEPT FOR LIABILITY FOR BREACH OF CONFIDENTIALITY OR FOR INFRINGEMENT OR MISAPPROPRIATION, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES, INCLUDING BUT NOT LIMITED TO, LOST PROFITS, ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL RPOMAB'S LIABILITY HEREIN EXCEED THE AGGREGATE AMOUNTS ACTUALLY PAID OR PAYABLE TO RPOMAB UNDER THS AGREEMENT.

ARTICLE 15 NOTICES

15.1. Any payment, notice or other communication required by this Agreement (a) shall be in writing, (b) may be delivered personally, sent via electronic mail, or sent by reputable overnight courier with written verification of receipt or by registered or certified first class United States Mail, postage prepaid, return receipt requested, (c) shall be sent to the following addresses or to such other address as such party shall designate by written notice to the other party, and (d) shall be effective upon receipt:

FOR PROMAB:

CEO
2600 Hilltop Drive, Bldg. B, Ste C320,
Richmond, CA 92806
Tampa, Florida 33612
[***]

FOR LICENSEE:

CEO
Unitex Capital Ltd.
1208 E. Arques Ave.
Sunnyvale, CA 94085
[***]

ARTICLE 16 LAWS, FORUM AND REGULATIONS

16.1. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California without reference to conflict of laws principles or statutory rules of arbitration included therein. Any dispute or proceeding under this Agreement shall be subject to the exclusive jurisdiction and venue of the court in and for Contra Costa County, California and the parties hereby consent to the exclusive personal jurisdiction and venue of these courts.

16.2. LICENSEE shall comply, and shall cause its SUBLICENSEES to comply, with all local laws, regulations, rules and orders applicable to the testing, production, transportation, packaging, labeling, export, sale and use of the LICENSED TECHNOLOGY in the LICENSED TERRITORY.

ARTICLE 17 MISCELLANEOUS

17.1. This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, successors and permitted assigns.

17.2. This Agreement constitutes the entire agreement of the parties relating to the LICENSED TECHNOLOGIES, and all prior representations, agreements and understandings, written or oral, are merged into it and are superseded by this Agreement.

17.3. The provisions of this Agreement shall be deemed separable. If any part of this Agreement is rendered void, invalid, or unenforceable, such determination shall not affect the validity or enforceability of the remainder of this Agreement unless the part or parts which are void, invalid or unenforceable shall substantially impair the value of the entire Agreement as to either party

17.4. Article headings are inserted for convenience of reference only and do not form a part of this Agreement.

17.5. No person not a party to this Agreement, including any employee of any party to this Agreement, shall have or acquire any rights by reason of this Agreement. The relationship between the parties is that of independent contractors. Nothing contained in this Agreement shall be construed as creating any agency, partnership, joint venture or other form of joint enterprise, employment, or fiduciary relationship between the parties, and neither party shall have authority to contract for or bind the other party in any manner whatsoever.

17.6. This Agreement may not be amended or modified except by written agreement executed by each of the parties. Neither this Agreement nor any right or obligation hereunder may be assigned or otherwise transferred by either party without written consent of the other party, which consent shall not be unreasonably withheld, conditioned, or delayed, except each party may, without consent of the other party, assign or otherwise transfer this Agreement and its rights and obligations hereunder in whole or in part: (a) to any AFFILIATE; or (b) in connection with a CHANGE OF CONTROL. Any permitted assignee shall assume in writing all assigned obligations of its assignor under this Agreement. The party making any assignment or other transfer permitted under this Article 16.6 shall provide prompt written notice to the other party of such assignment or transfer. Notwithstanding any provision herein to the contrary, PROMAB shall be entitled to assign its rights to receive payments under this Agreement to a third party. Any attempted assignment in contravention of this Article 16.6 shall be null and void ab initio and shall constitute a material breach of this Agreement.

17.7. The failure of any party hereto to enforce at any time, or for any period of time, any provision of this Agreement shall not be construed as a waiver of either such provision or of the right of such party thereafter to enforce each and every provision of this Agreement.

17.8. Neither party shall be liable or responsible to the other party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement, including any obligation to timely make any payment hereunder, when and to the extent such failure or delay is caused by: (a) acts of nature; (b) flood, fire, or explosion; (c) war, terrorism, invasion, riot, or other civil unrest; (d) embargoes or blockades in effect on or after the EFFECTIVE DATE of this Agreement; (e) national or regional emergency; (f) strikes, labor stoppages or slowdowns, or other industrial disturbances; (g) any passage of law or governmental order, rule, regulation or direction, or any action taken by a governmental or public authority, including imposing an embargo, export or import restriction, quota, or other restriction or prohibition; or (h) national or regional shortage of adequate power or telecommunications or transportation facilities (each of the foregoing, a FORCE MAJEURE EVENT), in each case, provided that (i) such event is outside the reasonable control of the affected party; (ii) the affected party provides prompt notice to the other party, stating the period of time the occurrence is expected to continue; and (iii) the affected party uses diligent efforts to end the failure or delay and minimize the effects of such FORCE MAJEURE EVENT. LICENSEE may terminate this Agreement if a FORCE MAJEURE EVENT affecting PROMAB continues substantially uninterrupted for a period of ninety (90) days or more. Unless LICENSEE terminates this Agreement pursuant to the preceding sentence, all dates by which LICENSEE must perform any act or on which a LICENSEE obligation is due shall automatically be extended for a period up to the duration of the FORCE MAJEURE EVENT.

