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As confidentially submitted to the Securities and Exchange Commission on January 10, 2020

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Burning Rock Biotech Limited
(Exact name of Registrant as specified in its charter)

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

Cayman Islands	8071	Not Applicable
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

601, 6/F, Building 3, Standard Industrial Unit 2
No. 7, Luoxuan 4th Road
International Bio Island, Guangzhou, 510005
People's Republic of China
+86 020-3403 7871
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Cogency Global Inc.
122 East 42nd Street, 18th Floor
New York, NY 10168
+1-800-221-0102
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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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, 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
Class A ordinary shares, par value US$0.0001 per share(1)	US$	US$

(1) American depositary shares issuable upon deposit of Class A ordinary shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No. 333-). Each American depositary share represents Class A ordinary shares.
(2) Includes Class A ordinary shares that are issuable upon the exercise of the underwriters' over-allotment option. Also includes Class A 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.

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.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the United States Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Issued , 2020

American Depositary Shares

Burning Rock Biotech Limited

Representing Class A Ordinary Shares

This is an initial public offering of American depositary shares, or ADSs, representing Class A ordinary shares of Burning Rock Biotech Limited.

We are offering ADSs. Each ADS represents Class A ordinary shares, par value US$ 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 shares. We will apply to list the ADSs on the [NYSE/NASDAQ Global Market], under the symbol " ."

We are an "emerging growth company" under applicable United States federal securities laws and are eligible for reduced public company reporting requirements.

See "Risk Factors" on page 14 to read about factors you should consider before buying the ADSs.

PRICE US$ PER ADS

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Us
Per ADS	*US$*	*US$*	*US$*
Total	*US$*	*US$*	*US$*

(1) For additional information on underwriting compensation, see "Underwriting."

To the extent that the underwriters sell more than ADSs in this offering, the underwriters have a 30-day option to purchase up to an aggregate of additional ADSs from us at the initial public offering price less the underwriting discounts and commissions.

Subject to the approval of our existing shareholders, upon completion of this offering, our outstanding ordinary share capital will consist of Class A ordinary shares and Class B ordinary shares. Mr. Yusheng Han, our founder and chief executive officer, will beneficially own all of our issued Class B ordinary shares. These Class B ordinary shares will constitute approximately % of our total issued and outstanding share capital immediately after the completion of this offering and % of the aggregate voting power of our total issued and outstanding share capital immediately after the completion of this offering, assuming the underwriters do not exercise their over-allotment option. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share will be entitled to one vote, and is not convertible into Class B ordinary share under any circumstance. Each Class B ordinary share will be entitled to six (6) votes and is convertible into one Class A ordinary share at any time by the holder thereof.

The underwriters expect to deliver the ADSs against payment in New York, New York on , 2020.

BofA Securities **Morgan Stanley**

(in alphabetical order)

Prospectus dated , 2020.

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No dealer, salesperson or other person is authorized to give any information or to represent 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 only the ADSs offered hereby, but 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.

Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus or any filed free writing prospectus in any jurisdiction where action for that purpose is required, other than in the United States, or U.S. Persons outside the U.S. who come into possession of this prospectus or any filed free writing prospectus 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 U.S.

Until , 2020 (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 the underwriter and with respect to its 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. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our ADSs discussed under "Risk Factors," before deciding whether to invest in our ADSs. This prospectus contains information from an industry report commissioned by us and prepared by China Insights Consultancy, or CIC, an independent management consulting firm, to provide information regarding China's cancer genotyping market and early cancer detection market.

Our Company

Our Mission

Guard life via science.

Overview

We aim to transform precision oncology and early cancer detection. We are China's number one NGS-based cancer therapy selection company, as evidenced by the largest market share of 25.3% in China's NGS-based cancer therapy selection market in terms of number of patients tested in 2018, according to China Insights Consultancy, or CIC. Our cancer therapy selection platform is built upon our advanced proprietary technologies, comprehensive portfolio of products and a two-pronged market-driven commercial infrastructure addressing both larger hospitals through our in-hospital model and smaller hospitals through our central laboratory model.

Our advanced technology platform integrates cutting-edge proprietary cancer therapy selection technologies for both tissue and liquid biopsies, including assay biochemistry, bioinformatics, a patented laboratory information management system and expansive genomic databases. Our proprietary High Sensitivity, or HS, library preparation technology allows us to work with poor quality and limited volume samples and enables enhanced sensitivity—capabilities that are critical to effectively deploying NGS-based cancer therapy selection, especially in China. Our in-depth cancer genomics insights, accumulated from over 162,000 tests performed since our inception, enable us to process and accurately analyze genomic information and achieve a median turnaround time of 6 days.

Our NGS-based cancer therapy selection test products are used to assist physicians in selecting the most effective therapy for cancer patients. We currently offer 13 NGS-based cancer therapy selection tests applicable to a broad range of cancer types, including lung cancer, gastrointestinal cancer, prostate cancer, breast cancer, lymphomas, thyroid cancer, colorectal cancer, ovarian cancer, pancreatic cancer, and bladder cancer, using both tissue and liquid biopsy samples. Our core products, including OncoScreen Plus™ and LungPlasma™, perform on par with those of our global peers. We are the clear leader in the lung cancer segment of China's NGS-based genotyping market, with a market share of 30.3% in terms of number of patients tested in 2018, according to CIC. We believe we offer the best NGS-based cancer therapy selection products and services in China, and we have won the trust of pharmaceutical companies, physicians, hospitals and patients with our high quality standards, superior product performance and strong service support. Our products are recognized by the medical, pharmaceutical and scientific communities, as evidenced by (i) the use of our products by oncology key opinion leaders in clinical trials and research studies they initiate, and (ii) our collaborations on clinical trials and research studies with leading pharmaceutical companies including AstraZeneca (NYSE: AZN), Sino Biopharm (HKEX: 1177), CStone Pharmaceuticals, or CStone (HKEX: 2616), and BeiGene (HKEX: 6160), primarily by providing central laboratory services and companion diagnostics development services to these pharmaceutical companies. The results of these clinical trials and research studies have been published in 68 peer-reviewed articles, and the results of research studies using our products have been published in 45 peer-reviewed articles.

We are the only company in China that has both (i) an NGS laboratory certified under the U.S. Clinical Laboratory Improvement Amendments, or the CLIA, accredited by the U.S. College of American Pathologist, or the CAP, and certified by China's National Center for Clinical Laboratories, or the NCCL, and (ii) an NGS-based reagent kit approved by China's National Medical Products Administration, or the NMPA. We believe these certifications, accreditations and regulatory approvals endorse the efficiency, accuracy and consistency of our testing results.

We pioneered a two-pronged commercial infrastructure, consisting of both central and in-hospital laboratories, to maximize market penetration and create higher barriers to entry.

- ***Central laboratory model***: Our central laboratory processes cancer patients' tissue and liquid biopsy samples delivered to us from hospitals across China and issues test reports. This model has enabled us to become China's largest provider of NGS-based cancer therapy selection tests while building relationships with over 540 hospitals across China. Our central laboratory also supports our collaborations with pharmaceutical companies. We are the number one in the central laboratory segment of China's NGS-based cancer therapy selection market, with a market share of 16.7% in terms of number of patients tested in 2018, according to CIC. Revenue from our central laboratory model has accounted for a substantial majority of our revenue to date, and we expect it to continue to grow.
- ***In-hospital model***: Chinese hospitals generally prefer to conduct laboratory tests in-house. However, despite the large and growing demand for NGS-based cancer therapy selection tests, hospitals face multiple challenges in adopting these tests, which have technically sophisticated workflows. In 2016, we became China's first NGS-based cancer therapy selection company to offer an in-hospital model, providing turn-key solutions to address Chinese hospitals' challenges in adopting NGS-based cancer therapy selection. We help our partner hospitals establish their in-hospital laboratories, install laboratory equipment and systems, and provide ongoing training and support. With these laboratories, equipment and systems in place, we sell them our reagent kits on a recurring basis, which allow them to perform testing on their own in a standardized manner. We have partnered with 40 Class III Grade A hospitals (the highest of China's nine-tiered hospital designation system), giving us a 79.8% market share in the in-hospital segment of China's NGS-based cancer therapy selection industry in terms of number of patients tested in 2018, according to CIC. While revenue from our in-hospital model is still relatively small, we are investing substantially to expand it and expect it to become an increasingly important segment of China's NGS-based cancer therapy selection market.

Our proprietary database, OncoDB, includes over 162,000 cancer therapy selection test results. OncoDB enables us to build our Live Annotation Visualization and Analysis, or LAVA, a cloud-based cancer genomic data ecosystem that facilitates the broader exchange of real-time clinically actionable genomic data among physicians. Over 420 physicians from 120 hospitals have joined LAVA. We plan to expand LAVA to pharmaceutical companies and hospitals to assist in clinical trials and research studies. As LAVA expands, we believe that it will create business opportunities for all of its participants.

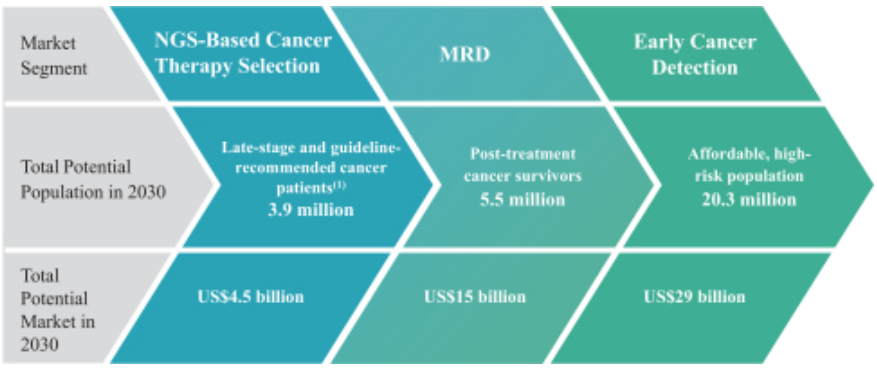
In addition to our NGS-based cancer therapy selection tests, we are also investing in our development of early cancer detection tests. Early cancer detection can substantially increase the chances of successful treatment and therefore presents enormous market opportunities. However, it is extremely difficult to develop liquid biopsy-based early cancer detection tests with the sensitivity and specificity needed for the tests to be clinically useful. Our targeted DNA methylation-based library preparation technologies and bioinformatics effectively address these challenges by enhancing the signal-to-noise ratio on the most informative cancer-associated methylation loci and blocks, enabling us to detect extremely low circulating levels of cancer biomarkers to facilitate accurate early detection of multiple cancers. Our early cancer detection technologies have demonstrated sensitivities of 52% for Stage Ia lung cancer, 71% for Stage I colorectal cancer and 85% for Stage I hepatocellular carcinoma, at specificities of 96-99%, which compare similarly to those of our global peers, based

on publicly available data. We will continue our research and development efforts in early cancer detection, with the aim of developing pan-cancer early detection products.

Minimum residual disease, or MRD, detection is useful for monitoring post-treatment cancer patients, and we are also researching ways to leverage our existing technologies to develop MRD detection products.

We are one of the fastest-growing companies in China's NGS-based cancer therapy selection market. Our revenue increased by 87.9% from RMB111.2 million in 2017 to RMB208.9 million (US$29.2 million) in 2018. Our revenue increased by 104.1% from RMB143.6 million for the nine months ended September 30, 2018 to RMB293.0 million (US$41.0 million) for the same period in 2019. Our gross profit increased by 88.4% from RMB71.7 million in 2017 to RMB135.1 million (US$18.9 million) in 2018. Our gross profit increased by 141.9% from RMB90.3 million for the nine months ended September 30, 2018 to RMB218.4 million (US$30.5 million) for the same period in 2019. Our gross profit margin was 64.5%, 64.7%, 62.9% and 74.5% in 2017, 2018 and the nine months ended September 30, 2018 and 2019, respectively.

Market Opportunities



(1) Including late-stage cancer patients and cancer patients who are recommended by guidelines to take cancer genotyping tests.

China's precision oncology and early cancer detection markets are enormous and with significant growth potential. According to CIC, China's cancer annual incidence is 4.4 million cases in 2018—more than twice of that in the U.S.—and China's annual mortality from cancer is also higher. However, approximately 60%, or 2.5 million cases, of China's cancer incidence are diagnosed in late stage (Stage III or IV), more than three times the number of such cases in the U.S. As a result of the high percentage of late diagnosis and larger cancer patient population, China is in greater need of precision oncology than the U.S. However, cancer treatment is currently dominated by chemotherapy in China. According to CIC, in 2018, chemotherapy accounts for 80.8% of the oncology treatment in China while targeted therapy and immunotherapy account for 83.3% of the oncology treatment in the U.S. Accordingly, targeted therapy and immunotherapy in China are expected to experience rapid growth. We believe the increasing adoption of targeted therapy and immunotherapy for cancer treatment, a favorable regulatory climate for precision oncology, and the expansion of reimbursement for innovative oncology drugs in China will benefit NGS-based cancer therapy selection companies like us.

According to CIC, China's NGS-based cancer therapy selection market is expected to grow from US$0.2 billion in 2018 to US$4.5 billion in 2030, representing a compound annual growth rate, or CAGR, of 30.4%. Currently, the penetration rate for NGS-based cancer therapy selection in China is relatively low, at 5.1% in 2018, primarily due to the lack of awareness of NGS technology among physicians and patients, indicating enormous growth opportunities. The number of patients to receive NGS-based cancer therapy selection in China

is expected to increase from 0.2 million in 2018 (representing 5.1% of late-stage cancer patients and cancer patients who are recommended by guidelines to take cancer genotyping tests) to 1.8 million in 2030 (representing 45.2% of these cancer patients). NGS-based cancer therapy selection is expected to drive the transformation of cancer treatment in China and to fulfill the country's unmet clinical needs.

In addition to cancer genotyping, early cancer detection also has huge potential in China. CIC estimates that the total potential market size for early cancer detection will reach US$28.9 billion in 2030. The total potential population for early cancer detection, which represents the high-risk population able to afford these tests, is estimated to reach 20.3 million in 2030, calculated by multiplying (a) the total size of the high-risk population (age 50-75), which is expected to be 522.0 million in 2030, by (b) 3.9%, the estimated percentage of the population with annual household income over US$70,000.

Rapid technology developments, strong government policy support and fast-growing patient awareness are also expected to increase the adoption of MRD detection in China. CIC estimates that the total potential market size for MRD detection will reach US$14.5 billion in 2030. The total potential population for MRD, which represents post-treatment cancer survivors, is estimated to reach 5.5 million in 2030.

Our Strengths

We believe that the following strengths contribute to our success:

- market-leading position in China's NGS-based cancer diagnostics industry that will drive continued growth;
- advanced NGS-based cancer therapy selection technologies;
- a comprehensive portfolio of cancer therapy selection products;
- two-pronged commercial infrastructure creating high barriers to entry;
- breakthrough technologies in early cancer detection; and
- multidisciplinary management team across molecular biology, genetics, biostatistics and marketing.

Our Strategies

We intend to further grow our business by pursuing the following strategies:

- increase market penetration of our cancer therapy selection products and expand our product portfolio;
- continue research and development in early cancer detection; and
- use our genomic database to build an ecosystem connecting physicians, hospitals and pharmaceutical companies that will create business opportunities for all participants.

Risks Associated with Our Business

Our business is subject to a variety of competitive, regulatory, technical and other risks of which you should be aware of before making an investment decision. These risks are discussed more fully in the "Risk Factors" section of this prospectus immediately following this prospectus summary. These risks include the following:

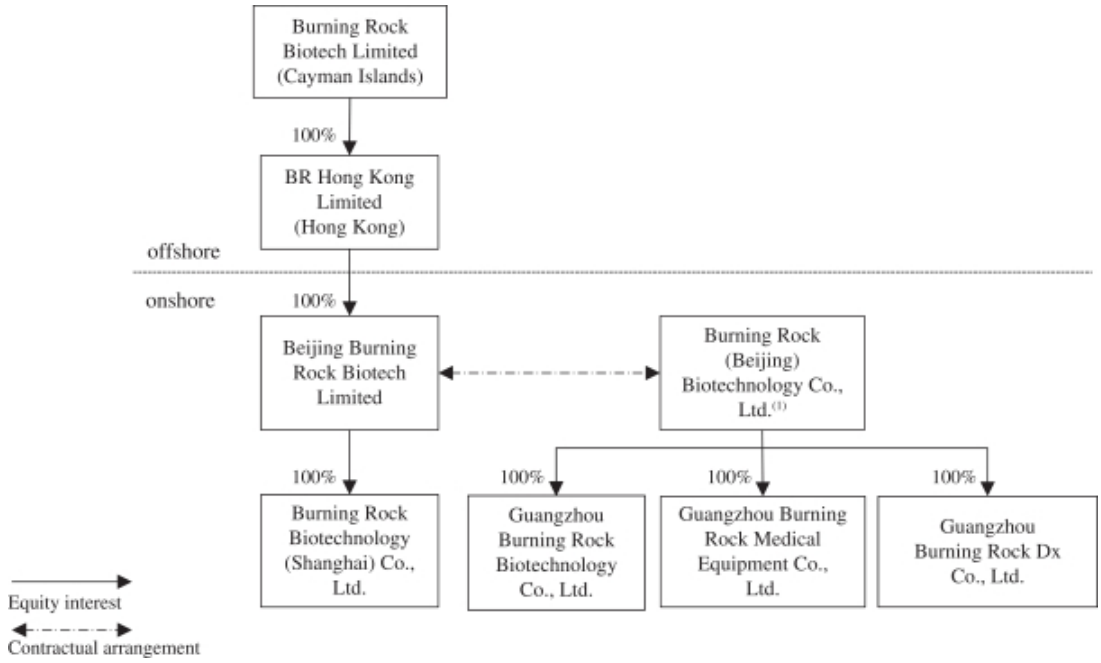
- our ability to sustain our historical growth and generate sufficient revenue to achieve and maintain profitability;
- our ability to maintain significant commercial market acceptance for our products and services;
- our ability to develop and commercialize our early cancer detection products and new cancer therapy selection products;

- our ability to keep up with industry and technology developments;
- our ability to maintain and develop relationships with hospitals and physicians;
- our ability to compete successfully with our competitors; and
- our ability to retain and obtain the requisite certificates, licenses and permits applicable to our business.

Please see "Risk Factors" and other information included in this prospectus for a discussion of these and other risks and uncertainties that we face.

Corporate Structure

The chart below sets forth our corporate structure and identifies our principal subsidiaries as of the date of this prospectus:



(1) Shareholders of Burning Rock (Beijing) Biotechnology Co., Ltd., our variable interest entity, or VIE, include (i) Mr. Yusheng Han, our founder, director and chief executive officer, who holds 45.9% of the equity interests in our VIE, (ii) Mr. Xia Nan, an affiliate of Northern Light Venture Capital III, Ltd., who holds 18.1% of the equity interests in our VIE, (iii) Mr. Gang Lu, our director, and Mr. Jin Zhao, our former director, who hold 7.1% and 8.8% of the equity interests in our VIE, respectively, (iv) Growth No. 12 Investment (Shenzhen) Partnership (Limited Partnership), an affiliate of a principal shareholder, which holds 6.0% of the equity interests in our VIE, and (v) seven minority shareholders, who in aggregate hold 14.1% of the equity interests in our VIE, including Dr. Shaokun (Shannon) Chuai, our chief operating officer.

Implication of Being an Emerging Growth Company

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 Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements

compared to those 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.

We will remain an emerging growth company until the earliest of (a) the last day of the 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 preceding 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 Information

Our principal executive offices are located at 601, 6/F, Building 3, Standard Industrial Unit 2, No.7 Luoxuan 4th Road, International Bio Island, Guangzhou, the People's Republic of China. Our telephone number at this address is +86 020-3403 7871. Our registered office in the Cayman Islands is located at the offices of Vistra (Cayman) Limited, P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

Our agent for service of process in the U.S. is Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY10168.

Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our main website is http://www.brbiotech.com. The information contained on our website is not a part of this prospectus.