16.10 The Parties agree that this Agreement may be executed and delivered by facsimile, electronic mail, internet, or any other suitable electronic means, and the Parties agree that signatures delivered by any of the aforementioned means shall be deemed to be original, valid, and binding upon the Parties.

IN WITNESS to their Agreement, the parties have caused this Agreement to be executed by their duly authorized representatives.

PROMAB BIOTECHNOLOGIES, Inc.

UNITEX CAPITAL, LTD.

By: /s/ John Wu

By: /s/ Wei (William) Cao

Name: John Wu
Title: CEO

Name: Wei (William) Cao
Title: CEO

ProMab-Unitex

**AMENDED AND RESTATED No.1 TO
EXCLUSIVE LICENSE AGREEMENT WITH SUBLICENSING TERMS**

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because Gracell Biotechnologies Inc. has determined it is not material and would be competitively harmful if publicly disclosed.**

This Amended and Restated Agreement (“Agreement”) is made effective November 29th, 2017 (the “Effective Date”) by and between ProMab Biotechnologies, Inc (hereinafter called “PROMAB”), a company having its principle office at 2600 Hilltop Drive, Building B, Suite C320, Richmond, CA94806, and Unitex Capital Ltd (hereinafter called “LICENSEE”), a company having its principle office at 1208 E. Arques Ave., Sunnyvale, CA 94085 and Gracell Biotechnologies Co. Ltd. [REDACTED] (hereinafter called “[REDACTED]”), a company having its principle office at Level 12, No.926 Yishan Road, Shanghai China. PROMAN, LICENSEE and [REDACTED] are at times referred to in this Agreement as “the parties”.

WHEREAS, PROMAB entered into an Exclusive License Agreement with Sublicensing terms with LICENSEE on dated April 19th, 2017. (the “Unitex License”);

WHEREAS, LICENSEE intent to transfer all its rights and obligations under the Unitex Agreement to [REDACTED].

WHEREAS, [REDACTED] intent to accept and adhere LICENSEE’s right and obligations under the Unitex Agreement.

WHEREAS, PROMAB, LICENSEE and [REDACTED] hereby agree to amend and restate the Unitex License as set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, the parties covenant and agree as follows:

1. Amendment to Article 4 of Unitex License is restated entirely as follows:

1.1 Article 4.1 License Issue Fee

Provided that LICENSEE had paid PROMAB a non-refundable license issue fee of [***], [REDACTED] shall pay LICENSEE [***] within seven (7) days of the Effective Date.

1.2 Article 4.2 Delivery Payment

[REDACTED] shall pay to PROMAB a non-refundable license delivery fee of [***] within six month of the Effective Date, provided that: [***]

1.3 Article 4.3 Additional Sub-License Fee

[REDACTED] shall pay to PROMAB a non-refundable sub-license fee of [***] for an additional exclusive sub-license of G1TR as CAR-T co-stimulatory molecule [***] from PROMAB to [REDACTED] for use in the FIELD in the LICENSED TERRITORY. PROMAB will make due effort to assist [REDACTED] [***].

1.4 Article 4.4 Milestone Payment:

In addition to all other payment required under this Agreement, [REDACTED] agrees to pay PROMAB milestone payments upon complete execution of Article 4.2, as follows:

(a) a non-refundable milestone payment of [***] 60 days after IND filing of [***], whichever occurs first;

(b) a non-refundable milestone payment of [***] after □□ successfully treated [***] patients in a PHASE I CLINICAL TRIAL with [***] and achieved [***];

(c) a non-refundable milestone payment of [***] when □□ successfully treated [***] patients in a PHASE I CLINICAL TRIAL with [***] and achieved [***];

(d) a non-refundable milestone payment of [***] 60 days after IND approval for [***], in no event shall the aggregate be more than [***]

(e) a non-refundable milestone payment of [***] when □□ obtains the China Food and Drug Administration (CFDA) approval for the [***];

1.5 Article 4.6 Taxes:

Payment receiving parties shall provide □□ formal invoice.

With respect to taxes, assessments, or other charges of any kind which may be imposed on PROMAB by the China Government with respect to any amounts payable to PROMAB pursuant to this Agreement shall be deductible from all payments due under this Agreement if such taxes, assessments, or other charges are not avoidable.

LICENSEE is exempt from paying income taxes under British Virgin Islands law. Therefore, all payments due under this Agreement shall be made without deduction for taxes, assessments, or other charges of any kind which may be imposed on LICENSEE. All such taxes, assessment, or other charges shall be assumed by □□.

2. Amendment to Article 16 of Unitex License is restated entirety as follows:

2.1 16.1. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the China without reference to conflict of laws principles or statutory rules of arbitration included therein. Any dispute or proceeding under this Agreement shall be subject to the exclusive jurisdiction and venue of the court in Shanghai, and the parties hereby consent to the exclusive personal jurisdiction and venue of these courts.

2.2 16.2. □□ shall comply, and shall cause its SUBLICENSEES to comply, with all local laws, regulations, rules and orders applicable to the testing, production, transportation, packaging, labeling, export, sale and use of the LICENSED TECHNOLOGY in the LICENSED TERRITORY.

3. Affirmation of remaining terms and conditions.

3.1 □□ affirms to take all other rights and obligations of Unitex License from LINCENSEE.

3.2 The Parties affirm that all other terms and conditions of the Unitex License are not hereby amended and shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first written above.

Promab Biotechnologies Inc.

By: /s/ John Wu
Name: John Wu
Title: CEO

Unitex Capital, Ltd.

By: /s/ Wei (William) Cao
Name: Wei (William) Cao
Title: CEO

Gracell Biotechnologies, Co. Ltd
XXXXXXXXXXXX

By: /s/ Wei (William) Cao
Name: Wei (William) Cao
Title: CEO

Contract No: GXSW RD-01

Principal Subsidiaries, Consolidated Affiliated Entity and Subsidiary of Consolidated Affiliated Entity of the Registrant**Subsidiaries**

Gracell Biotechnologies Holdings Limited
 Gracell Biotechnologies (HK) Limited
 Gracell Biopharmaceuticals, Inc.
 Gracell Bioscience (Shanghai) Co., Ltd.
 Gracell Biomedicine (Shanghai) Co., Ltd.

Place of Incorporation

British Virgin Islands
 Hong Kong
 United States
 People's Republic of China
 People's Republic of China

Consolidated Affiliated Entity

Gracell Biotechnologies (Shanghai) Co., Ltd.

Place of Incorporation

People's Republic of China

Subsidiary of Consolidated Affiliated Entity

Suzhou Gracell Biotechnologies Co., Ltd.

Place of Incorporation

People's Republic of China

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form F-1 of Gracell Biotechnologies Inc. of our report dated October 19, 2020 relating to the financial statements of Gracell Biotechnologies Inc., which appears in this Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People’s Republic of China
December 18, 2020

December 18, 2020

Gracell Biotechnologies Inc. (the “Company”)

Registered Office:

Sertus Incorporations (Cayman) Limited
Sertus Chambers, Governors Square, Suite # 5-204
23 Lime Tree Bay Avenue, P.O. Box 2547
Grand Cayman, KY1-1104
Cayman Islands

Ladies and Gentlemen:

Pursuant to Rule 438 under the Securities Act of 1933, as amended, I hereby consent to the reference of my name as a director of the Company, effective immediately upon the effectiveness of the Company’s registration statement on Form F-1 initially filed by the Company on or about December 18, 2020 with the U.S. Securities and Exchange Commission.

Sincerely yours,

/s/Wendy Hayes

Name: Wendy Hayes

[Signature Page to Consent to Act as an Independent Director]

GRACELL BIOTECHNOLOGIES INC.

CODE OF BUSINESS CONDUCT AND ETHICS

(Adopted by the Board of Directors of Gracell Biotechnologies Inc. (the “Company”) on December 18, 2020, effective upon the effectiveness of the Company’s registration statement on Form F-1 relating to the Company’s initial public offering)

I. PURPOSE

This Code of Business Conduct and Ethics (the “**Code**”) contains general guidelines for conducting the business of Gracell Biotechnologies Inc. and its subsidiaries and affiliates (collectively, the “**Company**”) consistent with the highest standards of business ethics, and is intended to qualify as a “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards.

This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the U.S. Securities and Exchange Commission (the “SEC”) and in other public communications made by the Company;
- compliance with applicable laws, rules and regulations;
- prompt internal reporting of violations of the Code; and
- accountability for adherence to the Code.

II. APPLICABILITY

This Code applies to all directors, officers and employees of the Company, whether they work for the Company on a full-time, part-time, consultative or temporary basis (each, an “**employee**” and collectively, the “**employees**”). Certain provisions of the Code apply specifically to our chief executive officer, chief financial officer, senior financial officer, controller, senior vice presidents, vice presidents and any other persons who perform similar functions for the Company (each, a “**senior officer**,” and collectively, the “**senior officers**”).

If you believe there is a conflict between this Code and a specific procedure, please consult the Chairman of the Board of the Director for guidance. If you have any questions regarding the Code or would like to report any violation of the Code, please email to the Head of Compliance Department, at compliance@gracellbio.com.