Conventions that Apply to this Prospectus

Unless otherwise indicated or the context otherwise requires, and for purposes of this prospectus only:

- "ADRs" refer to the American depositary receipts that evidence our ADSs;
- "ADSs" refer to our American depositary shares, each of which represents Class A ordinary shares;
- "Burning Rock," "we," "us," "our company" and "our" refer to Burning Rock Biotech Limited, a Cayman Islands exempted company, and its subsidiaries and consolidated affiliated entities;
- "China" or "the PRC" refers to the People's Republic of China, excluding, for the purposes of this prospectus only, Hong Kong, Macau and Taiwan;
- "liquid biopsy" refers to a test done on a blood sample that enables the access to the molecular information, by looking for cancer cells from a tumor that are circulating in the blood or for pieces of DNA from tumor cells that are in the blood, throughout all stages of cancer;
- "NGS" refers to next-generation sequencing, a DNA sequencing technology used to determine the nucleotide sequence of an individual's genome;
- "RMB" or "Renminbi" refers to the legal currency of China;
- "sensitivity" refers to the percentage of people who test positive for a specific disease or condition among people who actually have the disease or condition;

- "shares" or "ordinary shares" refer to our ordinary shares, par value US$0.0001 per share, and upon the completion of this offering, to our Class A ordinary shares and Class B ordinary shares, par value US$0.0001 per share;
- "specificity" refers to the percentage of people who test negative for a specific disease or condition among people who do not have the disease or condition;
- "U.S. GAAP" refers to accounting principles generally accepted in the U.S.; and
- "US$," "U.S. dollars," "$," and "dollars" refer to the legal currency of the U.S.

Unless the context indicates otherwise, all information in this prospectus assumes no exercise by the underwriters of their over-allotment option.

Our reporting currency is the Renminbi. This prospectus also contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations from Renminbi to U.S. dollars were made at a rate of RMB7.1477 to US$1.00, the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System on September 30, 2019. We make no representation that any Renminbi or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all. On January 3, 2020, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board was RMB6.9649 to US$1.00.

The Offering	
Offering price	We currently estimate that the initial public offering price will be between US$ and US$ per ADS.
ADSs offered by us	ADSs (or ADSs if the underwriters exercise their over-allotment option in full).
ADSs outstanding immediately after this offering	ADSs (or ADSs if the underwriters exercise their over-allotment option in full)
Ordinary shares issued and outstanding immediately after this offering	ordinary shares, comprised of Class A ordinary shares and Class B ordinary shares (or ordinary shares if the underwriters exercise their over-allotment option in full to purchase additional Class A ordinary shares).
The ADSs	Each ADS represents Class A ordinary shares, par value US$0.0001 per share. The depositary will hold Class A ordinary shares underlying your ADSs. You will have rights as provided in the deposit agreement among us, the depositary and holders and beneficial owners of ADSs from time to time. We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our Class A ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our Class A 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 in exchange for Class A ordinary shares. The depositary will charge you fees for any such exchange. 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. 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.
Ordinary shares	Our ordinary shares will be divided into Class A ordinary shares and Class B ordinary shares upon completion of this offering. Holders of

	Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. In respect of matters requiring a shareholder vote, each Class A ordinary share will be entitled to one vote, and each Class B ordinary share will be entitled to six (6) votes. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares. For a description of Class A ordinary shares and Class B ordinary shares, see "Description of Share Capital."
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 additional ADSs.
Use of proceeds	We expect that we will receive net proceeds of approximately US$ million from this offering, or approximately US$ million if the underwriters exercise their over-allotment option in full, assuming an initial public offering price of US$ per ADS, which is the midpoint of the estimated range of the initial public offering price, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We plan to use the net proceeds of this offering for general corporate purposes, which may include (i) research and development of our early cancer detection technologies, (ii) obtaining NMPA approvals for additional cancer therapy selection products, including completing related clinical trials, and (iii) other general and administrative matters. See "Use of Proceeds" for more information.
Lock-up	We, our directors and executive officers, our current shareholders [and certain of our option holders] 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 Eligible for Future Sale" and "Underwriting."
[Directed ADS Program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to an aggregate of ADSs offered in this offering to some of our directors, officers, employees, business associates and related persons through a directed ADS program.]
Listing	We intend to apply to have the ADSs listed on the [NYSE/Nasdaq Global Market] under the symbol " ." Our ADSs and shares will not be listed on any other stock exchange or traded on any automated quotation system.

Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on , 2020.
Depositary	

Summary Consolidated Financial and Operating Data

The following summary consolidated statements of comprehensive income data and consolidated statements of cash flow data for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, and consolidated balance sheets data as of December 31, 2017 and 2018 and September 30, 2019 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary consolidated statements of comprehensive income data and cash flow data for the nine months ended September 30, 2018 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results are not necessarily indicative of results expected for future periods. 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.

	Year ended December 31,			Nine months ended September 30,		
	2017	2018		2018	2019	
	RMB	RMB	US$	RMB	RMB	US$
				(unaudited)		
	(in thousands, except for per share and share data)					
Summary Consolidated Statements of Comprehensive Income Data:						
Revenues	111,166	208,867	29,221	143,593	293,002	40,992
Cost of revenues	(39,470)	(73,808)	(10,327)	(53,316)	(74,644)	(10,443)
Gross profit	71,696	135,059	18,894	90,277	218,358	30,549
Operating expenses:						
Research and development expenses	(49,022)	(105,299)	(14,732)	(72,972)	(104,697)	(14,648)
Selling and marketing expenses	(67,505)	(102,857)	(14,390)	(66,814)	(104,225)	(14,582)
General and administrative expenses	(76,036)	(88,299)	(12,353)	(63,646)	(83,045)	(11,618)
Total operating expenses	(192,563)	(296,455)	(41,475)	(203,432)	(291,967)	(40,848)
Loss from operations	(120,867)	(161,396)	(22,581)	(113,155)	(73,609)	(10,299)
Interest expense, net	(9,861)	(16,612)	(2,324)	(11,203)	(66)	(9)
Other expense, net	(32)	(488)	(68)	(266)	(542)	(76)
Foreign exchange (loss) gain, net	(515)	999	140	1,068	1,841	258
Change in fair value of warrant liability	—	—	—	—	(1,686)	(236)
Loss before income taxes	(131,275)	(177,497)	(24,833)	(123,556)	(74,062)	(10,362)
Income tax expense	—	—	—	—	—	—
Net loss	(131,275)	(177,497)	(24,833)	(123,556)	(74,062)	(10,362)
Net loss attributable to Burning Rock Biotech Limited's shareholders	(131,275)	(177,497)	(24,833)	(123,556)	(74,062)	(10,362)
Accretion of convertible preferred shares	(53,276)	(54,849)	(7,674)	(40,669)	(125,838)	(17,605)
Net loss attributable to ordinary shareholders	(184,551)	(232,346)	(32,507)	(164,225)	(199,900)	(27,967)
Loss per share:						
Basic and diluted	(5.10)	(5.19)	(0.73)	(3.71)	(4.31)	(0.60)
Weighted average shares outstanding used in loss per share computation:						
Basic and diluted	36,178,203	44,757,750	44,757,750	44,240,210	46,334,461	46,334,461

	As of December 31,			As of September 30,	
	2017	2018		2019	
	RMB	RMB	US$	RMB	US$
	(in thousands)				
Summary Consolidated Balance Sheets Data:					
Cash and cash equivalents	54,789	93,341	13,059	123,808	17,321
Total current assets	298,930	292,989	40,989	799,914	111,912
Total assets	400,332	372,674	52,137	898,623	125,722
Total current liabilities	78,055	284,698	39,830	147,364	20,617
Total liabilities	231,846	380,018	53,165	189,887	26,567
Total mezzanine equity	540,642	596,118	83,400	1,474,666	206,313
Total shareholders' deficit	(372,156)	(603,462)	(84,428)	(765,930)	(107,158)

	Year ended December 31,			Nine months ended September 30,		
	2017	2018		2018	2019	
	RMB	RMB	US$	RMB	RMB	US$
				(unaudited)		
	(in thousands)					
Summary Consolidated Statements of Cash Flow Data:						
Net cash used in operating activities	(133,701)	(148,780)	(20,815)	(118,230)	(177,905)	(24,891)
Net cash (used in) generated from investing activities	(191,077)	106,091	14,842	112,099	(368,922)	(51,614)
Net cash generated from financing activities	354,166	83,393	11,667	63,470	570,643	79,835
Effect of exchange rate on cash, cash equivalents and restricted cash	(11,406)	(159)	(21)	(1,729)	6,134	859
Net increase in cash, cash equivalents and restricted cash	17,982	40,545	5,673	55,610	29,950	4,189
Cash, cash equivalents and restricted cash at beginning of year/period	36,807	54,789	7,665	54,789	95,334	13,338
Cash, cash equivalents and restricted cash at end of year/period	54,789	95,334	13,338	110,399	125,284	17,527

Summary Operating Data

The table below sets forth our summary operating data for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2018 and 2019:

	Year ended December 31,		Nine months ended September 30,	
	2017	2018	2018	2019
Central Laboratory Model:				
Number of patients tested	10,134	16,105	11,597	16,904
Number of ordering physicians(1)	777	1,135	957	1,339
Number of ordering hospitals(2)	207	263	231	298

(1) Represents physicians who on average order at least one test from us every month during a relevant period under the central laboratory model.
(2) Represents hospitals whose residing physicians who on average order at least one test from us every month during a relevant period under the central laboratory model.

The table below sets forth our summary operating data as of December 31, 2016, 2017 and 2018 and September 30, 2019:

	As of December 31,			As of September 30,
	2016	2017	2018	2019
In-hospital Model:				
Pipeline partner hospitals(1)	7	12	14	21
Contracted partner hospitals(2)	2	4	12	19
Total number of partner hospitals	9	16	26	40

(1) Refers to hospitals that have established in-hospital laboratories, completed laboratory equipment installation and commenced pilot testing using our products. According to CIC, it generally takes 12 to 30 months for hospitals to progress from pipeline partner hospitals to contracted partner hospitals, which generate recurring revenue from the sale of reagent kits.

(2) Refers to hospitals that have entered into contracts to purchase our products for use on a recurring basis in their respective in-hospital laboratories we helped them establish.

RISK FACTORS

An investment in the ADSs involves significant risks. You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the ADSs. Any of the following risks could have an adverse effect on our business, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, prospects, financial condition, results of operations, cash flows and ability to pay dividends, and you may lose all or part of your investment.

Risks Relating to Our Business and Industry

We are a cancer diagnostics company with a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

We commercially launched our first cancer therapy selection test in 2014 and started generating revenue in 2014. Our limited operating history may make it difficult to evaluate our current business and predict our future performance. Any assessment of our profitability or prediction about our future success or viability is subject to significant uncertainty.

China's NGS-based cancer therapy selection market is still in its early stage of development and rapidly evolving, and companies operating in this industry face a variety of risks. We may not have sufficient experience or resources to address risks frequently encountered in this industry, which include, among other things, our potential failure to:

- acquire and retain customers and increase adoption of our cancer therapy selection products and services by hospitals, physicians, patients, pharmaceutical companies and others in the medical community;
- timely respond to changing market conditions and keep up with evolving industry and technological standards and regulatory developments;
- obtain and maintain the regulatory approvals required for us to further market and sell our cancer therapy selection products and services and commercialize our early cancer detection products and services;
- manage our relationships with our suppliers, customers and research partners;
- protect proprietary technologies and intellectual property rights; and
- attract, train, motivate and retain research and development and other qualified personnel.

If we are unsuccessful in addressing any one or more of these risks, our business, financial condition and results of operations could be adversely affected.

We have incurred net losses historically, and may not be able to achieve and maintain profitability.

Although our revenue grew rapidly in recent years, we have historically incurred net losses. In 2017, 2018 and the nine months ended September 30, 2018 and 2019, we incurred net loss of RMB131.3 million, RMB177.5 million (US$24.8 million), RMB123.6 million and RMB74.1 million (US$10.4 million), respectively. To date, we have financed our operations principally from revenue generated from operations, debt and equity financing from our investors and bank borrowings.

We have invested and expect to continue to invest significantly in the research, development, and sales and marketing of our products. As such, we may continue to incur losses in the future. We cannot predict the extent of these future losses, or when we may achieve profitability, if at all. If we are unable to generate sufficient revenue from our business and control our costs and expenses to achieve and maintain profitability, the value of your investment in us could be negatively affected.

Failure to maintain significant commercial market acceptance for our cancer therapy selection products and services, or any future products and services may harm our business and results of operations.

Our cancer therapy selection products and services contributed substantially all of our revenue for 2017 and 2018. Although we are in the process of developing early cancer detection products, our cancer therapy selection tests will continue to account for a significant portion of our revenue in the foreseeable future. Our ability to execute our growth strategy and become profitable will therefore depend upon the continued and further adoption of our cancer therapy selection products and services by hospitals and patients. Continued adoption and use of these products and services will depend on several factors, including, among others:

- our ability to demonstrate among the medical community the clinical utility, superiority and the benefits of our cancer therapy selection products and services;
- our ability to further validate our cancer therapy selection technologies through clinical research and accompanying publications;
- the timing and scope of approval by the NMPA for our additional cancer therapy selection products;
- the prices we charge for our cancer therapy selection products and services;
- our ability to maintain our laboratory certification, accreditation and regulatory approvals, including the NCCL PCR clinical test laboratory certificate, the NCCL NGS laboratory certificate, the CAP accreditation, the CLIA certification, and complete required inspections; and
- the impact of negative publicity regarding our or our competitors' tests and technologies resulting from defects or errors.

We cannot assure you that our cancer therapy selection products and services will continue to maintain or gain market acceptance, and any failure to do so would harm our business and results of operations.

We may be unable to develop and commercialize our early cancer detection products or new cancer therapy selection products on a timely basis, or at all.

We are developing early cancer detection products and may develop and commercialize new cancer therapy selection products from time to time in the future. Developing early cancer detection and new cancer diagnostics products is a lengthy and complex process. New products may take time to commercialize, and their launch could be delayed or may not be successful.

Our product development process involves various risks, and we may not be able to develop and commercialize any early cancer detection products or new cancer therapy selection products on a timely basis, or at all. A product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons. For example:

- our product candidates may fail to demonstrate clinical utility, or the development process may produce negative or inconclusive results, and we may decide, or regulators may require us to conduct additional clinical trials or we may decide to abandon our development programs;
- our employees, or third-party clinical investigators, medical institutions and contract research organizations, may fail to comply with their contractual duties or obligations or meet expected deadlines, and if the quality, completeness or accuracy of the clinical data they obtain are compromised due to any failure to adhere to our clinical protocols or for other reasons, our clinical trials may have to be extended, delayed or terminated;
- we may fail to obtain approvals for our product candidates from relevant regulatory authorities; and
- failure to generate additional data and insights from our existing products to advance the research and development of new products as quickly, or at all.

In addition, our competitors may develop and commercialize competing products faster than we are able to, in which case our results of operations could be adversely affected.

If we fail to keep up with industry and technology developments in a timely and cost-effective manner, we may be unable to compete effectively and our business and prospects could suffer.

China's NGS-based cancer therapy selection market is characterized by rapid changes, including technological and scientific breakthroughs, increasing amounts of data, frequent introductions of new tests, constant emergence of alternative diagnostic methods, and evolving industry standards. If we are not able to keep pace with these advances and increased customer expectations as a result of these advances and capture new market opportunities that develop as a result of these advances, our proprietary technologies could be rendered obsolete, our existing products and services and products and services we are developing could be rendered less clinically effective, and our future operations and prospects could suffer. To remain competitive, we must continuously upgrade our existing products and services and launch new products and services and further optimize our cancer genomic data ecosystem, to keep pace with these developments. We cannot assure you that these efforts will be successful.

In addition, we must expend significant resources in order to continuously upgrade our existing products and services or launch new ones to keep pace with industry and technological advances. We may never realize a return on investment on these efforts, especially if the improved or new products and services fail to perform as expected, in which case our business, financial condition and results of operations could be adversely affected.

If our products or services do not perform as expected, our operating results, reputation and business could suffer.

Our success depends on the market confidence that we can provide reliable, high-quality cancer therapy selection products and services that will provide physicians with real-time clinically actionable diagnostic information. However, there is no assurance that our products and services will perform as expected at all times. Our tests may fail to accurately detect gene variants or incompletely or incorrectly identify the significance of genomic alterations, or contain other errors or mistakes due to a variety of reasons (such as malfunction of our laboratory equipment and degraded liquid biopsy or tissue samples provided by our delivery service providers), which may result in negative perception of our tests. In addition, inaccurate results or misunderstandings of, or inappropriate reliance on, the diagnostic information our tests provide could lead to, or be associated with, side effects or adverse events in patients who use our tests, including treatment-related death, and could lead to termination of our services or claims against us.

If we were to be sued for product liability or professional liability, we could face substantial liabilities that exceed our resources.

We could face product liability claims should someone allege that our products or services identified inaccurate or incomplete information regarding the genomic alteration of the tumor or malignancy analyzed, reported inaccurate or incomplete information concerning the available therapies for a certain type of cancer or otherwise failed to perform as designed. A claimant could allege that our test results caused unnecessary treatment or other costs or resulted in the patient missing the best opportunity or timing for treatment. A patient could also allege other mental or physical injury or that our tests provided inaccurate or misleading information concerning the diagnosis, prognosis or recurrence of, or available therapies for, his or her cancer. We may also be subject to liability for errors in, a misunderstanding of or inappropriate reliance upon, the diagnostic information our tests provided. The tense physician-patient relationship in China could also expose us to an increased risk of potential liability claims. A product liability or professional liability claim could result in substantial damages and be costly and time-consuming for us to defend and could divert our management's attention.

Similar to other Chinese companies, we do not carry product liability or professional liability insurance. As the insurance industry in China is at a relatively preliminary stage of development compared to more developed

markets such as the United States, insurance companies in China generally offer a limited selection of product liability and professional liability insurance policies and it is often difficult to secure suitable product liability and professional liability insurance coverage at reasonable rates in China. Any product liability or professional liability claim brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage. Additionally, any product liability or professional liability lawsuit could damage our reputation, or cause our business partners to terminate existing agreements with us and seek other business partners, or cause us to lose our current or potential customers. Any of these developments could adversely impact our results of operations and business prospects.

If we cannot maintain or develop relationships with hospitals and physicians, our results of operations and prospects could be adversely affected.

We collaborate with hospitals and physicians across China in many aspects of our business, and our success in part depends on our ability to maintain our relationships with our existing partner hospitals and physicians and continue to build new relationships with additional hospitals and physicians.

Central laboratory collaboration. Currently, we primarily collaborate with hospitals and physicians under the central laboratory model, where the cancer patients' treating physicians order our tests for the patients during the diagnostic process, have the patients' liquid biopsy or tissue samples shipped to our laboratories for testing and then design treatment plans based on our test results. As of the date of this prospectus, physicians from more than 540 hospitals across China have ordered our tests. To generate demand, we will need to continue to educate physicians at an increasing number of hospitals on the clinical utility, benefits and value of our tests through clinical trials, published papers, presentations at scientific conferences and one-on-one education by our in-house sales force. We may need to hire additional sales and marketing, research and development and other personnel to support this process. If the physicians currently using our tests services stop ordering our tests or order fewer tests from us for any reason, or if we fail to convince physicians at new hospitals to order our tests, we will likely be unable to generate demand for our tests in sufficient volume for us to achieve profitability.

In-hospital collaboration. We are also actively expanding our collaboration with hospitals under the in-hospital model. Under this model, we partner with hospitals to establish in-hospital laboratories so that the partner hospitals can conduct cancer therapy selection tests on their own using our reagent kits. As of the date of this prospectus, we have partnered with 40 hospitals under the in-hospital model. Any deterioration or termination of our relationships with these partner hospitals could result in temporary or permanent loss of our revenue.

In addition, we will need to continue to advocate the clinical utility, benefits and value of our tests in order to enter into collaboration with additional hospitals under the in-hospital model. Even if we have convinced the new hospitals to partner with us, establishing in-hospital laboratories with hospitals in China involves a lengthy and costly process, including going through tender procedures, the outcome of which is subject to uncertainties, and complying with the respective hospitals' operating protocols. If we fail to enter into collaboration with additional hospitals under the in-hospital model in a timely and cost-effective manner, or if due to regulatory change or any other reasons, our current partner hospitals terminate their current collaborations with us, our business and prospects could be adversely affected.