III. CONFLICT OF INTEREST

A. Identifying Conflicts of Interest

A conflict of interest occurs when an employee’s private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. An employee should actively avoid any private interest that may impact such employee’s ability to act in the interests of the Company or that may make it difficult to perform the employee’s work objectively and effectively. In general, conflicts of interest include, but are not limited to:

- Competing Business. No employee may be employed by a business that competes with the Company or deprives or seeks to deprive it of any business.
- Corporate Opportunity. No employee should use corporate property, information or his/her position with the Company to secure a business opportunity that would otherwise be available to the Company or would otherwise not be available to the employee. If an employee discovers a business opportunity that is in the Company’s line of business or through the use of the Company’s property, information or position, the employee must first present the business opportunity to the Company before pursuing the opportunity in his/her individual capacity.
- Financial Interests.

1. No employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member, in any other business or entity if such interest adversely affects the employee’s performance of duties or responsibilities to the Company, or requires the employee to devote time to it during such employee’s working hours at the Company;

2. No employee may hold any ownership interest in a privately held company that is in competition with the Company;

3. An employee may hold up to 5% ownership interest in a publicly traded company that is in competition with the Company; provided that if the employee’s ownership interest in such publicly traded company increases to more than 5%, the employee must immediately report such ownership to the Head of Compliance Department;

4. No employee may hold any ownership interest in a company that has a business relationship with the Company if such employee’s duties at the Company include managing or supervising or if such employee holds a role or position at the Company that provides substantial influence over managing or supervising the Company’s business relations with that company; and

5. Notwithstanding the other provisions of this Code,

a. a director or any family member of such director (collectively, “**Director Affiliates**”) or a senior officer or any family member of such senior officer (collectively, “**Officer Affiliates**”) may hold or continue to hold his/her investment or other financial interest in a business or entity (an “**Interested Business**”) that:

(i) was made or obtained either (x) before the Company invested in or otherwise became interested in such business or entity; or (y) before the director or senior officer joined the Company (for the avoidance of doubt, regardless of whether the Company had or had not already invested in or otherwise become interested in such business or entity at the time the director or senior officer joined the Company); or

(ii) may in the future be made or obtained by the director or senior officer, provided that at the time such investment or other financial interest is made or obtained, the Company has not yet invested in or otherwise become interested in such business or entity;

provided that such director or senior officer shall disclose such investment or other financial interest to the Board;

b. an interested director or senior officer shall refrain from participating in any discussion among senior officers of the Company relating to Company decisions related to the Company’s business with an Interested Business and shall not be involved in any proposed transaction between the Company and an Interested Business; and

c. before any Director Affiliate or Officer Affiliate invests, or otherwise acquires any equity or other financial interest, in a business or entity that (i) is in competition with the Company; or (ii) enters into any transaction with the Company, the related director or senior officer shall obtain prior approval from the Audit Committee of the Board.

- Loans or Other Financial Transactions. No employee may obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with the Company or any company that is a material customer, business partner or competitor of the Company. This guideline does not prohibit arms-length transactions with recognized banks or other financial institutions.
- Service on Boards and Committees. No employee shall serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests could reasonably be expected to conflict with those of the Company. Employees must obtain prior approval from the Board before accepting any such board or committee position. The Company may revisit its approval of any such position at any time to determine whether an employee’s service in such position is still appropriate.

The above is in no way a complete list of situations where conflicts of interest may arise. The following questions might serve as a useful guide in assessing a potential conflict of interest situation not specifically addressed above:

- Is the action to be taken legal?

- Is it in the best interests of the Company?
- Is it honest and fair to the Company?

B. Disclosure of Conflicts of Interest

The Company requires that employees fully disclose any situations that give rise to a conflict of interest, or could reasonably be expected to do so. If an employee suspects that he/she has a conflict of interest, or a situation that others could reasonably perceive as a conflict of interest, the employee must report it immediately to the Head of Compliance Department. Conflicts of interest affecting senior officers may only be waived by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public to the extent required by law and applicable rules of the applicable stock exchange. Conflicts of interest affecting employees who are not senior officers may only be waived by the Company following review by such employee's supervisor and the Head of Compliance Department.

C. Family Members and Work

The actions of family members outside the workplace may also give rise to conflicts of interest because they may influence an employee's objectivity in making decisions on behalf of the Company. If a member of an employee's family or a business they are associated with is interested in doing business with the Company, the criteria as to whether to enter into or continue the business relationship and the terms and conditions of the relationship must be based solely on the best interests of the Company and, at a minimum, must be no less favorable to the Company compared with those that would apply to an unrelated party seeking to do business with the Company under similar circumstances.

Employees should report any situation involving family members that could reasonably be expected to give rise to a conflict of interest to their supervisor or the Head of Compliance Department. For purposes of this Code, "family members" or "members of employee's family" include an employee's spouse, parents, children and siblings, whether by blood, marriage or adoption or anyone residing in such employee's home.

IV. GIFTS AND ENTERTAINMENT

The giving and receiving of appropriate gifts may be considered a common business practice. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should never compromise, or appear to compromise, an employee's ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. As a general rule, employees may give or receive gifts or entertainment to or from customers or business partners only if the gift or entertainment is in compliance with applicable law, insignificant in amount and not given in consideration or expectation of any action by the recipient. All gifts and entertainment expenses made on behalf of the Company must be properly accounted for on expense reports.

We encourage employees to report and submit gifts received to the Company. While it is not mandatory to submit small gifts, gifts of over US\$150 must be submitted immediately to the compliance department of the Company.

Bribes and kickbacks are criminal acts, strictly prohibited by law. An employee must not offer, give, solicit or receive any form of bribe or kickback anywhere in the world.

V. FCPA COMPLIANCE

The U.S. Foreign Corrupt Practices Act (“**FCPA**”) prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. In many countries, healthcare professionals (i.e., physicians and hospital personnel) are frequently considered by local law to be civil servants and government employees.

A violation of FCPA does not only violate the Company’s policy but also constitutes a civil or criminal offense under FCPA which the Company is subject to after the Effective Time. No employee shall give or authorize directly or indirectly any illegal payments to government officials of any country. While the FCPA does, in certain limited circumstances, allow nominal “facilitating payments” to be made, any such payment must be subject to careful scrutiny and, at a minimum, be discussed with and approved by an employee’s supervisor in advance before it can be made. The Company will not tolerate attempts to improperly influence government personnel or private individuals to secure favorable regulatory treatment or improperly advance our commercial interests.

VI. PROTECTION AND USE OF COMPANY ASSETS

Employees should protect the Company’s assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company’s profitability. Any use of the funds or assets of the Company, whether for personal gain or not, for any unlawful or improper purpose is strictly prohibited.

To ensure the protection and proper use of the Company’s assets, each employee should:

- exercise reasonable care to prevent theft, damage or misuse of the Company’s assets;
- promptly report any actual or suspected theft, damage or misuse of the Company’s assets;
- safeguard all electronic programs, data, communications and written materials from unauthorized access; and
- use the Company’s assets only for legitimate business purposes.

Except as approved in advance by the Chief Executive Officer or Chief Financial Officer of the Company, the Company prohibits political contributions (directly or through trade associations) by any employee on behalf of the Company. Prohibited political contributions include:

- any contributions of the Company’s funds or other assets for political purposes;

- encouraging individual employees to make any such contribution; and
- reimbursing an employee for any political contribution.

VII. INTELLECTUAL PROPERTY AND CONFIDENTIALITY

Employees should abide by the Company's rules and policies in protecting the Company's intellectual property and confidential information, including the following:

- All right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trademarks, or trade secrets, whether or not patentable or registrable under patent, copyright, or similar laws, which are solely or jointly conceived or developed or reduced to practice, or caused to be conceived or developed or reduced to practice by an employee while in the employ of the Company (including during off-duty hours), or with the use of Company's equipment, supplies, facilities, resources, or Company's confidential information shall be the property of the Company.
- Employees should maintain the confidentiality of information entrusted to them by the Company or entities with which the Company has business relations, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the company or its business associates, if disclosed, including but not limited to any non-public information that relates to the actual or anticipated business, research or development of the Company, or that relates to the Company technical data, trade secrets, or know-how, including, but not limited to, research, product plans, or other information regarding the Company products or services and markets therefor, customer lists and customers (including, but not limited to, customers of the Company on which an employee calls or with which an employee may become acquainted during the term employment), software, developments, inventions, ideas, processes, formulas, technologies, designs, drawings, engineering, specifications, information regarding routes of synthesis, patent analyses relating to products, test results, reports, studies, analyses, hardware configuration information, marketing, distribution and sales, finances, projects, strategies, opportunities, and all other information which if disclosed would materially adversely affect the Company or would aid or benefit its competitors; provided, however, Company Confidential Information does not include any of the foregoing items to the extent the same have become publicly known and made generally available through no wrongful act.
- The Company maintains a strict confidentiality policy. During an employee's term of employment with the Company, the employee shall comply with any and all written or unwritten rules and policies concerning confidentiality and shall fulfill the duties and responsibilities concerning confidentiality applicable to the employee.
- In addition to fulfilling the responsibilities associated with his/her position in the Company, an employee shall not, without obtaining prior approval from the Company, disclose, announce or publish trade secrets or other confidential business information of the Company, nor shall an employee use such confidential information outside the course of his/her duties to the Company.

- Even outside the work environment, an employee must maintain vigilance and refrain from disclosing important information regarding the Company or its business, business associates or employees.
- An employee's duty of confidentiality with respect to the confidential information of the Company survives the termination of such employee's employment with the Company for any reason until such time as the Company discloses such information publicly or the information otherwise becomes available in the public sphere through no fault of the employee.
- Upon termination of employment, or at such time as the Company requests, an employee must return to the Company all of its property without exception, including all forms of media containing confidential information, and may not retain duplicate materials.

VIII. ACCURACY OF FINANCIAL REPORTS AND OTHER PUBLIC COMMUNICATIONS

Upon the Effective Time, the Company will be legally required to report its financial results and other material information about its business to the public and the SEC. Accordingly, it is the Company's policy to timely disclose accurate and complete information regarding its business, financial condition and results of operations. Employees must strictly comply with all applicable standards, laws, regulations and policies for accounting and financial reporting of transactions, estimates and forecasts. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and its shareholders, and could result in legal liability.