Clinical collaboration. We have obtained the NMPA approval for one of our NGS reagent kits and in the future we may from time to time seek the NMPA approval for additional products. The NMPA approval involves, among other things, successful completion of clinical trials for these products. We may rely on our partner hospitals to obtain sufficient data and samples to cost-effectively and timely perform these clinical trials. If we fail to establish or maintain clinical collaboration with our partner hospitals, our business and results of operations may be harmed.

We require substantial funding for our operations. If we cannot raise sufficient additional capital on acceptable terms, our business, financial condition and prospects may be adversely affected.

We require substantial capital to fund our existing operations, commercialize new products, expand our business and pursue strategic investments. In particular, we require substantial capital to:

- advance our early cancer detection technologies and develop early cancer detection product candidates;
- increase our sales and marketing efforts to drive market adoption of our products and services and address competitive developments;
- seek regulatory and marketing approvals for our tests;
- maintain, expand and protect our intellectual property portfolio;
- hire and retain additional personnel, such as scientists and sales and marketing personnel;
- develop, acquire and improve operational, financial and management information systems;
- add equipment and physical infrastructure to support our research and development programs;
- finance general and administrative expenses; and
- operate as a public company.

Based on our current business plan, we believe our current cash, cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash requirements over at least the next 12 months from the date of this prospectus. If our available cash balances, net proceeds from this offering and anticipated cash flow from operations are insufficient to satisfy our liquidity requirements, in particular, for the development and commercialization of our products, we may seek to obtain further funding through public or private equity offerings, debt financings or other sources.

Further financing may not be available to us on acceptable terms, or at all. If we fail to raise capital as and when needed it would have a negative impact on our financial condition and our ability to pursue our business strategy. In addition, if we raise funds by issuing debt securities or incurring additional borrowings, the terms of debt securities issued or borrowings could impose significant restrictions on our operations, and we may be unable to repay the indebtedness when due. If we raise funds by issuing equity securities, your investment in our company could be diluted.

We depend on third-party suppliers and service providers for different aspects of our business. If these suppliers and service providers can no longer provide satisfactory products or services to us on commercially reasonable terms, our business and results of operations could be adversely affected.

We depend on third parties for different aspects of our business, such as supplying sequencers, reagents and other laboratory equipment and materials, and collecting and delivering samples for our cancer therapy selection tests. Selecting, managing and supervising these third-party suppliers and service providers requires significant resources and expertise. Poor performance by these third parties, including their failure to provide services or products according to applicable legal and regulatory requirements, the terms of our contracts or otherwise below standard, could significantly and negatively affect the quality of our cancer therapy selection tests and damage our reputation. For example, we rely on third-party delivery service providers to transport liquid biopsy and tissue samples to our laboratory. Disruptions in such delivery services, whether due to labor disruptions, bad weather, natural disaster, terrorist acts or threats or for other reasons could adversely affect specimen integrity and our ability to process samples and conduct tests in a timely manner and to service our customers satisfactorily, and ultimately our reputation and our business. In addition, if we are unable to continue to obtain expedited delivery services on commercially reasonable terms, our operating results may be adversely affected.

In addition, the service or cooperative agreements we have with third-party suppliers and service providers are generally not on an exclusive basis. If these third parties do not continue to maintain or expand their

cooperation with us, we would be required to seek new substitutes for these third-party material or service providers, which could disrupt our operations and adversely affect our results of operations.

If we cannot maintain or develop relationships with our research partners, the market adoption and endorsement of our products and services could suffer, which could in turn reduce our revenue prospects.

Currently, we have wide academic collaborations with oncology key opinion leaders, who conducted clinical trials and research studies on cancer targeted therapies and immunotherapies using our products. We believe our relationships with oncology key opinion leaders, as well as the resulting peer-to-peer interaction they generated, have been instrumental in raising the awareness of our technology platform, endorsing the high quality of our cancer therapy selection capabilities and driving adoption of our products. In addition, we collaborate with pharmaceutical companies who employ cancer therapy selection using our products and services to help develop new drugs for targeted therapies and immunotherapies on various types of cancers. We believe their rigorous standards for the consistency and accuracy of cancer therapy selection results provide validation and endorsement for our technology platform and our products.

Our future success depends in part on our ability to maintain these relationships and to establish new relationships. Many factors have the potential to impact such collaborations, with both key opinion leaders and pharmaceutical companies, including the type of biomarker support required and our ability to deliver it, pharmaceutical companies' satisfaction with our products or services, and our ability to pass the periodic or random inspections of our pharmaceutical company partners, and other factors that may be beyond our control. Furthermore, our research partners may decide to decrease or discontinue their use of our products and services due to changes in their research focus; pharmaceutical companies may decide to cease or change their new drugs development plans due to various reasons, such as failures in their clinical trials, financial constraints, or utilization of internal testing resources or tests performed by other parties, or other circumstances outside of our control. We cannot assure you that such existing relationships will continue, or if we establish new relationships with other key opinion leaders and pharmaceutical companies, the resulting relationship will be successful or that academic research and clinical studies conducted as part of the collaborations will produce successful outcomes.

We rely on a limited number of suppliers for some of our laboratory equipment and supplies and may not be able to find replacements or immediately transition to alternative suppliers.

We source sequencers, reagents and certain other laboratory supplies used in our laboratory operations from a limited number of suppliers. Our suppliers are typically trading companies that procure laboratory supplies from a variety of manufacturers. Our laboratory operations may be interrupted if we encounter delays or difficulties in securing these supplies, or if we become unable to procure supplies from any of these suppliers due to their lack of required licenses, permits or certifications. If we cannot timely obtain an acceptable substitute, our business, financial condition, results of operations and reputation could be adversely affected.

We believe that there are a number of replacement suppliers that are capable of supplying all of the sequencers, reagents and other laboratory supplies necessary for our laboratory operations. However, the use of laboratory equipment and supplies furnished by any replacement suppliers may require us to alter our laboratory operations. Transitioning to a new supplier may be time consuming and expensive, result in interruptions in our laboratory operations or require that we revalidate our cancer therapy selection test products and services. There can be no assurance that we will be able to bring the equipment and supplies supplied by these replacement suppliers online and revalidate them without experiencing interruptions in our workflow. In addition, there can be no assurance that replacement suppliers will meet our quality control and performance requirements. If we encounter delays or difficulties in securing, reconfiguring or revalidating the laboratory equipment and supplies we require for our laboratory operations, our business, financial condition, results of operations and reputation could be adversely affected.

If we are unable to support the demand for our current or future products and services, including ensuring that we have adequate capacity to meet increased demand, our business could suffer.

Since our inception, we have experienced rapid growth, and we anticipate further growth in our business operations. Our growth could strain our organizational, administrative and operational infrastructure. As the sales volume of our cancer therapy selection products and services grows, we will face increased demands on our capacity and efficiency for sample intake, testing results analysis and other laboratory operations, quality control, customer service, and general workflow management processes.

To maintain the quality and expected turnaround time of our tests and effectively meet increased demand, we must continue to improve our operational, financial and management controls and hire, train and manage additional qualified scientists, laboratory personnel and sales and marketing personnel. Failure to do so could adversely affect our business, financial condition and results of operations. For example, if we encounter difficulties in scaling our operations as a result of quality control and quality assurance issues, we will likely experience reduced sales of our cancer therapy selection tests, increased repair or re-engineering costs and increased expenses due to switching to alternate suppliers, any of which would adversely affect our results of operations.

If we cannot compete successfully with our competitors, we may be unable to increase or sustain our revenue or achieve and sustain profitability.

With the development of NGS and cancer genotyping, China's NGS-based cancer therapy selection market has become increasingly competitive, and we expect this competition to intensify further in the future. Our principal competition comes from other NGS-based cancer therapy selection companies in China. Some of our existing and potential future competitors may have longer operating histories, larger customer bases, more expansive brand recognition and deeper market penetration, substantially greater financial, technological and research and development resources and selling and marketing capabilities, and more favorable terms from suppliers. As a result, they may be able to respond more quickly to changes in customer requirements or preferences, develop faster, better and more expansive advancements for their technologies and tests, create and implement more successful strategies for the promotion and sale of their tests, adopt more aggressive pricing policies for their tests, secure supplies from vendors on more favorable terms or devote substantially more resources to infrastructure and system development. In addition, competitors may be acquired by, receive investments from or enter into other commercial relationships with larger, well-established and well-financed companies as the use of cancer therapy selection increases. In addition, if we expand into international markets in the future, we could face competition from NGS-based cancer therapy selection companies in these markets.

If we are unable to compete successfully with current and future competitors for these or any other reasons, we may be unable to increase market acceptance and sales volume of our tests, which could prevent us from maintaining or increasing our revenue levels or achieving or sustaining profitability or could otherwise negatively affect our performance.

Failure to manage our growth or execute our strategies effectively may adversely affect our business and prospects.

We have achieved rapid growth in the past few years. If we are not successful in managing our growth or executing our strategies effectively, our business, results of operations, financial condition and future growth may be adversely affected. For example, as part of our growth strategies, we plan to continue our research and development in early cancer detection, which is technically challenging. In addition, we will continue to implement the strategy to expand our collaboration with hospitals under the in-hospital model. As China is a large and diverse market, industry trends and clinical demands may vary significantly by regions. Our experience in collaborations with hospital partners in major cities under the in-hospital model may not be applicable in hospitals located in other cities. As a result, we may not be able to leverage our experience to expand into local

or regional hospitals in other parts of China. Any failure to effectively manage our growth or execute our strategies, including our early cancer detection research and development and our collaboration with hospitals under the in-hospital model, could have an adverse impact on our business and prospects.

Our future success depends on our ability to promote our brand and protect our reputation. If we are unable to effectively promote our brand, our business may be adversely affected.

We believe that enhancing and maintaining awareness of our "Burning Rock" brand is critical to achieving widespread acceptance of our cancer therapy selection products, gaining trust for our testing services and attracting new customers. Successful promotion of our brand depends largely on the quality of the products and services we offer and the effectiveness of our branding and marketing efforts. Currently, we rely primarily on our own sales and marketing team to promote our brand and our cancer therapy selection products and testing services. We expect that our branding and marketing efforts will require us to incur significant expenses and devote substantial resources. We cannot guarantee that our sales and marketing efforts will be successful. Brand promotion activities may not lead to increased revenue in the near term, and, even if they do, any revenue increases may not offset the expenses we incur to promote our brand. Our failure to establish and promote our brand and any damage to our reputation will hinder our growth. In addition, our reputation may be undermined as a result of the negative publicity about our company or our industry in general. If cancer therapy selection products or services provided by us or our competitors do not perform to customers' expectations, it may result in lower confidence in cancer therapy selection in general, which may in turn impair our operating results and our reputation.

Failure to attract and retain our senior management and other key employees could adversely affect our business.

Our future success is significantly dependent upon the continued service of our senior management, such as Mr. Yusheng Han, our chairman and chief executive officer. If we lose their services, we may not be able to locate suitable or qualified replacements, and we may incur additional expenses to recruit new senior management team members, which could severely disrupt our business and growth. In addition, if these personnel join our competitors or form a competing business, our business and prospects could be adversely affected.

Our research and development activities and laboratory operations depend upon our ability to attract and retain highly skilled scientists and technicians. We are also in strong need of sales and marketing personnel with the relevant technology background and industry expertise in order to effectively conduct our sales and marketing activities and increase our hospital network. We face intense competition for qualified individuals from numerous biotechnology and pharmaceutical companies, universities, governmental entities and other research institutions. We may be unable to attract and retain suitably qualified individuals, and our failure to do so could adversely affect our business.

If our central laboratory fails to comply with applicable laboratory licensing requirements, or become damaged or inoperable, our ability to perform tests may be jeopardized.

We currently derive a substantial majority of our revenue from tests performed at our central laboratory located in Guangzhou, Guangdong Province, China.

Currently, our central laboratory holds a clinical PCR testing laboratory certificate issued by Guangdong Branch of the NCCL, in August 2015, and an NGS laboratory certificate issued by Guangdong Branch of the NCCL in May 2018. These certificates are valid for five years and their renewal is conditioned upon additional inspection on a regular and irregular basis. If our central laboratory loses these certificates, whether as a result of revocation, suspension or limitation, we would no longer be able to perform our tests, which could have an adverse effect on our business, financial condition and results of operations. In addition, we have voluntarily

obtained certification from the CLIA to perform laboratory examinations and procedures on human specimens and accreditation from the CAP for our central laboratory. As a condition of the CLIA certification and the CAP accreditation, our central laboratory is subject to survey and inspection every other year, in addition to being subject to additional random inspections. Loss of our CLIA certificate or CAP accreditation may have an adverse effect on our business and reputation.

In addition, our laboratory facilities and equipment could be harmed or rendered inoperable by natural or man-made disasters, including war, fire, earthquake, power loss, communications failure or terrorism, which may render it difficult or impossible for us to perform tests for some period of time. We do not carry any insurance for damage to our property and the disruption of our business. Damages to, or interruptions in the operations of, our laboratory and other facilities could have an adverse impact on our results of operations and financial condition.

Furthermore, our laboratory facilities and equipment could be unavailable or costly and time-consuming to repair or replace. It would be difficult, time-consuming and expensive to rebuild our laboratory facilities, to locate and qualify a new facility or license or transfer our proprietary technology to a third-party to conduct our tests at their facilities, particularly in light of licensure and accreditation requirements. Even in the unlikely event we are able to find a third party with such qualifications to enable us to conduct our tests, we may be unable to negotiate commercially reasonable terms.

We depend on our information technology systems, and any failure of these systems could harm our business.

We depend on information technology systems for significant elements of our operations. We have also installed a number of enterprise software systems that affect a broad range of business processes and functional areas, including for example, systems handling human resources, financial controls and reporting, contract management, regulatory compliance, and other infrastructure operations. These information technology systems support a variety of functions, including laboratory operations, test validation, sample tracking, quality control, customer service support, billing and reimbursement, research and development activities, scientific and medical curation, and general administrative activities.

Information technology systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious human acts and natural disasters. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses, and similar disruptive problems. Despite the precautionary measures we have taken to prevent unanticipated problems that could affect our information technology and telecommunications systems, failures or significant downtime of our information technology or telecommunications systems or those used by third-party service providers could prevent us from conducting our daily operations. Any disruption or loss of information technology systems on which critical aspects of our operations depend could have an adverse effect on our business.

Security threats to our information technology infrastructure and unauthorized use of data by third parties could expose us to liability or damage our reputation and business.

Our information technology systems store and process a variety of sensitive data, including our proprietary business information, as well as patients' personal data such as health information and personally identifiable information.

It is essential that our information technology infrastructure remains secure and is perceived by hospitals, patients and our research partners to be secure. Despite our security measures, we may face cyber-attacks that attempt to penetrate our network security, sabotage or otherwise disable our research, tests and services, misappropriate our proprietary business information or cause interruptions of our internal systems and services. Any cyber-attacks could negatively affect our reputation, damage our network infrastructure and our ability to deploy our products and services, harm our relationship with customers and research partners, and expose us to significant financial liabilities.

Moreover, we may not be able to prevent third parties from illegally obtaining and misappropriating personal data of the tested patients that we collect. Concerns about data leakage or unauthorized use of data by third parties, even if unfounded, could damage our reputation and negatively affect our results of operations.

If we are unable to effectively protect our intellectual property, our business and competitive position would be harmed.

We rely on patents, software copyrights, trademarks, trade secrets and other intellectual property rights protection and contractual restrictions to protect our products, services and technologies. We have registered a number of patents and trademarks in China and have applied for additional patent registrations in China, Hong Kong, the U.S., the European Union and Japan. However, such protection is limited and may not adequately protect our rights. For example, some of the trademark applications for the labels we use in our products have been rejected by the Trademark Office of National Intellectual Property Administration for the reason that they have been preemptively registered by an independent third party. In December 2019, we filed a request for invalidation against these preemptively registered trademarks. However, we cannot assure you that relevant authorities will rule in favor of us with respect to such invalidation request. As advised by our trademark counsel, we believe that the risk of us being found to be infringing the registered trademarks of such third party is low. However, we may still be subject to trademark infringement claims by such third party. We may be subject to fines and other legal or administrative sanctions and may be prohibited from using such trademarks if such claims are resolved against us, and it may also be costly to defend such claims. In addition, competitors could purchase our products and attempt to replicate and/or improve some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, and design their devices and tests around our protected technologies or develop their own competitive technologies that fall outside of our intellectual property rights.

Monitoring unauthorized disclosure and uses of our trade secrets is difficult, and we do not know whether the steps we have taken to prevent such disclosure and uses are, or will be, adequate. If we resort to litigation to enforce or protect our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, while the outcome would be unpredictable and any remedy may be inadequate. Our contractual agreements may be breached by our counterparties, and there may not be adequate remedies available to us for any such breach. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors, and we would have no right to prevent others from using them. Moreover, if a party having an agreement with us has an overlapping or conflicting obligation to a third party, our rights in and to certain intellectual property could be undermined.

If we fail to effectively protect our intellectual property, our competitive position and prospects could be adversely affected.

We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could disrupt our business.

The validity, enforceability and scope of intellectual property rights protection in China are uncertain and still evolving. We cannot be certain that our products, tests and technologies do not or will not infringe patents, software copyrights, trademarks or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such proceedings and claims could result in significant costs to us and divert the time and attention of our management and technical personnel from the operation of our business. These types of claims could also potentially adversely impact our reputation and our ability to conduct business and raise capital, even if we are ultimately absolved of all liability. Moreover, third parties making claims against us may be able to obtain injunctive relief against us, which could block our ability to offer one or more devices or tests and could result in

a substantial award of damages against us. In addition, since we sometimes indemnify our customers or collaboration partners, we may have additional liability in connection with any infringement or alleged infringement of third party intellectual property. Intellectual property litigation can be very expensive, and we may not have the financial means to defend ourselves or our customers or collaboration partners.

Because patent applications can take many years to issue, there may be pending applications, some of which are unknown to us, that may result in issued patents upon which our products, tests or proprietary technologies may infringe. Moreover, we may fail to identify issued patents of relevance or incorrectly conclude that an issued patent is invalid or not infringed by our technology or any of our devices or tests. There is a substantial amount of litigation involving patents and other intellectual property rights in our industry. If a third-party claims that we infringe upon a third-party's intellectual property rights, we may have to:

- seek to obtain licenses that may not be available on commercially reasonable terms, if at all;
- abandon any product alleged or held to infringe, or redesign our products or processes to avoid potential assertion of infringement;
- pay substantial damages including, in exceptional cases, treble damages and attorneys' fees, if a court decides that the device, test or proprietary technology at issue infringes upon or violates the third-party's rights;
- pay substantial royalties or fees or grant cross-licenses to our technology; and
- defend litigation or administrative proceedings that may be costly whether we win or lose, and which could result in a substantial diversion of our financial and management resources.

Ethical, legal and social concerns related to the use of genomic information could reduce demand for our cancer therapy selection testing products and services.

Cancer therapy selection, especially cancer genotyping, has raised ethical, legal and social issues regarding privacy and the appropriate uses of the resulting information. Government authorities could, for social or other purposes, limit or regulate the use of genomic information or prohibit testing for genomic predisposition to certain conditions, particularly for those that have no known cure. Similarly, these concerns may cause patients to refuse to use, or physicians to be reluctant to order, cancer therapy selection tests such as ours, even if permissible. These and other ethical, legal and social concerns may limit market acceptance and adoption of our tests or reduce the potential markets for our tests, any of which could have an adverse effect on our business, financial condition and results of operations.

If we fail to implement or maintain an effective system of internal controls over financial reporting to remediate our material weaknesses, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. In connection with the audits of our consolidated financial statements as of and for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, we and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, or 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 weaknesses identified relate to (i) the lack of sufficient accounting and financial reporting personnel with requisite knowledge and experience in application of U.S. GAAP and SEC rules, and (ii) the lack of financial reporting policies and procedures that are commensurate with U.S. GAAP and SEC reporting

requirements. We are in the process of implementing a number of measures to address the material weaknesses and deficiencies that have been identified. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Internal Control Over Financial Reporting." However, we cannot assure you that these measures may fully address the material weaknesses and deficiencies in our internal control over financial reporting or that we may conclude that they have been fully remediated.