Employees should be on guard for, and promptly report, any possibility of inaccurate or incomplete financial reporting. Particular attention should be paid to:

- Financial results that seem inconsistent with the performance of the underlying business;
- Transactions that do not seem to have an obvious business purpose; and
- Requests to circumvent ordinary review and approval procedures.

The Company's senior financial officers and other employees working in the finance department have a special responsibility to ensure that all of the Company's financial disclosures are full, fair, accurate, timely and understandable. Any practice or situation that might undermine this objective should be reported to the Head of Compliance Department.

Employees are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence the Company's independent auditors for the purpose of rendering the financial statements of the Company materially misleading. Prohibited actions include but are not limited to:

- issuing or reissuing a report on the Company's financial statements that is not warranted in the circumstances (including due to material violations of International Financial Reporting Standards, U.S. GAAP, generally accepted auditing standards or other professional or regulatory standards);
- not performing audit, review or other procedures required by generally accepted auditing standards or other professional standards;
- not withdrawing an issued report when withdrawal is warranted under the circumstances; or
- not communicating matters required to be communicated to the Company's Disclosure Committee or Audit Committee.

IX. COMPANY RECORDS

Accurate and reliable records are crucial to the Company's business and form the basis of its earnings statements, financial reports and other disclosures to the public. The Company's records are a source of essential data that guides business decision-making and strategic planning. Company records include, but are not limited to, booking information, payroll, timecards, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of business.

All Company records must be complete, accurate and reliable in all material respects. There is never an acceptable reason to create false or misleading records, or false or misleading entries in records. Undisclosed or unrecorded funds, payments or receipts are strictly prohibited. An employee is responsible for understanding and complying with the Company's recordkeeping policy. An employee should contact the Head of Compliance Department if he/she has any questions regarding the recordkeeping policy.

X. COMPLIANCE WITH LAWS AND REGULATIONS

Each employee has an obligation to comply with the laws of the cities, provinces, regions and countries in which the Company operates. This includes, without limitation, laws covering commercial bribery and kickbacks, patent, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, employment harassment, environmental protection, occupational health and safety, false or misleading financial information, misuse of corporate assets and foreign currency exchange activities. Employees are expected to understand and comply with all laws, rules and regulations that apply to their positions at the Company. If any doubt exists about whether a course of action is lawful, the employee should seek advice immediately from the Head of Compliance Department.

XI. COMPUTER AND INFORMATION SYSTEMS

For business purposes, officers and employees are in some cases provided telephones and computer workstations and software, including network access to computing systems such as the Internet and e-mail, to improve personal productivity and to efficiently manage proprietary information in a secure and reliable manner. Each officer and employee must use good judgment when installing any software on any Company computer or connect any personal laptop to the Company network. As with other equipment and assets of the Company, we are each responsible for the appropriate use of these assets. Officers and employees should not expect a right to privacy of their e-mail or Internet use. All e-mails or Internet use on Company equipment is subject to monitoring by the Company.

XII. DISCRIMINATION AND HARASSMENT

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment based on race, ethnicity, religion, gender, age, national origin or any other protected class. For further information, employees should consult the Head of Compliance Department.

XIII. FAIR DEALING

Each employee should endeavor to deal fairly with the Company's customers, business partners, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

XIV. HEALTH AND SAFETY

The Company strives to provide employees with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for other employees by following environmental, safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence or threats of violence are not permitted.

Each employee is expected to perform his/her duty to the Company in a safe manner, not under the influence of alcohol, illegal drugs or other controlled substances. The use of illegal drugs or other controlled substances in the workplace is prohibited.

XV. VIOLATIONS OF THE CODE

All employees have a duty to report any known or suspected violation of this Code to the Head of Compliance Department, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others will not be considered an act of disloyalty, but an action to safeguard the reputation and integrity of the Company and its employees.

If an employee knows of or suspects a violation of this Code, it is such employee's responsibility to immediately report the violation to the Head of Compliance Department, who will work with the employee to investigate his/her concern. All questions and reports of known or suspected violations of this Code will be treated with sensitivity and discretion. The Head of Compliance Department and the Company will protect the employee's confidentiality to the extent possible, consistent with the law and the Company's need to investigate the employee's concern.

It is the Company's policy that any employee who violates this Code will be subject to appropriate discipline, including termination of employment, based upon the facts and circumstances of each particular situation. An employee's conduct, if it does not comply with the law or with this Code, can result in serious consequences for both the employee and the Company.

The Company strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations of this Code or the law. An employee inflicting reprisal or retaliation against another employee for reporting a known or suspected violation will be subject to disciplinary action, including termination of employment.

XVI. WAIVERS OF THE CODE

Waivers of this Code may only be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code may be made only by the Board, or the appropriate committee of the Board, and may be promptly disclosed to the public if so required by applicable laws and regulations and rules of the applicable stock exchange.