Furthermore, it is possible that, had our independent registered public accounting firm conducted an audit of our internal control over financial reporting, such accountant might have identified additional material weaknesses and deficiencies. Upon completion of this offering, we will become subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act, or Section 404, will require that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report in our second annual report on Form 20-F after becoming a public company. In addition, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue an adverse opinion on the effectiveness of internal control over financial reporting because of the existence of a material weakness if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. If we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. Generally speaking, if we fail to achieve and maintain an effective internal control environment, it could result in material misstatements in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our businesses, financial condition, results of operations and prospects, as well as the trading price of the ADSs, may be adversely affected. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

Past and future grants of share-based awards may have an adverse effect on our financial condition and results of operations and have dilutive impact to your investment.

We adopted a share incentive plan in 2020, which we refer to as the 2020 Share Option Plan, in this prospectus, to grant share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. The maximum aggregate number of ordinary shares we are authorized to issue pursuant to all awards under the 2020 Share Option Plan is ordinary shares. We have also separately issued options to our directors, officers and employees outside of the 2020 Share Option Plan. As of the date of this prospectus, options to purchase 4,807,484 ordinary shares have been granted and outstanding. See "Management—Share Incentive Awards."

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our financial condition and results of operations.

We may be subject to litigation and other claims and legal proceedings, and may not always be successful in defending ourselves against these claims or proceedings.

We may be subject to lawsuits and other claims in the ordinary course of our business. We may from time to time be subject to lawsuits and other legal proceedings brought by our customers, competitors, employees, business partners, investors, other shareholders of the companies we invest, or other entities against us in the ordinary course of our business. We may also be subject to regulatory proceedings in the ordinary course of our business. We may not be successful in defending ourselves, and the outcomes of these lawsuits and proceedings may be unfavorable to us. Lawsuits and regulatory proceedings against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our customer base, market position and our relationships with our research partners and other business partners. In addition to the related costs, managing and defending litigation and other legal proceedings and related indemnity obligations can significantly divert our management's attention from operating our business. We may also need to pay damages or settle lawsuits or other claims with a substantial amount of cash, negatively affecting our liquidity. As a result, our business, financial condition and results of operations could be adversely affected.

Risks Relating to Government Regulations

We are subject to extensive legal and regulatory requirements in China for our cancer therapy selection products and services. Any lack of requisite certificates, licenses or permits applicable to our business may have an adverse impact on our business, financial condition and results of operations.

We are engaged in the purchase, manufacturing, sale and usage of certain imported laboratory equipment, NGS-based cancer therapy selection products and related software. The laws and regulations regulating NGS-based cancer therapy selection products are still in a preliminary stage of development in China. In accordance with current PRC laws and regulations, certain of these equipment, products and software are regulated as medical devices and are required to obtain and maintain various certificates, licenses and permits, including but not limited to medical device record-filing certificates, medical device manufacturing licenses, medical device registration certificates and medical device operation licenses.

Although we obtained China's first medical device registration certificate for NGS-based cancer therapy selection, as of the date of this prospectus, certain of these equipment, products and software have not obtained the required certificates, licenses or permits. In China, very few NGS-based cancer therapy selection products have obtained medical device registration certificates issued by the competent Chinese governmental authorities. It is uncertain whether we can obtain all medical device registration certificates for our NGS-based cancer therapy selection products and how long it will take to obtain such registration certificates.

As of the date of this prospectus, we have not been subject to any penalties from the relevant authorities for the purchase, manufacture, sale and usage of these equipment, products and software. As advised by our PRC counsel, Shihui Partners, the risk of penalties imposed by the competent authorities is relatively low. However, we cannot assure you that the competent governmental authorities will not take different views or interpretations from us or our PRC counsel, or enact new detailed or more restrictive rules and regulations. Failure to comply with laws or regulations may subject us to penalties, including fines, confiscation of these equipment, products and software and suspension of business, and our business and results of operations could be adversely affected.

We are subject to ongoing obligations and continued regulatory review. There could be a subsequent discovery of previously unknown problems with our cancer therapy selection products and services. Any government investigation of alleged violations of law could require us to expend significant time and resources and could result in adverse government actions and negative publicity.

Substantial uncertainties exist with respect to the interpretation and implementation of the newly enacted Regulations on Human Genetic Resources Management.

The Regulation on Human Genetic Resources Management, or the Genetic Resources Regulation, was promulgated by the State Council on May 28, 2019 and became effective on July 1, 2019. It regulates the

collection, preservation, usage and external provision of human genetic resources in the PRC, whereas activities of collection and preservation of organs, tissues and cells for purposes of clinical diagnosis and treatment, service of blood collection and provision, investigation of illegal activities, doping test and funeral service, are required to be conducted in accordance with other relevant laws and regulations separately. However, there remain significant uncertainties as to how various provisions of the Genetic Resources Regulation might be interpreted and implemented. Given these uncertainties, although our products used for clinical diagnostic purpose are currently not regulated by the Genetic Resources Regulation, we cannot assure you that our business activities will not at the same time be deemed to be the collection, preservation, usage and external provision of human genetic resources in the PRC and therefore be subject to the supervision of the Genetic Resources Regulation.

Pursuant to the Genetic Resources Regulation, foreign organizations, individuals and entities established or controlled by them, or Regulated Persons, are prohibited to collect or preserve China's human genetic resources or transport them abroad without prior approval from or filing with the competent governmental authorities. Due to the lack of detailed interpretations and implementations, it is not clear whether a VIE entity controlled by a foreign entity through contractual agreements will be deemed as a Regulated Person under the Genetic Resources Regulation. Moreover, whether a foreign entity ultimately controlled by PRC citizens will be treated as a Regulated Person remains unclear. As of the date of this prospectus, as a company with a VIE structure since our operation, we have not received any notices or been subject to any penalties from the competent governmental authorities for the collection, preservation or use of China's human genetic resources. However, if the competent governmental authorities determine that we are subject to the Genetic Resources Regulation in the future, we may be subject to penalties, including fines, suspension of related activities and confiscation of related human genetic resources and gains generated from conducting these activities, and our business, financial conditions and results of operations could be adversely affected.

The evolving government regulations may place additional burdens on our efforts to commercialize our products and services.

The PRC government has introduced various reforms to the Chinese healthcare system in recent years and may continue to do so, with an overall objective of expanding basic medical insurance coverage and improve the quality and reliability of healthcare services. The specific regulatory changes under the reforms still remain uncertain. The implementing measures to be issued may not be sufficiently effective to achieve the stated goals, and as a result, we may not be able to benefit from these reforms to the level we expect, if at all. Moreover, the reforms could give rise to regulatory developments, such as more burdensome administrative procedures, which may have an adverse effect on our business and prospects.

In addition, laws and regulations in China, including those regulating medical devices and supplies, are rapidly evolving. Changes in these areas could impose more stringent requirements on us and increase our compliance and other operating costs, and we may not be able to achieve or sustain profitability. Changes in government regulations could also prevent, limit or delay regulatory approvals in relation to our NGS-based cancer therapy selection products and services. Moreover, regulatory authorities may conduct periodic or unannounced inspections on pharmaceutical and medical device companies to check if these companies' manufacturing, quality control and procurement, among others, are in compliance with relevant laws and regulations. If we are not able to maintain regulatory compliance or pass regulatory inspections, any regulatory approval that has been obtained may be revoked, and we may be required to recall our current or future products, or even to partially suspend or totally shut down our production. In addition, regulatory changes may relax certain requirements that could benefit our competitors or lower market entry barriers and increase competition. Further, regulatory agencies in China may periodically, and sometimes abruptly, change their enforcement practices. Any litigation or governmental investigation or enforcement proceedings against us in China may be protracted and may result in substantial costs and diversion of resources and management attention, negative publicity, damage to our reputation and decline in the price of our ADSs.

Furthermore, China's regulatory framework governing genetic testing is also in the preliminary stage and rapidly evolving. The evolution of government regulations and their interpretation and enforcement involve significant uncertainties, which may place additional burdens on us or even render it impossible for us to comply with certain regulations. For example, in February 2014, two government agencies jointly published an

announcement regarding the clinical application of genetic tests, or Circular 25, which halted the provision of genetic tests unless the clinical laboratory of genetic testing is included in a designated pilot program. Pursuant to Circular 25, in March 2014, the PRC government launched the pilot program that granted permits to NGS laboratories. This pilot program, to our knowledge, has been discontinued. Since no implementing rules for Circular 25 have been promulgated as of the date of this prospectus, the provision of genetic testing by biotechnology companies, including us, which were not included in such pilot program, may be deemed by the competent governmental authorities to have violated Circular 25. As advised by our PRC counsel, we believe that the risk of us being found in violation of Circular 25 by providing genetics tests is low given that (i) our central laboratory has obtained the clinical PCR testing laboratory certificate, and we are one of the first biotechnology companies in China that have obtained the NGS laboratory certificate, both issued by the NCCL, according to Administrative Regulations for Clinical Gene Amplification Laboratory of Medical Institutions, and (ii) as of the date of this prospectus, the relevant governmental authorities have not imposed any penalties on us, or to our knowledge, on other peer companies conducting genetic testing, for any violation of Circular 25. However, we cannot assure you that the governmental authorities will take the same view with us or our PRC counsel. If the governmental authorities determine that we have violated Circular 25, our business of provision of genetic tests may be halted, which may adversely affect our business and prospects.

We may be exposed to liabilities under various anti-corruption laws and regulations. Any determination that we or our employees have violated these laws and regulations could have an adverse effect on our business or our reputation.

We operate in the healthcare industry in China and are subject to Chinese anti-corruption laws and regulations, which generally prohibit companies and intermediaries from engaging in any bribery, corruption and fraudulent activities, including, among other things, improper payments or other form of bribes to hospitals and physicians in connection with the procurement of products. If we, due to either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-corruption laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have an adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

In addition, our procedures and controls to monitor anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our employees. We could be liable for actions taken by our employees, including any violations of applicable law in connection with the marketing or sale of our products and services, including China's anti-corruption laws and the Foreign Corrupt Practices Act of the U.S., or the FCPA. In particular, if our employees make any payments that are forbidden under the FCPA, we could be subject to civil and criminal penalties imposed by the U.S. government.

Any change in the regulations governing the use of personal data in China, which are still under development, could adversely affect our business and reputation.

As a cancer therapy selection service provider, we have access to our tested individuals' personal data, including their age, gender, disease status and medical records. We use these personal data internally to expand our database and improve the clinical utility of our analytics and reporting system. Chinese regulations governing the collection and use of personal data are still under development. Although we believe that there is currently no PRC legal restriction on our internal use of such data, such as the disease and treatment data in our LAVA system, which we obtained from patients and treating physicians with their prior informed consent, any change in the regulatory regime in this regard could potentially subject us to more stringent data privacy regulations and affect our ability with regard to the collection and use of these personal data, which in turn could have an adverse effect on our business, financial condition and results of operations. In the future, we plan to expand our business internationally and will be subject to relevant regulatory regimes related to data privacy in those countries, which may be subject us to heightened standards of data protection.

Risks Relating to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

In accordance with the Special Administrative Measures for Access of Foreign Investment (Negative List) promulgated in June 2019 and effective in July 2019, or the 2019 Negative List, foreign investors are prohibited from investing in businesses related to the research, development, and application of genomic diagnosis and treatment technology.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands, and Beijing Burning Rock Biotech Limited, our wholly owned subsidiary, or WFOE, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct substantially all of our business in the PRC through Burning Rock (Beijing) Biotech Limited, our VIE, and its subsidiaries, based on contractual arrangements entered into among WFOE, the VIE and its shareholders.

We believe that our corporate structure and contractual arrangements enable us to: (i) be the exclusive provider of business support, technical and consulting services in exchange for a fee; (ii) receive substantially all of the economic benefits and bear the obligation to absorb substantially all of the losses of our VIE; (iii) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the registered shareholders all or any part of their equity interests in our VIE at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (iv) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from our VIE all or any part of its assets at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (v) appoint us, any person authorized by us (except the shareholders of our VIE), as exclusive agent and attorney to act on behalf of the shareholders of our VIE on all matters concerning our VIE and to exercise all their rights as a registered shareholder of our VIE in accordance with PRC laws and the articles of our VIE; and (vi) pledge as first-ranking charge all of the equity interests in our VIE to us as collateral security for any and all of the guaranteed debt under the contractual arrangements and to secure performance of the obligations under the contractual arrangements. The contractual arrangements allow the results of operations and assets and liabilities of our VIE and its subsidiaries to be consolidated into our results of operations and assets and liabilities under U.S. GAAP as if they were subsidiaries of our Group.

Our PRC counsel, Shihui Partners, is of the opinion that (i) the ownership structure of WFOE and our VIE does not violate applicable PRC laws and regulations currently in effect, and (ii) the contractual arrangements are valid, binding and enforceable in accordance with the applicable PRC laws or regulations currently in effect. However, there can be no assurance that the PRC government authorities will take a view that is not contrary to or otherwise different from the opinion of our PRC counsel stated above. There is also the possibility that the PRC government authorities may adopt new laws, regulations and interpretations that may invalidate the contractual arrangements. If the PRC government determines that we are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the PRC National Health Commission, or the NHC, would have broad discretion in dealing with such violations or failures, including, but not limited to:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or WFOE and our VIE may not be able to comply;
- requiring us, WFOE and our VIE to restructure the relevant ownership structure or operations;

- restricting or prohibiting our use of the proceeds from this offering or other of our financing activities to finance the business and operations of our VIE and its subsidiaries; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may adversely affect our business, financial condition and results of operations. In addition, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws and regulations, it is unclear what impact these actions would have on us and on our ability to consolidate the financial results of our VIE and its subsidiaries in our consolidated financial statements. If any penalty results in our inability to direct the activities of our VIE and its subsidiaries and such a penalty significantly impacts their economic performance and/or our ability to receive economic benefits from our VIE and its subsidiaries, we may not be able to consolidate our VIE and its subsidiaries into our consolidated financial statements in accordance with U.S. GAAP.

Our contractual arrangements with our VIE and its shareholders may not be as effective in providing operational control or enabling us to derive economic benefits as a direct ownership of a controlling equity interest would be.

We have relied and expect to continue to rely on contractual arrangements with our VIE, its shareholders and subsidiaries to operate our business activities. These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIE and its subsidiaries. For example, our VIE, its subsidiaries or shareholders may fail to fulfill their contractual obligations with us or take 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 shareholders to effect changes in their board of directors, 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, its subsidiaries and shareholders of their obligations under the contractual arrangements to exercise control over our VIE and its subsidiaries. The shareholders of our VIE may not act in the best interests of our company or may not perform their obligations under these contracts. These risks exist throughout the period in which we intend to operate our business through the contractual arrangements with our VIE, its subsidiaries and shareholders. If any of these shareholders is uncooperative or any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC laws and arbitration, litigation and other legal proceedings, the outcome of which will be subject to uncertainties in the PRC legal system. If we are unable to enforce the contractual arrangements or we experience significant delays or other obstacles in the process of enforcing the contractual arrangements, we may not be able to exert effective control over the VIE and may lose control over its assets. Therefore, our contractual arrangements with our VIE, its subsidiaries and shareholders may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

We may lose the ability to use and enjoy assets held by our VIE that are critical to the operation of our business if our VIE declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Our VIE holds certain assets that are critical to the operation of our business. Under the contractual arrangements entered into by WFOE, our VIE and its shareholders, our VIE may not and its shareholders may not cause it to, sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in the VIE. They also may not allow any encumbrance of security interest over such equity interest, except for the equity interest pledge agreement in the contractual arrangements, without WFOE's prior written consent. However, if the shareholders of our VIE or its subsidiaries breach the contractual arrangements and voluntarily liquidate the VIE or its subsidiaries, or if our VIE or its subsidiaries declares bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities, which could adversely affect our business, financial

condition and results of operations. In addition, if our VIE or its subsidiaries undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its or their assets, thereby hindering our ability to operate our business, which could adversely affect our business, financial condition and results of operations.

Any failure by our VIE, its subsidiaries or shareholders to perform their obligations under our contractual arrangements with them would have an adverse effect on our business.

Under the contractual arrangements entered into by WFOE, our VIE and its shareholders, these shareholders covenanted that they will not request our VIE to distribute profit or dividends, raise shareholders' resolution to make such a distribution or vote in favor of any such relevant shareholders' resolution without WFOE's prior written consent. If these shareholders receive any income, profit distribution or dividend, except as otherwise determined by us, they must promptly transfer or pay such income, profit distribution or dividend to us or any other person designated by us as service fees to the extent permitted under applicable PRC laws. If the shareholders of our VIE breach the relevant covenants, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceedings may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceedings is uncertain.

The ultimate beneficial shareholders of our VIE may have conflicts of interest with us, which may adversely affect our business.

The equity interests in our VIE are ultimately beneficially held by certain of our directors, indirect shareholders and employees of these indirect shareholders. However, these ultimate beneficial shareholders may have potential conflicts of interest with us. They may breach, or cause our VIE to breach, the contractual arrangements. We cannot assure you that when conflicts arise, the ultimate beneficial shareholders of our VIE will act in the best interests of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which could result in the disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

We conduct our business operations in the PRC through our VIE and its subsidiaries by way of our contractual arrangements, but certain of the terms of our contractual arrangements may not be enforceable under PRC laws.

All the agreements that constitute our contractual arrangements with our VIE, its subsidiaries and shareholders are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws, and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the contractual arrangements. If we are unable to enforce the contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over our VIE and its subsidiaries, and our ability to conduct our business and our financial condition and results of operations may be adversely affected.

The contractual arrangements provide that (i) in the event of a mandatory liquidation required by PRC laws, WFOE may act on behalf of the shareholders of our VIE to exercise all such rights associated with their equity interest; and (ii) in such event, where PRC laws permit, any distribution the shareholders of our VIE are entitled to receive, after deducting their initial capital contribution, will be transferred voluntarily to WFOE. Such provision may not be enforceable under PRC laws in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation.

Therefore, in the event of a breach of any agreements constituting the contractual arrangements by the VIE, its subsidiaries and/or shareholders, we may not be able to exert effective control over our VIE due to the inability to enforce the contractual arrangements, which could adversely affect our ability to conduct our business.

If we exercise the option to acquire the equity interest and assets of the VIE, this equity interest or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the contractual arrangements, WFOE or its designated person has the irrevocable and exclusive right to purchase all or any portion of the equity interests in our VIE from our VIE's shareholders at any time and from time to time in its absolute discretion to the extent permitted by PRC laws. The consideration WFOE pays for such purchases will be an amount equal to then registered capital of our VIE multiplied by the percentage of any equity interest to be purchased in proportion to the total equity interests of our VIE. But if applicable PRC law contains a compulsory requirement regarding transfer of the equity interest, the WFOE or any third party designated is entitled to pay the lowest price permitted by the PRC law as the purchase price. In addition, under the contractual arrangements, WFOE or its designated party has the irrevocable and exclusive right, where permitted by PRC law, to purchase from our VIE all or any portion of its assets, and the purchase price will be the higher of (i) the net book value of the assets to be purchased and (ii) the lowest price permitted by applicable PRC law.

Such transfer of equity or assets may be subject to approvals from, or filings with, competent PRC authorities, such as the Ministry of Commerce, or MOFCOM, the State Administration for Market Regulation, or the SAMR, and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The assets transfer price to be received by our VIE under the contractual arrangements may also be subject to enterprise income tax, and these amounts could be substantial.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may affect the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the Foreign Investment Law was formally passed by the thirteenth National People's Congress and it became effective on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Foreign-Capital Enterprises and became the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate contractual arrangements such as those we rely on as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing through any other methods under laws, administrative regulations or provisions prescribed by the State Council." Future laws, administrative regulations or provisions prescribed by the State Council may possibly regard contractual arrangements as a form of foreign investment. If this happens, it is uncertain whether our contractual arrangements with our VIE, its subsidiaries and shareholders would be recognized as foreign investment, or whether our contractual arrangements would be deemed to be in violation of the foreign investment access requirements. As well as the uncertainty on how our contractual arrangements will be handled, there is substantial uncertainty regarding the interpretation and the implementation of the Foreign Investment Law. The relevant government authorities have broad discretion in interpreting the law. Therefore, there is no guarantee that our contractual arrangements, the business of our VIE and our financial condition will not be adversely affected.

Depending on future developments under the new Foreign Investment Law, we could be required to unwind the contractual arrangements and/or dispose of our VIE, which would have an adverse effect on our business, financial conditions and result of operations. If our company no longer has a sustainable business after an

unwinding or disposal or when such requirements are not complied with, the SEC, and/or [NYSE/NASDAQ Global Market] may take enforcement actions against us, which may have an adverse effect on the trading of our Shares or even result in delisting our company.

There may be a potential adverse impact to our company if our contractual arrangements with our VIE, its subsidiaries and shareholders are not treated as domestic investment.

If the operation of our businesses conducted through our VIE is subject to any restrictions pursuant to the 2019 Negative List or any successor regulations, and the contractual arrangements are not treated as domestic investment, the contractual arrangements may be regarded as invalid and illegal. If this were to occur, we would not be able to operate the relevant businesses through the contractual arrangements and would lose our rights to receive the economic benefits of the VIE. As a result, we would no longer consolidate the financial results of the VIE into our financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If we do not receive any compensation, we would recognize an investment loss as a result of such derecognition.

Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could adversely affect our results of operations and reduce the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year during which arrangements and transactions were concluded. The Enterprise Income Tax Law, or the EIT 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 adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and our VIE do not represent an arm's-length price and adjust our VIE's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our VIE, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC controlled structured entities for under-paid taxes. Our results of operations may be adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

Risks Relating to Doing Business in the PRC

Adverse changes in the Chinese or global economic, political and social conditions as well as government policies could adversely affect our business and prospects.

The majority of our operations are in China. Accordingly, our business, prospects, financial condition and results of operations may be significantly influenced by political, economic and social conditions in China generally and by continued economic growth in China.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures that focus on taking into account market forces to effect economic reform and aimed at reducing the state ownership of productive assets and establishing improved corporate governance in business enterprises, a substantial portion of China's productive assets are still owned by the government. In addition, the PRC government continues to play a significant role in regulating development through industrial policies. The PRC government also exercises significant control over China's economic growth through its allocation of resources, control of payment of foreign currency-denominated obligations, monetary policy, and preferential treatment for particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, 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. Some of these measures, which may benefit the overall Chinese economy, may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, the PRC government has from time to time implemented certain measures, including interest rate changes, to control the pace of economic growth. These measures may cause decreased economic activity in China, and, since 2012, the Chinese economy has slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our services and adversely affect our business and results of operations.

Recently there have been heightened tensions in the economic relations between the U.S. and China. The U.S. government has recently imposed, and proposed to impose additional, new or higher tariffs on products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing largely commensurate tariffs on products imported from the U.S. Amid these tensions, the U.S. government has imposed and may impose additional measures on entities in China, including sanctions. We currently source some of our reagents and laboratory equipment from vendors based in the U.S. The U.S. government may prohibit these companies from doing business with Chinese companies and the Chinese government implement countermeasures. If this were to happen, we may be required to seek substitute suppliers, which could adversely affect our operations. Moreover, the potential increase in tariffs may also increase the costs we incur to purchase imported reagents and laboratory equipment. In addition, as a biotechnology company with operations primarily based in China, our international expansion plan to commercialize our products and services in, and export our products and services to, the U.S. could be adversely affected by these or future trade developments. In addition, increased protectionism and the risk of global trade war, which result in weaker global trade and lower levels of economic activity, could reduce the demand for our tests and adversely affect our business.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which prior court decisions have limited value as precedents. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, their interpretation is not always consistent and their enforcement involves uncertainties.

In particular, PRC laws and regulations concerning the cancer genotyping industry are developing and evolving. Although we have taken measures to comply with the laws and regulations applicable to our business operations and to avoid conducting any non-compliant activities under these laws and regulations, the PRC governmental authorities may promulgate new laws and regulations regulating cancer genotyping industries, some of which may have a retroactive effect. We cannot assure you that our business operations would not be deemed to violate any such new PRC laws or regulations. Moreover, developments in the cancer genotyping industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies, which in turn may limit or restrict us, and could adversely affect our business and operations.

From time to time, we may have to rely on administrative and court proceedings to enforce our legal rights. However, since the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have a retroactive effect. As a result, we may not be aware of

our violation of these policies and rules until sometime after the violation. These types of uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China, could adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to enterprise income tax on its global income at the rate of 25%. The related implementation rules define the term "de facto management body" as the body that exercises full and substantial control over, and overall management of, the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or the SAT, issued a circular, known as 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 Circular 82 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 Circular 82 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to 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. It 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 voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is 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." As substantially all of our management members are based in China, it remains unclear how the tax residency rule would apply in our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could reduce our net income. In addition, we would also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid by us and gains realized on the sale or other disposition of our ordinary shares or ADSs may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends and gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company, including the holders of our ADSs, 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.

We may rely on dividends and other distributions from our subsidiaries in China to fund our cash and financing requirements, and any limitation on the ability of our subsidiaries to make payments to us could adversely affect our ability to conduct our business.

As a holding company, we conduct most of our business through our 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. 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 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.

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

In response to the persistent capital outflow and the Renminbi's depreciation against the U.S. dollar in the fourth quarter of 2016, the People's Bank of China, or the PBOC, and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures over recent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls and our PRC subsidiary's dividends and other distributions may be subjected to tighter scrutiny. Any limitation on the ability of our PRC subsidiary to pay dividends or make other distributions to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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

Fluctuations in exchange rates could have an adverse effect on our results of operations and the price of our ADSs.

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. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up its Special Drawing Rights, or the SDR, and decided that with effect from October 1, 2016, the Renminbi is considered 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. In the fourth quarter of 2016, the Renminbi depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows out of China. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may announce further changes to the exchange rate system and we cannot assure you that the Renminbi 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 policies may affect the exchange rate between the Renminbi and the U.S. dollar in the future.

Substantially all of our revenue and costs are denominated in Renminbi. We are a holding company and we rely on dividends paid by our operating subsidiaries in China for our cash needs. Any significant revaluation of the Renminbi may have an adverse effect on your investment. For example, to the extent that we need to convert

U.S. dollars we receive from this offering or other capital markets transactions or borrowings outside China into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our 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 amount available to us.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our ADSs.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments indirectly from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation. However, approval from or registration with appropriate governmental authorities or commercial banks authorized by such authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies.

In light of strong capital outflows from China in 2016, the PRC government has imposed more restrictive foreign exchange policies and stepped up its scrutiny of major outbound capital movements. More restrictions and substantial vetting processes have been put in place by SAFE to regulate cross-border capital account transactions. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulations concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company 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.

The approval of the China Securities Regulatory Commission may be required in connection with this offering under a regulation adopted in August 2006, as amended, and, if required, we cannot predict whether we will be able to obtain this approval.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in August 2006 and amended in 2009, require an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the China Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. In September 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by a special purpose vehicle seeking the CSRC's approval of its overseas listings.

Our PRC counsel, Shihui Partners, based on its understanding of the current PRC laws and regulations, advised that the aforesaid CSRC's approval is not required for the listing and trading of our ADSs on the [NYSE/NASDAQ Global Market] in the context of this offering, because, among other things, (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings such as this offering contemplated by our company are subject to the M&A Rules, (ii) the PRC subsidiaries were established by means of direct investment rather than by merger or acquisition directly or indirectly of the equity interest or assets of any "domestic company" as defined under the M&A Rules; and (iii) no provision in the M&A Rules clearly classifies the contractual arrangements contemplated under the VIE agreements as a type of acquisition transaction subject to the M&A Rules.

However, our PRC counsel has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering and the CSRC's opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as we and our PRC counsel do. If the CSRC or any other PRC regulatory agencies subsequently determines that we need to obtain the CSRC's approval for this offering or if the CSRC or any other PRC government agencies promulgates any interpretation or implements rules before our listing that would require us to obtain CSRC or other governmental approvals for this offering, we may face adverse actions or sanctions by the CSRC or other PRC regulatory agencies. These sanctions could include fines and penalties on our operations in the PRC, limitations on our operating privileges in the PRC, delays in 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 could have an adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for 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. In addition, if the CSRC or other PRC regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for this offering, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding such approval requirement could have an adverse effect on the trading price of the ADSs.

Inflation in the PRC could negatively affect our profitability and growth.

The economy of China has experienced significant growth, which has from time to time lead to significant inflation. China's overall economy is expected to continue to grow. Future increases in China's inflation may adversely affect our profitability and results of operations.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. We may make loans to our PRC subsidiaries or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China. Any loans by us to our wholly foreign-owned subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the PRC State Administration of Foreign Exchange, or the SAFE. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope.

In March 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or SAFE Circular 19, which

took effect and replaced certain previous SAFE regulations from June 1, 2015. The SAFE further promulgated the Circular of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which took effective on June 9, 2016 and, among other things, amended certain provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that Renminbi 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. SAFE Circular 19 and SAFE Circular 16 may limit our ability to transfer the net proceeds from this offering to our PRC subsidiaries and convert the net proceeds into RMB.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from this offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

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

The M&A Rules and some other regulations and rules concerning mergers and acquisitions, have established complex procedures and requirements that restrict merger and acquisition activities by foreign investors. For example, when a foreign investor takes control of a PRC enterprise, it must notify MOFCOM in advance of such change-of-control transaction. Moreover, the Anti-Monopoly Law requires that the anti-trust governmental authority be notified in advance of any concentration of undertaking if certain thresholds are triggered. The security review rules issued by MOFCOM, which became effective in September 2011, specify that certain mergers and acquisitions by foreign investors, for example those that raise “national defense and security” concerns or through which foreign investors may acquire de facto control over domestic enterprises and therefore raise “national security” concerns, are subject to its review. Those rules prohibit any activities attempting to bypass security review, for example by structuring a transaction through a proxy or contractual control arrangements. We may grow our business by acquiring other companies operating in our industry. Complying with the requirements of the regulations described above and other relevant rules to complete these transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts, may delay or inhibit our ability to complete these transactions, which could affect our ability to expand our business or maintain our market share. Furthermore, according to the M&A Rules, if a PRC entity or individual plans to merger or acquire its related PRC entity through an overseas company legitimately incorporated or controlled by such entity or individual, such a merger and acquisition will be subject to examination and approval by MOFCOM. The application and interpretations of M&A Rules are still uncertain, and there is possibility that the relevant PRC regulators may promulgate new rules or explanations requiring that we obtain approval of MOFCOM for our completed or ongoing mergers and acquisitions. There is no assurance that we can obtain MOFCOM approval for our mergers and acquisitions, and if we fail to obtain those approvals, we may be required to suspend our acquisition and be subject to penalties. Any uncertainties regarding such governmental approval requirements could have an adverse effect on our business, results of operations and corporate structure.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the SAT, which became effective retroactively as of January 1, 2008, if a non-resident enterprise investor transfers equity interest in a PRC resident enterprise indirectly by way of disposing of equity interest in an overseas holding company, the non-resident enterprise investor, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfers may be subject to PRC withholding tax at a rate of up to 10%. In addition, the relevant PRC resident enterprise may be required to provide necessary assistance to support the enforcement of Circular 698.

On February 3, 2015, the State Administration of Tax issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7. Public Notice 7 introduces a new tax regime that is significantly different from Circular 698. Public Notice 7 extends tax jurisdiction to not only indirect transfers set forth under Circular 698 but also to transactions involving the transfer of other taxable assets made through the offshore transfer of a foreign intermediate holding company. In addition, Public Notice 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Public Notice 7 has new requirements for both foreign transferors and the transferees (or other person who is obligated to pay for the transfer) of the taxable assets. If a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interest of an overseas holding company, then the non-resident enterprise, as the transferor, or the transferee or the PRC entity, which directly owned the taxable assets, must report to the relevant tax authority such indirect transfer. As a result, gains derived from such indirect transfer 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 up to 10% for the transfer of equity interest 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.

On October 17, 2017, the SAT issued a Public Notice on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or Public Notice 37, which, among others, repealed the Circular 698 on December 1, 2017. Public Notice 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under Circular 698. And certain rules stipulated in Public Notice 7 are replaced by Public Notice 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax Law, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise is required to declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it will be deemed that such enterprise has paid the tax in time.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. We may be subject to filing obligations or taxed if we are the transferor in such transactions, and we may be subject to withholding obligations if we are the transferee in such transactions, under Public Notice 7 and Public Notice 37. For transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiary may be requested to assist in the filing under Public Notice 7 and Public Notice 37. As a result, we may be required to expend valuable resources to comply with Public Notice 7 and Public Notice 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these notices, or to establish that our company should not be taxed under these notices, which may have an adverse effect on our financial condition and results of operations.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ADSs.

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is generally applicable to dividends from PRC sources paid to investors that are resident enterprises outside of China and that do not have an establishment or place of business in China, or that have an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if this gain is regarded as income derived from sources within China. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by these investors on the transfer of shares are generally subject to 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

Although substantially all of our business operations are in China, it is unclear whether the dividends we pay with respect to our shares or ADSs, or the gains realized from the transfer of our shares or ADSs, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our ADSs or on dividends paid to our non-resident investors, the value of your investment in our ADSs may be adversely affected. Furthermore, our shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under these tax treaties or arrangements.

In addition, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and China, or the Double Tax Avoidance Treaty, and the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or the Notice on Tax Treaties, issued on February 20, 2009 by the SAT, if a Hong Kong resident enterprise owns more than 25% of the equity interest of a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on such dividend is reduced to 5%, provided that certain other conditions and requirements under the Double Tax Avoidance Treaty and other applicable PRC laws are satisfied at the discretion of the relevant PRC tax authority. However, based on the Notice on Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. Based on the Notice on Issues concerning Beneficial Owner in Tax Treaties, or Circular 9, issued on February 3, 2018 by the SAT and effective on April 1, 2018, when determining the applicant's status as a "beneficial owner" for purpose of tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If our Hong Kong subsidiary is determined by PRC government authorities as receiving benefits from reduced income tax rates due to a structure or arrangement that is primarily tax-driven, the dividends paid by our PRC subsidiaries to our Hong Kong subsidiary will be taxed at a higher rate, which will have an adverse effect on our financial and operational conditions.

We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and on our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by SAFE in July 2014. SAFE Circular 37 requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment, or control of an offshore entity established, for the purpose of overseas investment or financing. According to the Circular of Further Simplifying and Improving the Policies of Foreign

Exchange Administration Applicable to Direct Investment released in February 2015 by SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015. These regulations apply to our shareholders who are PRC residents and may also apply to any offshore acquisitions or investments that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update its previously filed SAFE registration, to reflect any material change involving its round-trip investment. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above 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.

We are committed to complying with and to ensuring that our shareholders who are subject to these regulations will comply with the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by the PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. As of the date of the prospectus, certain beneficial owners of our shares, who are PRC citizens, are in the process of registering under SAFE Circular 37. However, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

Because there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. 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 results of operations and financial condition. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Any failure to comply with PRC regulations regarding our employee share incentive plans or share option plans may subject plan participants, who are PRC residents, or us to fines and other legal or administrative sanctions.

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 SAFE Circular 7. SAFE Circular 7 and other relevant rules and regulations require PRC residents who participate in a stock incentive plan in an overseas publicly tradeable company to register with SAFE or its

local branches or the banks and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent must amend the SAFE registration with respect to the plan within three months if there is any material change to the stock incentive plan, the PRC agent, or the overseas entrusted institution, or if there are any other material changes in the plan. In addition, SAFE Circular 37 and other relevant rules and regulations stipulate that PRC residents who participate in a share incentive plan of an overseas non-publicly tradeable special purpose company must register with SAFE or its local branches or the banks before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares are subject to these regulations. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject them to fines and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise adversely affect our business.

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

Our leased property interests may be defective and our right to lease the properties affected by defects may be challenged, which could cause disruption to our business.

As of the date of this prospectus, we leased properties for our offices and branch offices in China. Under PRC laws, all lease agreements must be registered with the local housing authorities. As of the date of this prospectus, none of the premises we lease have completed the registration of our leases with the local housing authorities. Failure to complete these registrations may expose us to potential monetary fines up to RMB10,000 per unit leasehold.

We may be subject to penalties under relevant PRC laws and regulations due to failure to be in full compliance with social insurance and housing provident fund regulation.

According to the Social Insurance Law of the PRC promulgated in 2010 and the Regulations on Management of Housing Provident Funds promulgated in 1999 and most recently amended in 2019, within a prescribed time limit, we need to register with the relevant social security authority and housing provident fund management center, and to open the relevant accounts and make full contributions for social insurance and housing funds for our employees, and this obligation cannot be delegated to any third party.

Our contributions for some of our employees to the social insurance and housing funds may not have been in compliance with relevant PRC laws and regulations. Some of our subsidiaries or consolidated affiliated entities engaged third-party human resources agencies to pay social insurance and housing funds for some of their employees. As of the date of this prospectus, none of these subsidiaries or consolidated affiliated entities had received any notice from the local authorities or any claim or request from these employees in this regard. Under the agreements entered into between the third-party human resources agencies and our relevant subsidiaries or Consolidated Affiliated Entities, the third-party human resources agencies have the obligations to pay social insurance premium and housing provident funds for our relevant employees. However, if the human resource agencies fail to pay the social insurance or housing fund contributions for and behalf of our employees as required under applicable PRC laws and regulations, we may be subject to penalties imposed by the local social insurance authorities and the local housing fund management centers for failing to discharge our obligations in relation to payment of social insurance and housing funds as an employer.

On July 20, 2018, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the PRC issued the Reform Plan of the State Tax and Local Tax Collection Administration System, or the Tax Reform Plan. Under the Tax Reform Plan, commencing from January 1, 2019, tax authorities are responsible for the collection of social insurance contributions in the PRC. The effect of the Tax Reform Plan is still uncertain. We cannot assure that we will not be required to pay any deemed shortfalls or be subject to penalties or fines regarding social security insurance and housing provident funds contributions, any of which may have an adverse effect on our business 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.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands, and we conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, most of our senior executive officers reside in China for a significant portion of the time and most 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 mainland China. It may also be difficult for you to enforce in the U.S. courts judgments obtained in the U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors who reside and whose assets are located outside the U.S. There is also uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of the U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the U.S. or any state.

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 reciprocity with the U.S. that provide for the reciprocal recognition and enforcement of U.S. 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 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 U.S.

Recent litigation and negative publicity surrounding China-based companies listed in the U.S. may result in increased regulatory scrutiny of us and negatively impact the trading price of the ADSs and could have an adverse effect upon our business, including our results of operations, financial condition, cash flows and prospects.

We believe that litigation and negative publicity surrounding companies with operations in China that are listed in the U.S. have negatively impacted stock prices for these companies. Various equity-based research organizations have published reports on China-based companies after examining their corporate governance practices, related party transactions, sales practices and financial statements, and these reports have led to special investigations and listing suspensions on U.S. national exchanges. Any similar scrutiny of us, regardless of its lack of merit, could result in a diversion of management resources and energy, potential costs to defend ourselves against rumors, decreases and volatility in the ADS trading price, and increased directors and officers insurance premiums and could have an adverse effect upon our business, including our results of operations, financial condition, cash flows and prospects.

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 and are exposed to uncertainties.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the U.S. and a firm registered

with the Public Company Accounting Oversight Board (United States), or the PCAOB, is subject to laws in the U.S. pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditors are located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities.

In May 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 U.S. 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 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. However, it remains unclear what further actions, if any, the SEC and the PCAOB will take to address the problem.

This lack of the PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

As part of a continued regulatory focus in the U.S. on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress, which if passed, would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The proposed Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges such as the [NYSE/NASDAQ Global Market] of issuers included on the SEC's list for three consecutive years. Enactment of this legislation 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. It is unclear if this proposed legislation would be enacted. Furthermore, there has been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting legislation may have adverse impact on the stock performance of China-based issuers listed in the U.S.

Proceedings instituted by the SEC against Chinese affiliates of the "big four" 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.

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain PRC-based companies that are publicly traded in the U.S.

On January 22, 2014, the administrative law judge, or the ALJ, presiding over the matter rendered an initial decision that each of the firms had violated the SEC's rules of practice by failing to produce audit papers and

other documents to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months.

On February 6, 2015, the four China-based accounting firms each agreed to a censure and to 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 required the firms to follow detailed procedures and to seek to provide the SEC with access to 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. In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the U.S. with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding PRC-based, U.S.-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm was denied, even 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 not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our ordinary shares from the [NYSE/Nasdaq Global Market] or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the U.S.