XVII. CONCLUSION

This Code contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. If employees have any questions about these guidelines, they should contact the Head of Compliance Department. We expect all employees to adhere to these standards. Each employee is separately responsible for his/her actions. Conduct that violates the law or this Code cannot be justified by claiming that it was ordered by a supervisor or someone in higher management positions. If an employee engages in conduct prohibited by the law or this Code, such employee will be deemed to have acted outside the scope of his/her employment. Such conduct will subject the employee to disciplinary action, including termination of employment.

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Date: December 18, 2020

To:

William Wei Cao, Chairman & CEO

Gracell Biotechnologies Inc.

Building 12, Block B, Phase II, Biobay Industrial Park, 218 Sangtian St., Suzhou Industrial Park, 215123

Re: Gracell Biotechnologies Inc.

We are a firm of lawyers qualified to practice in the People's Republic of China (the "**PRC**"). We have acted as PRC legal counsel to Gracell Biotechnologies Inc., an exempted limited liability company organized under the laws of the Cayman Islands (the "**Company**"). We have been requested by the Company to render an opinion in connection with (i) the proposed initial public offering (the "**Offering**") by the Company of American Depositary Shares ("**ADSs**") in accordance with the Company's registration statement on Form F-1, including all amendments or supplements thereto (the "**Registration Statement**"), filed by the Company with the U.S. Securities and Exchange Commission (the "**SEC**") under the U.S. Securities Act of 1933, as amended, and (ii) the listing of the Company's ADSs on Nasdaq Global Market.

A. Documents and Assumptions

For the purpose of giving this opinion, we have examined the Registration Statement, the originals or copies of documents provided to us by the Company, including, without limitation, the documents obtained from the applicable Administration of Market Regulations (the "**AMR**") and such other documents, corporate records, certificates, approvals and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion, including, without limitation, originals or copies of the agreements and certificates issued by PRC authorities and officers of the Company ("**Documents**").

Without prejudice to the foregoing, we have also made due enquiries as to other facts and questions of law as we have deemed necessary in order to render this opinion.

The material from AMR does not determine conclusively whether or not an order has been made or a resolution has been passed for the winding up of a company or for the appointment of a liquidator or other person to control the assets of a company, as notice of such matters might not be filed immediately and, once filed, might not appear immediately on a company's public file. Moreover, the information from AMR is unlikely to reveal any information as to any such procedure initiated by the Company in any other jurisdiction.



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For the purpose of this opinion we have assumed:

- (a) the genuineness of all signatures and seals, the conformity to originals of all documents purporting to be copies of originals and the authenticity of the originals of the Documents;
- (b) that such of the documents as contain resolutions of directors and members, respectively, or extracts of minutes of meetings of the directors and meetings of the members, respectively accurately and genuinely represent proceedings of meetings of the directors and of meetings of members, respectively, of which adequate notice was either given or waived, and any necessary quorum present throughout;
- (c) the accuracy and completeness of all factual representations (if any) made in the Documents other than legal matters that we expressly opine on herein;
- (d) that insofar as any obligation under the Documents is to be performed in any jurisdiction outside PRC, its performance will not be illegal or unenforceable by virtue of the law of that jurisdiction; and
- (e) that the information disclosed in the materials from the Company Registry is accurate and complete as at the time of this opinion and the information from Company Search did not fail to disclose any information which had been filed with or delivered to the AMR but had not been processed at the time when the search was conducted.

We have made no investigation on and expressed no opinion in relation to the laws of any country or territory other than the PRC. This opinion is limited to and is given on the basis of the current PRC Laws and is to be construed in accordance with, and is governed by, the PRC Laws.

B. Definitions

Capitalized terms used in this opinion shall have the meanings ascribed to them as follows:

As used herein,

- (a) “**Company**” means Gracell Biotechnologies Inc.;
- (b) “**Control Documents**” mean the agreements set forth in Appendix A to this opinion;



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- (c) **“Domestic Enterprise”** or **“Gracell Shanghai”** means Gracell Biotechnologies (Shanghai) Co., Ltd. (□□□□□□□□□□);
- (d) **“Governmental Agency”** means any national, provincial or local governmental, regulatory or administrative authority, agency or commission in the PRC, or any court, tribunal or any other judicial or arbitral body in the PRC, or any body exercising, or entitled to exercise, any administrative, judicial, legislative, police, regulatory, or taxing authority or power of similar nature in the PRC;
- (e) **“Governmental Authorization”** means any license, approval, consent, waiver, order, sanction, certificate, authorization, filing, declaration, disclosure, registration, exemption, permission, endorsement, annual inspection, clearance, qualification, permit or license by, from or with any Governmental Agency pursuant to any PRC Laws;
- (f) **“M&A Rule”** means the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which was issued by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission (the **“CSRC”**) and the State Administration of Foreign Exchange, on August 8, 2006 and became effective on September 8, 2006, as amended by the Ministry of Commerce on June 22, 2009;
- (g) **“PRC”** or **“China”** means the People’s Republic of China, for purposes of this legal opinion, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- (h) **“PRC Laws”** mean all laws, regulations, rules, orders, decrees, guidelines, judicial interpretations and other legislation of the PRC in effect on the date of this opinion;
- (i) **“WFOE”** means Gracell Bioscience (Shanghai) Co., Ltd. (□□□□□□□□□□).