Risks Relating to Our ADSs and This Offering

An active trading market for our ordinary shares or our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.

We have applied to list our ADSs on the [NYSE/NASDAQ Global Market]. Prior to the completion of this offering, there has been no public market for our ADSs or our ordinary shares. Negotiations with the underwriters will determine the initial public offering price for our ADSs, which may bear no relationship to their market price after this offering. There is no assurance that this offering will result in the development of an active, liquid public trading market for our ADSs, and we can provide no assurance that the trading price of our ADSs after this offering will not decline below the initial public offering price. Factors such as variations in our revenue, earnings and cash flows, or any other developments in respect of us, may affect the volume and price at which our ADSs will be traded. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

The trading price of our ADSs may be volatile, which could result in substantial losses to investors.

The trading price of our ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the U.S. A number of Chinese companies have listed or are in the process of listing their securities on U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the U.S. in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings and cash flow;

- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new services and expansions by us or our competitors;
- failure on our part to realize monetization opportunities as expected;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- regulatory developments affecting us or our industry; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

Shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in such a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have an adverse effect on our financial condition and results of operations.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our ADSs to decline.

The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.

Sales of our ADSs in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Immediately after the completion of this offering, we will have ordinary shares outstanding including ordinary shares represented by ADSs, assuming the underwriters do not exercise their over-allotment option. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act. The remaining ordinary shares outstanding after this offering will be available for sale, upon the expiration of the 180-day lock-up period beginning from the date of this prospectus, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. Any or all of these shares may be released prior to the expiration of the lock-up period at the discretion of the representatives of the underwriters of this offering. To the extent shares are released before the expiration of the lock-up period and sold into the market, the market price of our ADSs could decline.

If a large number of our ordinary shares or securities convertible into our ordinary shares are sold in the public market in the form of ADSs after they become eligible for sale, the sales could reduce the trading price of

our ADSs and impede our ability to raise future capital. In addition, any ordinary shares that we issue under our share incentive plan would dilute the percentage ownership held by investors who purchase ADSs in this offering.

Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ADSs for return on your investment.

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

Our board of directors has complete discretion as to whether to distribute dividends. 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 subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

[*Because our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.*

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately US$ per ADS, representing the difference between the initial public offering price of US$ per ADS, the midpoint of the estimated public offering price range shown on the front cover of this prospectus, and our net tangible book value per ADS as of September 30, 2019, after giving effect to the net proceeds to us from this offering. See “Dilution” for a more complete description of how the value of your investment in our ADSs will be diluted upon completion of this offering.]

We have not determined a specific use for the net proceeds from this offering, and we may use these proceeds in ways with which you may not agree.

Our management may spend the net proceeds from this offering in ways you may not agree with or that do not yield a favorable return to our shareholders. We plan to use the net proceeds from this offering for purposes including enhancement of our platform and technology capabilities, international expansion and strategic investments, sales and marketing activities, and general corporate purposes. However, our management will have discretion as to the actual application of our net proceeds. You will not have the opportunity to assess whether the proceeds are being used appropriately before you make your investment decision. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. We cannot assure you that the net proceeds will be used in a manner that will improve our results of operations or increase our ADS price, nor that these net proceeds will be placed only in investments that generate income or appreciate in value.

Our directors, officers and principal shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.

Our directors and officers will collectively own an aggregate of % of the total voting power of our outstanding ordinary shares immediately upon completion of this offering, based on the initial offering price of US$ per ADS and assuming the underwriters do not exercise their over-allotment option. As a result, they have substantial influence over our business, including significant corporate actions such as change of directors, mergers, change of control transactions and other significant corporate actions.

Our directors, offices, and principal shareholders may take actions that are not in the best interest of us or our other shareholders. The concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of the ADSs. These actions may be taken even if they are opposed by shareholders, including those who purchase ADSs in this offering. In addition, the significant concentration of share ownership may adversely affect the trading price of the ADSs due to investors' perception that conflicts of interest may exist or arise.

There can be no assurance that we will not be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ADSs or ordinary shares.

A non-U.S. corporation will be a passive foreign investment company, or PFIC, for any taxable year if either (i) at least 75% of its gross income for such year consists of certain types of "passive" income; or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the "asset test"). Based on our audited financial statements, the manner in which we conduct our business, relevant market data and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not anticipate being a PFIC for our current taxable year or the foreseeable future. However, no assurance can be given in this regard because the determination of whether we are or will become a PFIC is a fact-intensive inquiry made on an annual basis that depends, in part, upon the composition of our income and assets. Fluctuations in the market price of our ADSs may cause us to become a PFIC for the current or subsequent taxable years because the value of our assets for the purpose of the asset test may be determined by reference to the market price of our ADSs. The composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering.

If we were to be or become a PFIC for any taxable year during which a U.S. Holder (as defined in "Taxation—United States Federal Income Tax Considerations") holds our ADSs or ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. For more details of these adverse tax consequences, see "Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

Our memorandum and articles of association contain anti-takeover provisions that could have an adverse effect on the rights of holders of our ordinary shares and ADSs.

We will adopt the ninth amended and restated memorandum and articles of association that will become effective upon completion of this offering. Our new memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

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, as amended, the Companies Law (2018 Revision) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from 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 U.S. In particular, the Cayman Islands has a less developed body of securities laws than the U.S. 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 U.S.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our 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 U.S. [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, our public shareholders may have more difficulties in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the U.S.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an "emerging growth company."

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the [NYSE /NASDAQ Global Market], impose various requirements on the corporate governance practices of public companies. As a company with less than US$1.07 billion in net revenues for our last financial 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.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an "emerging growth company," we expect to incur significant additional expenses and devote additional management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules

and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the U.S. that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- 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 stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the [NYSE/Nasdaq Global Market]. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely than that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

The voting rights of holders of our ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct the voting of the underlying ordinary shares which are represented by your ADSs.

As a holder of our ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights which attach to the underlying ordinary shares which are represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary, as the holder of the underlying ordinary shares which are represented by your ADSs. Upon receipt of your voting instructions, the depositary will endeavor to vote the underlying ordinary shares in accordance with your instructions in the event voting is by poll, and in accordance with instructions received from a majority of holders of ADSs who provide instructions in the event voting is by show of hands. The depositary will not join in demanding a vote by poll. You will not be able to directly exercise any right to vote with respect to the underlying ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our ninth amended and restated memorandum and articles of association that will become effective immediately prior to completion of this offering, the minimum notice period required to be given by our company to our registered shareholders for convening a general meeting is ten (10) days. When a general meeting is convened, you may not receive sufficient advance notice to enable you to withdraw the underlying shares which are represented by your ADSs

and become the registered holder of such shares prior to the record date for the general meeting to allow you to attend the general meeting or to vote directly with respect to any specific matter or resolution which is to be considered and voted upon at the general meeting. In addition, under our ninth amended and restated memorandum and articles of association that will become effective immediately prior to completion of this offering, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying shares which are represented by your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, the depositary will, if we request, and subject to the terms of the deposit agreement, endeavor to notify you of the upcoming vote and to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying shares which are represented by your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct the voting of the underlying shares which are represented by your ADSs, and you may have no legal remedy if the underlying shares are not voted as you requested.

The depositary for our ADSs will give us a discretionary proxy to vote our shares underlying your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not vote, the depositary will give us a discretionary proxy to vote the shares underlying your ADSs on any matter at a shareholder meeting provided that we give the depositary a written confirmation sufficiently in advance of the meeting that:

- we wish a proxy to be given to a person of our choice,
- we reasonably do not know of any substantial opposition to the matter, and
- the matter is not materially adverse to the interests of shareholders.

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our shares are not subject to this discretionary proxy.

You may not receive dividends or other distributions on our shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay you any cash dividends or other distributions it or the custodian receives on shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our 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 such rights available to you in the U.S. unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt 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 and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings in the future and may experience dilution in your holdings.

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary 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.

Your rights to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement and the deposit agreement may be amended or terminated without your consent.

Under the deposit agreement, any action or proceeding against or involving the depositary, arising out of or based upon the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs may only be instituted in a state or federal court in New York, New York, and you, as a holder of our ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding.

In addition, the depositary may, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement, although the arbitration provisions do not preclude you from pursuing claims under U.S. federal securities laws in federal courts. Also, 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.

Our dual-class share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and the ADSs may view as beneficial.

Immediately after the completion of this offering, our ordinary shares will consist of Class A ordinary shares and Class B ordinary shares, assuming the initial offering price of US$ per ADS, and assuming the underwriters do not exercise their option to purchase additional ADSs. In respect of matters requiring the votes of shareholders, holders of Class A ordinary shares will be entitled to one vote per share, while holders of Class B ordinary shares will be entitled to six (6) votes per share based on our proposed dual-class share structure. We will sell Class A ordinary shares represented by the ADSs in this offering. Each Class B ordinary share is convertible into one (1) Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such

Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares. If any of such Class B ordinary shares are converted into Class A ordinary shares or cancelled for any reasons, our board of directors will have the authority without further action by our shareholders to issue additional Class B ordinary shares, which will be dilutive to our Class A ordinary shareholders and ADS holders.

Upon completion of this offering, our founder and chief executive officer, Mr. Yusheng Han, will beneficially own all of our issued Class B ordinary shares. The Class B ordinary shares will constitute approximately % of our total issued and outstanding share capital and % of the aggregate voting power of our issued and outstanding share capital immediately after the completion of this offering due to the disparate voting powers associated with our dual-class share structure, assuming the underwriters do not exercise their over-allotment option. See "Principal Shareholders." As a result of the dual-class share structure and the concentration of ownership, our founder and chief executive officer, Mr. Yusheng Han, will have considerable influence over matters such as decisions regarding change of directors, mergers, change of control transactions and other significant corporate actions. He may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of the ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

The dual-class structure of our ordinary shares may adversely affect the trading market for and the trading price of our ADSs.

Certain shareholder advisory firms have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our ordinary shares may prevent the inclusion of our ADSs representing Class A ordinary shares in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our ADSs. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our ADSs.

ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiffs in any such action.

The deposit agreement governing the ADSs representing our shares provides that, to the fullest 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 based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York, which has nonexclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is

advisable that you consult legal counsel regarding the jury waiver provision before entering into the deposit agreement.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, 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 the depositary. If a lawsuit is brought against either or both of us and the depositary 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 result in different outcomes than a trial by jury would have, including results that could be less favorable to the plaintiffs in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. 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 depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

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

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our directors and executive officers reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to effect service of process within the U.S. upon these individuals, or to bring an action against us or against these individuals in the U.S. in the event that you believe your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers. See “Enforceability of Civil Liabilities” for more details.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of current or historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that 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 these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "likely to" or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our mission and strategies;
- trends and competition in China's cancer genotyping industry;
- our expectations regarding demand for and market acceptance of our cancer therapy selection products and services and our ability to expand our customer base;
- our ability to obtain and maintain intellectual property protections for our cancer therapy selection technologies and our continued research and development to keep pace with technology developments;
- our ability to obtain and maintain regulatory approvals from the NMPA, the NCCL and have our laboratory certified or accredited by authorities including the CLIA and the CAP;
- our future business development, financial condition and results of operations;
- our ability to obtain financing cost-effectively;
- potential changes of government regulations;
- our ability to hire and maintain key personnel;
- our relationship with our major business partners and customers; and
- general economic and business conditions in China and elsewhere.

You should read this prospectus and the documents that we refer to in this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this prospectus include additional factors that could adversely affect our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This prospectus contains statistical data and information estimates that we obtained from various government and private publications, including industry data and information from CIC. Although we have not independently verified the data, we believe that the publications and reports are reliable. The market data contained in this prospectus involves a number of assumptions, estimates and limitations. Our industry may not grow at the rates projected by market data, or at all. The failure of this market to grow at the projected rates may have a material adverse effect on our business and the market price of our ADSs. If any one or more of the

assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors” and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$, or approximately US$ if the underwriters exercise their over-allotment options in full, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. These estimates are based upon an assumed initial public offering price of US$ per ADS, which is the mid-point of the price range shown on the front cover page of this prospectus. A US$1.00 increase (decrease) in the assumed initial public offering price of US$ per ADS would increase (decrease) the net proceeds to us from this offering by US$, assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deducting estimated underwriting discounts and commissions and estimated expenses payable by us.

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees and obtain additional capital. We plan to use the net proceeds of this offering for general corporate purposes, which may include:

(i) approximately US$ million for research and development of our early cancer detection technologies;

(ii) approximately US$ million for obtaining NMPA approvals for additional cancer therapy selection products, including completing related clinical trials; and

(iii) the balance for other general and administrative matters.

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the net proceeds of this offering. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus. See “Risk Factors—Risks Relating to Our ADSs and This Offering—We have not determined a specific use for a portion of the net proceeds from this offering, and we may use these proceeds in ways with which you may not agree.”

In using the proceeds of this offering, we are permitted under PRC laws and regulations as an offshore holding company to provide funding to our subsidiaries in China only through loans or capital contributions. Such loans and capital contributions are subject to PRC regulations, approvals, permits, registrations and filings, and requirements of the relevant authorities. Capital contributions to our PRC subsidiaries must be approved by or filed with MOFCOM or its local counterparts, and loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See “Risk Factors—Risks Relating to Doing Business in the PRC—PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.” We expect that all the net proceeds from this offering will be used in the PRC in the form of Renminbi and mainly by funding our wholly foreign owned subsidiary through capital contributions. In general, the relevant registration and approval procedures for capital contributions typically take approximately eight weeks to complete. We currently see no material obstacles in completing the registration and approval procedures with respect to future capital contributions to our subsidiaries.

DIVIDEND POLICY

Our board of directors has discretion on whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, 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. Even if our board of directors decides 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.

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying our ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to our ADS holders in proportion to the Class A 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. 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, 2019:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our issued and outstanding preferred shares into 119,104,849 Class A ordinary shares and 43,920,738 Class B ordinary shares upon 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 Class A ordinary shares upon completion of this offering, and (ii) the sale of Class A ordinary shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$ per ADS, the midpoint 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

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of September 30, 2019					
	Actual		Pro Forma		Pro Forma As-adjusted(1)	
	RMB	US$	RMB	US$	RMB	US$
	(in thousands)					
Non-current liabilities						
Long-term borrowings	5,260	736	5,260	736		
Mezzanine equity:						
Series A convertible preferred shares (par value of US$0.0001 per share; 66,609,077 shares authorized, issued and outstanding on an actual basis, and none outstanding on a pro forma or a pro forma as adjusted basis)	182,951	25,596	—	—		
Series B convertible preferred shares (par value of US$0.0001 per share; 25,537,431 shares authorized, issued and outstanding on an actual basis, and none outstanding on a pro forma or a pro forma as adjusted basis)	455,738	63,760	—	—		
Series C convertible preferred shares (par value of US$0.0001 per share; 24,544,618 shares authorized, issued and outstanding on an actual basis, and none outstanding on a pro forma or pro forma as adjusted basis)	835,977	116,957	—	—		
Total mezzanine equity	1,474,666	206,313	—	—		
Shareholders' deficit:						
Ordinary shares (par value of US$0.0001 per share; 46,334,461 shares authorized, issued and outstanding on an actual basis, and none outstanding on a pro forma or pro forma as adjusted basis)	29	4	—	—		

	As of September 30, 2019					
	Actual		Pro Forma		Pro Forma As-adjusted(1)	
	RMB	US$	RMB	US$	RMB	US$
			(in thousands)			
Class A ordinary shares (par value of US$0.0001 per share; none outstanding on an actual basis, 119,104,849 issued and outstanding on a pro forma basis; issued and outstanding on a pro forma as adjusted basis)	—	—	77	11		
Class B ordinary shares (par value of US$0.0001 per share; none outstanding on an actual basis, 43,920,738 issued and outstanding on a pro forma basis, and issued and outstanding on a pro forma as adjusted basis)	—	—	27	4		
Additional paid-in capital(2)	30,208	4,226	1,504,799	210,528		
Accumulated deficits	(812,113)	(113,619)	(812,113)	(113,619)		
Accumulated other comprehensive loss	15,946	2,231	15,946	2,231		
Total shareholders' (deficit) equity	(765,930)	(107,158)	708,736	99,155		
Total capitalization(2)	713,996	99,891	713,996	99,891		

(1) The pro forma as-adjusted information discussed above is illustrative only. Our total shareholders' deficit and total capitalization 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.

(2) 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 (the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus) would, in the case of an increase, increase and, in the case of a decrease, decrease each of additional paid-in capital, total shareholders' deficit and total capitalization 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.

Our net tangible book value as of September 30, 2019 was approximately RMB million (US$ million), or US$ per ordinary share and US$ per ADS. Net tangible book value represents the amount of our total consolidated tangible assets, less the amount of our total consolidated liabilities. Pro forma net tangible book value per ordinary share is calculated after giving effect to the automatic conversion of all of our outstanding preferred shares on a one-for-one basis and subject to anti-dilution adjustments set forth in the shareholders agreement. Dilution is determined by subtracting net tangible book value per ordinary share, after giving effect to the additional proceeds we will receive from this offering, from the assumed initial public offering price of US$ per ordinary share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus adjusted to reflect the ADS-to-ordinary share ratio, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Because Class A ordinary shares and Class B ordinary shares have the same dividend and other rights, except for voting and conversion rights, the dilution is presented based on all issued and outstanding ordinary shares, including Class A ordinary shares and Class B ordinary shares.

Without taking into account any other changes in net tangible book value after September 30, 2019, other than to give effect to our sale of the ADSs offered in this offering at the assumed initial public offering price of US$ per ADS, which is the midpoint of the estimated range of the initial public offering price, after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as-adjusted net tangible book value as of September 30, 2019 would have been US$, or US$ per ordinary share and US$ per ADS. This represents an immediate increase in net tangible book value of US$ per ordinary share and US$ per ADS to the existing shareholders and an immediate dilution in net tangible book value of US$ per ordinary share and US$ per ADS to investors purchasing ADSs in this offering. The following table illustrates such dilution:

	Per Ordinary Share	Per ADS
Assumed initial public offering price	US$	US$
Net tangible book value as of September 30, 2019	US$	US$
Pro forma net tangible book value after giving effect to the conversion of our preferred shares	US$	US$
Pro forma as-adjusted net tangible book value after giving effect to (i) to conversion of our preferred shares and (ii) this offering	US$	US$
Amount of dilution in net tangible book per ordinary share value to new investors in this offering	US$	US$
Amount of dilution in net tangible book value to new investors in this offering	US$	US$

A US$1.00 increase (decrease) in the assumed initial public offering price of US$ per ADS would increase (decrease) our pro forma as-adjusted net tangible book value after giving effect to this offering by US$, the pro forma as-adjusted net tangible book value per ordinary share and per ADS after giving effect to this offering by US$ 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 other offering expenses.

The following table sets forth, on a pro forma as-adjusted basis as of September 30, 2019, the differences between existing shareholders and the new investors with respect to the number of ordinary shares (represented by ADSs or shares) purchased from us, the total consideration paid and the average price per ordinary share and per ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the over-allotment option granted to the underwriters.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders			US$	%	US$	US$
New investors			US$	%	US$	US$
Total			US$	100.0%		

The pro forma as-adjusted 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.

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

ENFORCEABILITY OF CIVIL LIABILITIES

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;
- a favorable tax system;
- 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 U.S.; and these securities laws provide significantly less protection to investors as compared to the U.S.; and
- Cayman Islands companies may not have standing to sue before the federal courts of the U.S.

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

Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. Most of our directors and executive officers are nationals or residents of jurisdictions other than the U.S., and most of their assets are located outside the U.S. As a result, it may be difficult for a shareholder to effect service of process within the U.S. upon these individuals, or to bring an action against us or against these individuals in the U.S., in the event that you believe that your rights have been infringed under the securities laws of the U.S. or any state in the U.S.

We have appointed Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY10168, as our agent to receive service of process with respect to any action brought against us in the U.S. District Court for the Southern District of New York in connection with this offering under the federal securities laws of the U.S. or the securities laws of any State in the U.S. or any action brought against us in the Supreme Court of the State of New York in the County of New York in connection with this offering under the securities laws of the State of New York.

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, and Shihui Partners, our counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of U.S. courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the U.S. or any state in the U.S.; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the U.S. or any state in the U.S.

We have been advised by our Cayman Islands legal counsel, Maples and Calder (Hong Kong) LLP, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the U.S. predicated upon the civil liability provisions of the securities laws of the U.S. or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the U.S. or any State, so far as the liabilities imposed by those provisions are

penal in nature. The courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the United Courts against our company 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 or in respect of a fine or other penalty) 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 natural justice of the 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. A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

Shihui Partners has further advised us that 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, public policy considerations and conditions set forth in applicable provisions of PRC laws relating to the enforcement of civil liability, including the PRC Civil Procedures Law, based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. In addition, according to the PRC Civil Procedures Law, courts in the PRC 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 law or national sovereignty, security or 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 U.S. or the Cayman Islands.

CORPORATE HISTORY AND STRUCTURE

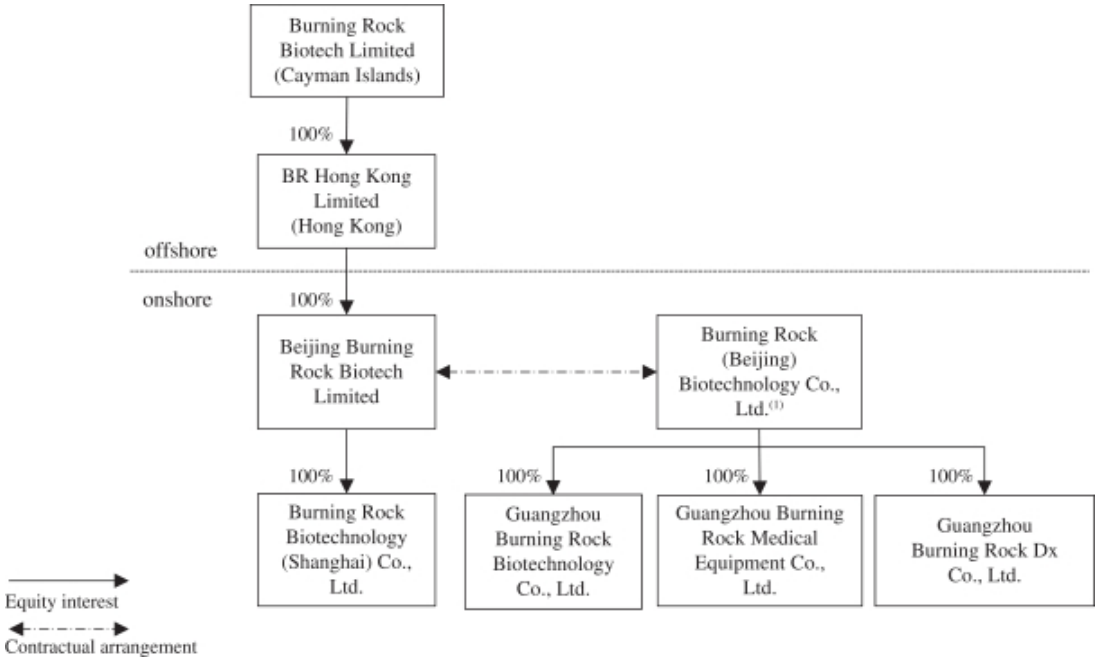
Corporate History

We commenced our operation in January 2014 through Burning Rock (Beijing) Biotech Limited, a PRC company. In March 2014, we incorporated Burning Rock Biotech Limited in the Cayman Islands as our offshore holding company in order to facilitate foreign investment in our company. Subsequently, we established BR Hong Kong Limited as our intermediate holding company in April 2014, which in turn established a wholly-owned PRC subsidiary, Beijing Burning Rock Biotech Limited, our WFOE, in June 2014. In the same month, our WFOE entered into a series of contractual arrangements with Burning Rock (Beijing) Biotech Limited and its then shareholders, and Burning Rock (Beijing) Biotech Limited became our variable interest entity, or VIE. These contractual arrangements were amended and restated in October 2019. See "—Contractual Arrangements."

We conduct our NGS-based cancer therapy selection business primarily through the wholly-owned subsidiaries of our VIE, Guangzhou Burning Rock Dx Co., Ltd. and Guangzhou Burning Rock Medical Equipment Co., Ltd., which were established in March 2014 and January 2015, respectively.

Corporate Structure

The chart below sets forth our corporate structure and identifies our principal subsidiaries as of the date of this prospectus:



(1) Shareholders of Burning Rock (Beijing) Biotechnology Co., Ltd., our VIE, include (i) Mr. Yusheng Han, our founder, director and chief executive officer, who holds 45.9% of the equity interests in our VIE, (ii) Mr. Xia Nan, an affiliate of Northern Light Venture Capital III, Ltd., who holds 18.1% of the equity interests in our VIE, (iii) Mr. Gang Lu, our director, and Mr. Jin Zhao, our former director, who hold 7.1% and 8.8% of the equity interests in our VIE, respectively, (iv) Growth No. 12 Investment (Shenzhen) Partnership (Limited Partnership), an affiliate of a principal shareholder, which holds 6.0% of the equity interests in our VIE, and (v) seven minority shareholders, who in aggregate hold 14.1% of the equity interests in our VIE, including Dr. Shaokun (Shannon) Chuai, our chief operating officer.

Contractual Arrangements

Investment in China by foreign investors is subject to certain restriction under PRC laws and regulations, in particular, the Catalog of Industries for Encouraging Foreign Investment, and the Special Administrative Measures on Access of Foreign Investment (2019 Edition), or the Negative List. Industries not listed in the Negative List are generally permitted and open to foreign investment, unless specifically prohibited or restricted by the PRC laws and regulations. While foreign investors are given access to the medical device industry according to Negative list, foreign ownership is prohibited in businesses involving the development and application of genomic diagnosis and treatment technology. We are a company incorporated in the Cayman Islands, and, as a result, our subsidiaries in China are considered foreign-owned enterprises. To comply with the PRC laws and regulations described above, we primarily conduct our business in China through our VIE and its subsidiaries in China, based on a series of contractual arrangements among the VIE, its shareholders and our WFOE.

Agreement that Allows Us to Receive Economic Benefits from the VIE

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement, as amended and restated on October 21, 2019, which was entered into between the WFOE and the VIE, WFOE or its designated party has the exclusive right to provide the VIE with business support, technology service, consulting service and other services. In exchange for these services, the VIE will pay a service fee, equal to the VIE's profit before tax, after recovering any accumulated losses of the VIE and its subsidiaries from the preceding fiscal year, and deducting working capital, expenses, tax and a reasonable amount of operating profit according to applicable tax law principles and tax practice. Without the prior written consent of the WFOE, the VIE may not accept any services covered by this agreement from any third party, and may not cooperate with any third party in respect of the same. The WFOE will exclusively own the proprietary rights, ownership, interests and intellectual property rights produced or created in connection with the performance of this agreement. Unless terminated by the WFOE, this agreement will remain effective for ten years. The WFOE may at its sole discretion unilaterally extend the term of this agreement prior to its expiration upon notice to the VIE.

Agreement that Provides Us with Options to Purchase the Equity Interests in and Assets of the VIE

Exclusive Option Agreement

Pursuant to the exclusive option agreement, as amended and restated on October 21, 2019, which was entered into among the WFOE, the VIE and its shareholders, the shareholders of the VIE have irrevocably and unconditionally granted the WFOE or its designated party an exclusive option, where permitted by the PRC law, to purchase all or any portion of their respective equity interests in the VIE. The purchase price for any equity interest upon exercise of this option will be calculated as then registered capital of the VIE multiplied by the percentage of such equity interest in proportion to the total equity of the VIE. However, if applicable PRC law contains compulsory requirement regarding transfer of equity interest, the WFOE or any third party designated by the WFOE is entitled to pay the lowest price permitted by the PRC law as purchase price. In addition, pursuant to this agreement, the VIE has irrevocably and unconditionally granted the WFOE or its designated party an exclusive option, where permitted by applicable PRC law, to purchase all or any portion of its assets. The purchase price upon exercise of this option will be the higher of (i) the net book value of the assets to be purchased or (ii) the lowest price permitted by applicable PRC law.

Without the prior written consent of the WFOE, the shareholders of the VIE may not, in any manner, supplement, modify or amend the articles of associations and by-laws of the VIE; increase or reduce its registered capital or change the structure of registered capital in other manners; sell, transfer, pledge or dispose of its assets, legal or beneficial interests in business or revenue or allow any encumbrance on the same; assume, inherit, guarantee any debt, or allow the existence of any debt, except for debts incurred in the ordinary course of

business and debts known and agreed in writing by the WFOE; cause the VIE to enter into any material contract outside the ordinary course of business; cause the VIE to provide loans, credits or guarantees in any form to any other persons; cause or permit the VIE to merge, consolidate with, acquire or invest in any other persons, or acquired or invested by any other persons; cause the VIE to liquidate, dissolve or de-registrate; request the VIE to distribute dividends to its shareholders, or propose or vote in favor of any shareholders' resolution for such distribution of dividends. This agreement will remain effective until all equity interests in the VIE held by its shareholders has been transferred to the WFOE or its designated party in accordance with provisions of this agreement. The WFOE may at its sole discretion unilaterally terminate this agreement prior to its expiration upon notice to the VIE.

Agreements that Provide Us with Effective Control over the VIE

Equity Interest Pledge Agreement

Pursuant to the equity interest pledge agreement, as amended and restated on October 21, 2019, which was entered into among WFOE, the VIE and its shareholders, each shareholder of the VIE has pledged all of its respective equity interests in the VIE to the WFOE to guarantee the performance of the VIE and its shareholders of their respective obligations under the exclusive business cooperation agreement, the exclusive option agreement, the agreement for power of attorney as well as their respective liabilities arising from any breach of any obligation thereunder. If the VIE or any of its shareholders breaches any obligation under these agreements, the WFOE, as pledgee, may dispose of the pledged equity interest and have priority to be compensated by the proceeds from the disposal of such equity. Each of the shareholders of the VIE agrees that before its obligations under these agreements are discharged and the amounts payable under these agreements are fully paid, it will not dispose of the pledged equity interest, create or allow any encumbrance on the pledged equity interest without the prior written consent of the WFOE. The equity interest pledge agreement will remain effective until the VIE and its shareholders have discharged all their obligations and fully paid all the amounts payable under these agreements. We completed the registration of the pledge of equity interest with the relevant office of the State Administration for Market Regulation on November 25, 2019 in accordance with applicable PRC law and regulations.

Agreement for Power of Attorney

Pursuant to the agreement for power of attorney, as amended and restated on October 21, 2019, which was entered into among the WFOE, the VIE and its shareholders, each shareholder of the VIE irrevocably authorizes the WFOE or its designated person to act as the attorney-in-fact to exercise all such shareholder's voting and other rights associated with the shareholder's equity interests in the VIE, such as the right to appoint or remove directors, supervisors and officers, as well as the right to sell, transfer, pledge or dispose of all or any portion of the equity interests held by such shareholder, or of the assets held by the VIE. The parties have agreed that the WFOE is entitled to unilaterally amend, modify or supplement this agreement for power of attorney and the other parties will cooperate where there is a request in respect of the same by the WFOE. This agreement for power of attorney will remain effective until it is terminated by the WFOE.

Spousal Consent Letters

The spouses of Yusheng Han, Gang Lu, Zhigang Wu, Dan Zhou, Peijing Si, Dong Yin and Jin Zhao each signed a spousal consent letter on October 21, 2019. Under these letters, each signing spouse has agreed that he or she is aware of the equity interests beneficially owned by his or her spouse in the VIE and the relevant contractual arrangements in connection with such equity interests. Each signing spouse has unconditionally and irrevocably confirmed that he or she does not have any equity interest in the VIE and will not take any action that may interfere with the contractual arrangement including any claims in respect of the equity interests held by his or her spouse. Each signing spouse has further confirmed that in any event he or she is conferred with any equity interest, he or she is willing to be bound by the relevant contractual arrangements unconditionally as if being a party thereof, and undertakes to take all necessary measures for the performance of those arrangements.

Financial Support Undertaking Letter

Pursuant to the financial support undertaking letter addressed to our VIE, dated October 21, 2019, we undertake to provide unlimited financial support to our VIE to the extent permissible under the applicable PRC laws and regulations, regardless of whether our VIE has incurred an operational loss. The form of financial support includes but is not limited to cash, entrusted loans and borrowings. We will not request repayment of any outstanding loans or borrowings from our VIE if it or its shareholders do not have sufficient funds or are unable to repay such loans or borrowings. The letter is effective until the earlier of (i) the date on which all of the equity interests of our VIE have been acquired by us or our designee, and (ii) the date on which we, in our sole and absolute discretion, unilaterally terminates the applicable financial support undertaking letter.

Voting Proxy Agreement

Pursuant to the voting proxy agreement entered into between our company and our WFOE, dated October 21, 2019, our WFOE irrevocably and unconditionally undertakes to exercise its rights under the agreement for power of attorney, as amended and restated on October 21, 2019, by and among our WFOE, our VIE and its shareholders, in accordance with our company's instruction.

In the opinion of Shihui Partners, our PRC counsel:

- the ownership structure of our VIE and our WFOE in China, currently and immediately after this offering, does not violate any applicable PRC laws or regulations currently in effect; and
- the contractual arrangements among our WFOE, VIE and the shareholders of our VIE governed by PRC law are valid, binding and enforceable in accordance with their terms and applicable PRC laws or regulations currently in effect and, both currently and immediately after this offering, do not and will not violate any applicable PRC laws or regulations currently in effect.

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to or otherwise different from the above opinion of our PRC legal counsel. See "Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change, we could be subject to severe penalties or be forced to relinquish our interests in those operations" and "Risk Factors—Risks Relating to Doing Business in the PRC—Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us." for more details.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected consolidated statements of comprehensive income data and consolidated statements of cash flow data for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, and consolidated balance sheets data as of December 31, 2017 and 2018 and September 30, 2019 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following selected consolidated statements of comprehensive income data and cash flow data for the nine months ended September 30, 2018 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results are not necessarily indicative of results expected for future periods. 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.

	Year ended December 31,			Nine months ended September 30,		
	2017	2018		2018	2019	
	RMB	RMB	US$	RMB	RMB	US$
				(unaudited)		
	(in thousands, except for per share and share data)					
Selected Consolidated Statements of Comprehensive Income Data:						
Revenues	111,166	208,867	29,221	143,593	293,002	40,992
Cost of revenues	(39,470)	(73,808)	(10,327)	(53,316)	(74,644)	(10,443)
Gross profit	71,696	135,059	18,894	90,277	218,358	30,549
Operating expenses:						
Research and development expenses	(49,022)	(105,299)	(14,732)	(72,972)	(104,697)	(14,648)
Selling and marketing expenses	(67,505)	(102,857)	(14,390)	(66,814)	(104,225)	(14,582)
General and administrative expenses	(76,036)	(88,299)	(12,353)	(63,646)	(83,045)	(11,618)
Total operating expenses	(192,563)	(296,455)	(41,475)	(203,432)	(291,967)	(40,848)
Loss from operations	(120,867)	(161,396)	(22,581)	(113,155)	(73,609)	(10,299)
Interest expense, net	(9,861)	(16,612)	(2,324)	(11,203)	(66)	(9)
Other expense, net	(32)	(488)	(68)	(266)	(542)	(76)
Foreign exchange (loss) gain, net	(515)	999	140	1,068	1,841	258
Change in fair value of warrant liability	—	—	—	—	(1,686)	(236)
Loss before income taxes	(131,275)	(177,497)	(24,833)	(123,556)	(74,062)	(10,362)
Income tax expense	—	—	—	—	—	—
Net loss	(131,275)	(177,497)	(24,833)	(123,556)	(74,062)	(10,362)
Net loss attributable to Burning Rock Biotech Limited's shareholders	(131,275)	(177,497)	(24,833)	(123,556)	(74,062)	(10,362)
Accretion of convertible preferred shares	(53,276)	(54,849)	(7,674)	(40,669)	(125,838)	(17,605)
Net loss attributable to ordinary shareholders	(184,551)	(232,346)	(32,507)	(164,225)	(199,900)	(27,967)
Loss per share:						
Basic and diluted	(5.10)	(5.19)	(0.73)	(3.71)	(4.31)	(0.60)
Weighted average shares outstanding used in loss per share computation:						
Basic and diluted	36,178,203	44,757,750	44,757,750	44,240,210	46,334,461	46,334,461

	As of December 31,			As of September 30,	
	2017	2018		2019	
	RMB	RMB	US$	RMB	US$
	(in thousands)				
Selected Consolidated Balance Sheets Data:					
Cash and cash equivalents	54,789	93,341	13,059	123,808	17,321
Total current assets	298,930	292,989	40,989	799,914	111,912
Total assets	400,332	372,674	52,137	898,623	125,722
Total current liabilities	78,055	284,698	39,830	147,364	20,617
Total liabilities	231,846	380,018	53,165	189,887	26,567
Total mezzanine equity	540,642	596,118	83,400	1,474,666	206,313
Total shareholders' deficit	(372,156)	(603,462)	(84,428)	(765,930)	(107,158)

	Year ended December 31,			Nine months ended September 30,		
	2017	2018		2018	2019	
	RMB	RMB	US$	RMB	RMB	US$
				(unaudited)		
	(in thousands)					
Selected Consolidated Statements of Cash Flow Data:						
Net cash used in operating activities	(133,701)	(148,780)	(20,815)	(118,230)	(177,905)	(24,891)
Net cash (used in) generated from investing activities	(191,077)	106,091	14,842	112,099	(368,922)	(51,614)
Net cash generated from financing activities	354,166	83,393	11,667	63,470	570,643	79,835
Effect of exchange rate on cash and cash equivalents and restricted cash	(11,406)	(159)	(21)	(1,729)	6,134	859
Net increase in cash and cash equivalents and restricted cash	17,982	40,545	5,673	55,610	29,950	4,189
Cash and cash equivalents and restricted cash at beginning of year	36,807	54,789	7,665	54,789	95,334	13,338
Cash and cash equivalents and restricted cash at end of year	54,789	95,334	13,338	110,399	125,284	17,527

Selected Operating Data

The table below sets forth our selected operating data for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2018 and 2019:

	Year ended December 31,		Nine months ended September 30,	
	2017	2018	2018	2019
Central Laboratory Model:				
Number of patients tested	10,134	16,105	11,597	16,904
Number of ordering physicians(1)	777	1,135	957	1,339
Number of ordering hospitals(2)	207	263	231	298

(1) Represents physicians who on average order at least one test from us every month during a relevant period under the central laboratory model.
(2) Represents hospitals whose residing physicians who on average order at least one test from us every month during a relevant period under the central laboratory model.

The table below sets forth our selected operating data as of December 31, 2016, 2017 and 2018 and September 30, 2019:

	As of December 31,			As of September 30,
	2016	2017	2018	2019
In-hospital Model:				
Pipeline partner hospitals(1)	7	12	14	21
Contracted partner hospitals(2)	2	4	12	19
Total number of partner hospitals	9	16	26	40

(1) Refers to hospitals that have established in-hospital laboratories, completed laboratory equipment installation and commenced pilot testing using our products. According to CIC, it generally takes 12 to 30 months for hospitals to progress from pipeline partner hospitals to contracted partner hospitals, which generate recurring revenue from the sale of reagent kits.

(2) Refers to hospitals that have entered into contracts to purchase our products for use on a recurring basis in their respective in-hospital laboratories we helped them establish.

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 in conjunction with the section entitled "Selected Consolidated Financial and Operating Data" and our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those we describe under "Risk Factors" and elsewhere in this prospectus. For a discussion of forward-looking statements, see "Special Note Regarding Forward-Looking Statements."

Overview

We aim to transform precision oncology and early cancer detection. We are China's number one NGS-based cancer therapy selection company, as evidenced by the largest market share of 25.3% in China's NGS-based cancer therapy selection market in terms of number of patients tested in 2018, according to CIC. Our cancer therapy selection platform is built upon our advanced proprietary technologies, comprehensive portfolio of products and a two-pronged market-driven commercial infrastructure addressing both larger hospitals through our in-hospital model and smaller hospitals through our central laboratory model.