C. Opinion

Based upon and subject to the foregoing descriptions, assumptions and further subject to the qualifications set forth below, we are of the opinion that as at the date hereof:

- i. Based on our understanding of the current PRC Laws, (a) the ownership structure of the WFOE, the Domestic Enterprise and their respective subsidiaries as described in “Corporate History and Structure” of the Registration Statement, both currently and immediately after giving effect to the Offering, are in compliance with applicable PRC laws or regulations; (b) the Control Documents constitute valid, legal and binding obligations enforceable against each party of such agreements in accordance with the terms of each agreement, and will not result in any violation of PRC Laws currently in effect. However, there are substantial uncertainties regarding the interpretation and application of PRC Laws and future PRC laws and regulations, and there can be no assurance that the Governmental Agencies will take a view that is not contrary to or otherwise different from our opinion stated above.



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- ii. M&A Rules. We have advised the Company as to the content of the M&A Rules, in particular the relevant provisions thereof that purport to require offshore special purpose vehicles formed for the purpose of obtaining a stock exchange listing outside of PRC and controlled directly or indirectly by Chinese companies or natural persons, to obtain the approval of the CSRC prior to the listing and trading of their securities on any stock exchange located outside of the PRC.

We have advised the Company based on our understanding of the PRC Laws that the CSRC's approval is not required for the listing and trading of the Company's ADSs on the NASDAQ in the context of this Offering, given that (a) the WFOE was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of the Company and (b) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules.

- iii. The statements made in the Registration Statement under the caption "Taxation — People's Republic of China Taxation," to the extent they constitute summaries of PRC tax laws and regulations or interpretations or legal conclusions with respect thereto, constitute accurate summaries of the matters described therein in all material aspects and such statements constitute our opinion.
- iv. (a) The summary of the common contractual arrangements under the heading "Our Corporate History and Structure" of the Registration Statement, and (b) the summaries of the Control Documents under the "Regulations on Foreign Investment" of the Registration Statement, to the extent that they constitute matters of PRC Laws or summaries of the provisions of legal documents therein described, are correct and accurate in all material aspects, and nothing has been omitted from such statements which would make the same misleading in any material aspect.



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D. Certain Limitations and Qualifications

The opinions expressed above are based on Documents and our interpretations of the PRC Laws, which, in our experience, are applicable. We note, however, that the laws and the regulations in China have been subject to substantial and frequent revision in recent years. We cannot assure that any future interpretations or amendments of PRC laws and regulations by relevant authorities, administrative pronouncements, or court decisions, or future positions taken by these authorities would not adversely impact or affect the opinions set forth in this letter.

This opinion relates only to PRC Laws and there is no assurance that any of such PRC Laws or the interpretations by competent PRC courts or government authorities of such PRC Laws will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect. We express no opinion as to any laws other than PRC Laws.

Our above opinions are also subject to the qualification that they are confined to and given on the basis of the published and publicly available PRC Laws effective as of the date hereof.

This Opinion has been prepared solely for your use and may not be quoted in whole or in part or otherwise referred to in any documents, or disclosed to any third party, or filed with or furnished to any governmental agency, or other party without the express prior written consent of this firm.

We hereby consent to the use of this Opinion in, and the filing hereof as an exhibit to the Registration Statement, and to the reference to our name in such Registration Statement. In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

Sincerely yours,

/s/ AllBright Law Offices

AllBright Law Offices



锦天城律师事务所

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Appendix A

List of Control Documents

1. Technical Consultation and Service Agreement between WFOE and Gracell Shanghai dated as of January 3, 2019;
2. Business Cooperation Agreement between WFOE and Gracell Shanghai dated as of January 3, 2019;
3. Call Option Agreement by WFOE, Gracell Shanghai and Xiaomi Hua dated as of November 10, 2020;
4. Amendment to Call Option Agreement by WFOE, Gracell Shanghai and William Wei Cao dated as of November 10, 2020;
5. Voting Rights Proxy Agreements and Power of Attorney by WFOE, Gracell Shanghai and Xiaomi Hua dated as of November 10, 2020;
6. Amendment to Voting Rights Proxy Agreement and Power of Attorney by WFOE, Gracell Shanghai and William Wei Cao dated as of November 10, 2020;
7. Equity Pledge Agreements by WFOE, Gracell Shanghai and Xiaomi Hua dated as of November 10, 2020; and
8. Equity Pledge Supplementary Agreement by WFOE, Gracell Shanghai and William Wei Cao dated as of November 10, 2020.
9. Spouse Consent Letter dated as of November 10, 2020.