We primarily offer cancer therapy selection tests under our central laboratory model, where our central laboratory processes cancer patients' tissue and liquid biopsy samples delivered to us from hospitals across China and issues test reports. In 2017, 2018 and the nine months ended September 30, 2019, 10,134, 16,105 and 16,904 patients took our tests, respectively. In 2017, 2018 and the nine months ended September 30, 2019, revenue from sale of cancer therapy selection tests under our central laboratory model contributed 79.1%, 77.3% and 70.1% of our total revenues, respectively.

In 2016, we became China's first NGS-based cancer therapy selection company to offer an in-hospital model, providing turn-key solutions to address Chinese hospitals' challenges in adopting NGS-based cancer therapy selection. Under this model, we have partnered with 40 Class III Grade A hospitals to establish in-hospital laboratories, enabling our partner hospitals to perform NGS-based cancer therapy selection on their own using our reagent kits. In 2017, 2018 and the nine months ended September 30, 2019, revenue from fees we received for facilitating the hospitals' purchases of laboratory equipment and sales of reagent kits under the in-hospital model contributed 9.7%, 15.9% and 25.1% of our total revenues, respectively.

We also generate a small portion of revenue from pharma research and development services we provide to pharmaceutical companies, which contributed 6.8% and 4.8% of our total revenues in 2018 and the nine months ended September 30, 2019, respectively.

We have achieved rapid growth since commercializing our first cancer therapy selection test in 2014. Our revenue increased by 87.9% from RMB111.2 million in 2017 to RMB208.9 million (US$29.2 million) in 2018. Our revenue increased by 104.1% from RMB143.6 million for the nine months ended September 30, 2018 to RMB293.0 million (US$41.0 million) for the same period in 2019. Our gross profit increased by 88.4% from RMB71.7 million in 2017 to RMB135.1 million (US$18.9 million) in 2018. Our gross profit increased by 141.9% from RMB90.3 million for the nine months ended September 30, 2018 to RMB218.4 million (US$30.5 million) for the same period in 2019. Our gross profit margin was 64.5%, 64.7%, 62.9% and 74.5% in 2017, 2018 and the nine months ended September 30, 2018 and 2019, respectively. We incurred net loss of RMB131.3 million, RMB177.5 million (US$24.8 million), RMB123.6 million and RMB74.1 million (US$10.4 million) in 2017, 2018 and the nine months ended September 30, 2018 and 2019, respectively.

Key Factors Affecting Our Results of Operations

We believe there are several important factors that have impacted and that we expect will continue to impact our operating performance and results of operations, including:

- market adoption of our cancer therapy selection products and services;
- testing volume and hospital coverage under our central laboratory model;
- success of our in-hospital model; and
- our ability to successfully develop early cancer detection products.

Market Adoption of Our Cancer Therapy Selection Products and Services

We currently derive substantially all of our revenues from the sale of our therapy selection tests. We expect our continued growth and business prospects to depend significantly on our ability to increase market adoption of our cancer therapy selection tests, as well as our ability to increase physician and patient awareness of cancer therapy selection in China in general. Although China's cancer genotyping industry is expected to continue to grow rapidly, cancer therapy selection companies like us face challenges in raising awareness and adoption of their products and services by physicians, patients, hospitals and others in China's medical community. Among these challenges are that cancer therapy selection tests can be prohibitively expensive and the interpretation of testing results can be time consuming and require knowledge and skills that are not yet widely available in China. We have approached these challenges by building and continually advancing a robust technology platform that we believe will allow us to address many of these challenges.

To increase the market awareness and adoption of our cancer therapy selection tests, we conduct marketing activities to educate hospitals, physicians and pharmaceutical companies on the benefits of our cancer therapy selection products and services. We also participate in research studies and clinical trials in cooperation with oncology key opinion leaders and pharmaceutical companies that validate our cancer therapy selection tests and technologies.

Testing Volume and Hospital Coverage under Our Central Laboratory Model

Our revenue and results of operations are primarily dependent on testing volume and hospital coverage under our central laboratory model. In 2017, 2018 and the nine months ended September 30, 2019, revenue from sale of cancer therapy selection tests under our central laboratory model contributed 79.1%, 77.3% and 70.1% of our total revenues, respectively. We expect the central laboratory model to continue to contribute a significant portion of our revenue going forward. As such, our results of operations are affected, and will continue to be affected, by the volume of testing and hospital coverage under our central laboratory model. In 2017, 2018 and the nine months ended September 30, 2019, 10,134, 16,105 and 16,904 patients took our tests, respectively. To generate sufficient volumes of demand for our central laboratory business, we will need to maintain and continue to develop relationships with hospitals and physicians. We may need to hire additional sales and marketing staff to support our growth.

Success of Our In-hospital Model

Since 2016, we have been actively expanding our cancer therapy selection business under the in-hospital model, where we offer Chinese hospitals a turn-key solution that allows them to perform cancer therapy selection tests using our products in in-hospital laboratories that we help them establish.

The in-hospital segment is expected to become an increasingly important segment of China's NGS-based cancer therapy selection market. Although there are substantial challenges in getting hospitals to adopt the in-hospital model, once the in-hospital laboratories, equipment and systems are in place, we sell them our reagent kits on a recurring basis, creating high barrier to entry and high customer loyalty.

Despite the large and rapidly growing demand and higher customer loyalty, establishing in-hospital laboratories usually involves long ramp-up periods—from laboratory design, tender, laboratory equipment sourcing and system installation to ongoing training and support. Accordingly, our in-hospital model requires significant upfront investment, which in turn may affect our short-term results of operations. In addition, revenue from this model depends on our partner hospitals' clinical needs and budgets for cancer therapy selection products and services, which are beyond our control.

Our Ability to Successfully Develop Early Cancer Detection Products

Investing in the research and development of new products is critical to our long-term competitiveness. In 2016, we started our research and development on the use of targeted DNA methylation in early cancer detection. Developing early cancer detection product candidates requires a significant investment of resources over a prolonged period of time, and we expect to continue to make sustained investment in this area.

Key Components of Results of Operations

Revenues

Our revenues consist of revenues from services and revenues from sales of products, and are derived from three sources: (i) central laboratory business; (ii) in-hospital business; and (iii) pharma research and development services. The table below sets forth a breakdown of our revenues in absolute amount and as a percentage of our total revenues for the periods indicated:

	Year ended December 31, 2017							
	Central laboratory business		In-hospital business		Pharma research and development services		Total revenues	
	RMB	% of total revenues	RMB	% of total revenues	RMB	% of total revenues	RMB	% of total revenues
	(in thousands, except for%)							
Revenues from services	88,035	79.1	6,318	5.7	12,398	11.2	106,751	96.0
Revenues from sales of products	—	—	4,415	4.0	—	—	4,415	4.0
	88,035	**79.1**	**10,733**	**9.7**	**12,398**	**11.2**	**111,166**	**100.0**

	Year ended December 31, 2018											
	Central laboratory business			In-hospital business			Pharma research and development services			Total revenues		
	RMB	US$	% of total revenues	RMB	US$	% of total revenues	RMB	US$	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for%)											
Revenues from services	161,458	22,589	77.3	4,506	630	2.2	14,223	1,990	6.8	180,187	25,209	86.3
Revenues from sales of products	—	—	—	28,680	4,012	13.7	—	—	—	28,680	4,012	13.7
	161,458	**22,589**	**77.3**	**33,186**	**4,642**	**15.9**	**14,223**	**1,990**	**6.8**	**208,867**	**29,221**	**100.0**

	Nine months ended September 30, 2018 (unaudited)							
	Central laboratory business		In-hospital business		Pharma research and development services		Total revenues	
	RMB	% of total revenues	RMB	% of total revenues	RMB	% of total revenues	RMB	% of total revenues
	(in thousands, except for %)							
Revenues from services	111,070	77.3	3,242	2.3	8,007	5.6	122,319	85.2
Revenues from sales of products	—	—	21,274	14.8	—	—	21,274	14.8
	111,070	**77.3**	**24,516**	**17.1**	**8,007**	**5.6**	**143,593**	**100.0**

	Nine months ended September 30, 2019											
	Central laboratory business			In-hospital business			Pharma research and development services			Total revenues		
	RMB	US$	% of total revenues	RMB	US$	% of total revenues	RMB	US$	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for %)											
Revenues from services	205,505	28,750	70.1	(2,534)	(354)	(0.9)	13,907	1,946	4.8	216,878	30,342	74.0
Revenues from sales of products	—	—	—	76,124	10,650	26.0	—	—	—	76,124	10,650	26.0
	205,505	**28,750**	**70.1**	**73,590**	**10,296**	**25.1**	**13,907**	**1,946**	**4.8**	**293,002**	**40,992**	**100.0**

Central laboratory business

Central laboratory business revenue is generated from sales of our cancer therapy selection tests to individual patients. Patients pay us for these tests with out-of-pocket payments after their physicians have ordered our tests. We recognize revenue upon the delivery of test reports to the individual patients.

In-hospital business

Under our in-hospital business, we (i) in some instances facilitate the hospitals' procurement of laboratory equipment required to set up their in-hospital laboratories, for which we charge a fee, and (ii) sell our reagent kits to hospitals for them to perform cancer therapy selection testing in the in-hospital laboratories we helped them establish. Revenues from fees we receive for facilitating laboratory equipment purchases are recorded on a net basis when we have completed our facilitation services. Revenues from reagent kit sales are recorded on a gross basis when the reagent kits are delivered to hospitals.

Pharma research and development services

We provide pharmaceutical research and development services to international and domestic pharmaceutical companies primarily in relation to the development of targeted therapies and immunotherapies for various types of cancer.

Cost of Revenues

Our cost of revenues consists of cost of services and cost of goods sold and are incurred from three sources: (i) the cost of revenues for our central laboratory business, which primarily includes cost of laboratory consumables used in cancer therapy selection testing, the manufacturing cost of our reagent kits, personnel cost and depreciation and amortization, (ii) the cost of revenues for our in-hospital business, which primarily includes the cost of materials, manufacturing costs of our reagent kits and personnel cost, and (iii) the cost of revenues for pharma research and development services, which primarily includes costs of laboratory consumables used in pharma research and development services. The following table sets forth a breakdown of our cost of revenues for the periods indicated.

	Year ended December 31,			Nine months ended September 30,		
	2017	2018		2018	2019	
	RMB	RMB	US$	RMB	RMB	US$
				(unaudited)		
	(in thousands)					
Cost of revenues:						
Central laboratory business	31,160	56,241	7,869	39,377	54,360	7,605
In-hospital business	1,854	13,120	1,836	11,182	15,737	2,202
Pharma research and development services	6,456	4,447	622	2,757	4,547	636
Total cost of revenues	39,470	73,808	10,327	53,316	74,644	10,443

Operating Expenses

Our operating expenses include research and development expenses, selling and marketing expenses and general and administrative expenses. The following table sets forth a breakdown of these expenses for the periods indicated.

	Year ended December 31,			Nine months ended September 30,		
	2017	2018		2018	2019	
	RMB	RMB	US$	RMB	RMB	US$
				(unaudited)		
				(in thousands)		
Operating expenses:						
Research and development expenses	49,022	105,299	14,732	72,972	104,697	14,648
Selling and marketing expenses	67,505	102,857	14,390	66,814	104,225	14,582
General and administrative expenses	76,036	88,299	12,353	63,646	83,045	11,618
Total operating expenses	192,563	296,455	41,475	203,432	291,967	40,848

Research and Development Expenses

Our research and development expenses primarily consist of staff costs for personnel engaged in research and development functions, and the cost of materials in relation to our pharma research and development services and the research and development of our products. We expect that our research and development expenses will increase as we continue to invest in the research and development of our early cancer detection and cancer therapy selection products and technologies.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of staff costs for personnel engaged in sales and marketing functions, travel and entertainment expenses and conference expenses. Base salary of our sales and marketing personnel represents a very significant portion of staff costs, with the remainder being performance-based bonuses for these personnel. We expect that our selling and marketing expenses will increase as we continue to expand our sales and marketing teams and engage in sales and marketing activities to increase the adoption and market awareness of our products.

General and Administrative Expenses

Our general and administrative expenses primarily consist of staff costs for personnel engaged in general and administrative functions, professional service fees, depreciation and amortization and travel and office expenses. We expect our general and administrative expenses to continue increasing to support our business growth, but we expect that they will eventually decrease as a percentage of our revenues as we achieve increased economies of scale.

Taxation

Cayman Islands

We are an exempted company incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is currently no estate duty, inheritance tax or gift tax. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties that may be applicable on instruments executed in, or after execution brought within, the jurisdiction of the Cayman Islands.

Hong Kong

Before April 1, 2018, our subsidiary incorporated in Hong Kong was subject to Hong Kong profit tax at a rate of 16.5%. Since April 1, 2018, our subsidiary incorporated in Hong Kong has been subject to Hong Kong

profit tax at a rate of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000. Hong Kong has an anti-fragmentation measure under which a corporate group must nominate only one company in the group to benefit from the progressive rates. No Hong Kong profit tax has been levied on us as we did not have assessable profit that was earned in or derived from our Hong Kong subsidiary in 2017, 2018 and the nine months ended September 30, 2019. Hong Kong does not impose a withholding tax on dividends.

China

For our operations in the PRC, we are subject to a general PRC enterprise income tax rate of 25%. Guangzhou Burning Rock Dx Co., Ltd., a subsidiary of our VIE, qualified as a high and new technology enterprise, or HNTE, in November 2016, and accordingly is entitled to a reduced income tax rate of 15%. Our HNTE certificate is effective for a period of three years.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless they qualify for an exemption. If our intermediary holding company in Hong Kong satisfies all the requirements under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and receives approval from the relevant tax authority, then dividends paid to it by our wholly foreign-owned subsidiaries in China will be subject to a withholding tax rate of 5% instead. Effective from November 1, 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file an application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China is deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it will be subject to enterprise income tax on its worldwide income at a rate of 25%.

Pursuant to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We may be subject to adverse tax consequences and our consolidated results of operations may be adversely affected if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and their shareholders are not on an arm’s length basis and constitute favorable transfer pricing.

Results of Operations

The following table sets forth our results of operations for the periods indicated:

	Year ended December 31,					Nine months ended September 30,				
	2017		2018			2018		2019		
	RMB	% of Revenues	RMB	US$	% of Revenues	RMB	% of Revenues	RMB	US$	% of Revenues
						(unaudited)				
						(in thousands, except %)				
Revenues:										
Revenues from services	106,751	96.0	180,187	25,209	86.3	122,319	85.2	216,878	30,342	74.0
Revenues from sales of products	4,415	4.0	28,680	4,012	13.7	21,274	14.8	76,124	10,650	26.0
Total revenues	111,166	100.0	208,867	29,221	100.0	143,593	100.0	293,002	40,992	100.0
Cost of revenues(1):										
Cost of services	(37,616)	(33.8)	(60,688)	(8,491)	(29.1)	(42,134)	(29.3)	(58,907)	(8,241)	(20.1)
Cost of goods sold	(1,854)	(1.7)	(13,120)	(1,836)	(6.3)	(11,182)	(7.8)	(15,737)	(2,202)	(5.4)
Total cost of revenues	(39,470)	(35.5)	(73,808)	(10,327)	(35.3)	(53,316)	(37.1)	(74,644)	(10,443)	(25.5)
Gross profit	71,696	64.5	135,059	18,894	64.7	90,277	62.9	218,358	30,549	74.5
Operating expenses:										
Research and development expenses(1)	(49,022)	(44.1)	(105,299)	(14,732)	(50.4)	(72,972)	(50.8)	(104,697)	(14,648)	(35.7)
Selling and marketing expenses(1)	(67,505)	(60.7)	(102,857)	(14,390)	(49.2)	(66,814)	(46.5)	(104,225)	(14,582)	(35.6)
General and administrative expenses(1)	(76,036)	(68.4)	(88,299)	(12,353)	(42.3)	(63,646)	(44.3)	(83,045)	(11,618)	(28.3)
Total operating expenses	(192,563)	(173.2)	(296,455)	(41,475)	(141.9)	(203,432)	(141.7)	(291,967)	(40,848)	(99.6)
Loss from operations	(120,867)	(108.7)	(161,396)	(22,581)	(77.3)	(113,155)	(78.8)	(73,609)	(10,299)	(25.1)
Interest expense, net	(9,861)	(8.9)	(16,612)	(2,324)	(8.0)	(11,203)	(7.8)	(66)	(9)	(0.0)
Other expense, net	(32)	(0.0)	(488)	(68)	(0.2)	(266)	(0.2)	(542)	(76)	(0.2)
Foreign exchange (loss) gain, net	(515)	(0.5)	999	140	0.5	1,068	0.7	1,841	258	0.6
Change in fair value of warrant liability	—	—	—	—	—	—	—	(1,686)	(236)	(0.6)
Loss before income taxes	(131,275)	(118.1)	(177,497)	(24,833)	(85.0)	(123,556)	(86.0)	(74,062)	(10,362)	(25.3)
Income tax expense	—	—	—	—	—	—	—	—	—	—
Net loss	(131,275)	(118.1)	(177,497)	(24,833)	(85.0)	(123,556)	(86.0)	(74,062)	(10,362)	(25.3)

(1) Share-based compensation expenses were allocated as follows:

	Year ended December 31,			Nine months ended September 30,		
	2017	2018		2018	2019	
	RMB	RMB	US$	RMB	RMB	US$
				(unaudited)		
			(in thousands)			
Cost of revenues	93	322	45	229	500	70
Research and development expenses	680	2,096	293	1,323	2,916	408
Selling and marketing expenses	299	547	77	317	1,366	191
General and administrative expenses	2,981	2,130	298	1,770	2,115	296
Total	**4,053**	**5,095**	**713**	**3,639**	**6,897**	**965**

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Revenues

Our revenues increased by 104.1% to RMB293.0 million (US$41.0 million) for the nine months ended September 30, 2019 from RMB143.6 million for the same period in 2018, primarily attributable to an increase in revenues generated from services to RMB216.9 million (US$30.3 million) for the nine months ended September 30, 2019 from RMB122.3 million for the same period in 2018, and to a lesser extent, revenues from sales of products to RMB76.1 million (US$10.7 million) for the nine months ended September 30, 2019 from RMB21.3 million for the same period in 2018. We derived our revenues from three sources:

- ***Central laboratory business***. Our revenue generated from central laboratory business increased by 85.0% to RMB205.5 million (US$28.8 million) for the nine months ended September 30, 2019 from RMB111.1 million for the same period in 2018, primarily attributable to the continued growth of our central laboratory business. For the nine months ended September 30, 2019, 16,904 patients took our tests, compared to 11,597 patients for the same period in 2018.
- ***In-hospital business***. Our revenue generated from in-hospital business increased significantly to RMB73.6 million (US$10.3 million) for the nine months ended September 30, 2019 from RMB24.5 million for the same period in 2018, primarily attributable to the expansion of our in-hospital business. The number of our partner hospitals increased from 22 as of September 30, 2018 to 40 as of September 30, 2019.
- ***Pharma research and development services***. Our revenue generated from pharma research and development services increased by 73.7% to RMB13.9 million (US$1.9 million) for the nine months ended September 30, 2019 from RMB8.0 million for the same period in 2018, primarily attributable to increased research and development services provided to pharmaceutical companies.

Cost of Revenues

Our cost of revenues increased by 40.0% to RMB74.6 million (US$10.4 million) for the nine months ended September 30, 2019 from RMB53.3 million for the same period in 2018. This increase was primarily attributable to an increase in cost of services to RMB58.9 million (US$8.2 million) for the nine months ended September 30, 2019 from RMB42.1 million for the same period in 2018, and to a lesser extent, cost of goods sold to RMB15.7 million (US$2.2 million) for the nine months ended September 30, 2019 from RMB11.2 million for the same period in 2018.

The increase in cost of revenues from the nine months ended September 30, 2018 to the same period in 2019 was primarily due to an increase in cost of revenues for our central laboratory business, which was in line with our business growth.

Gross Profit and Gross Margin

Our gross profit increased by 141.9% to RMB218.4 million (US$30.5 million) for the nine months ended September 30, 2019 from RMB90.3 million for the same period in 2018, primarily due to (i) the continued growth of our central laboratory business, in-hospital business and pharma research and development services, (ii) greater economies of scale, and (iii) our recognition of breakage revenue in the nine months ended September 30, 2019. Our gross margin increased to 74.5% for the nine months ended September 30, 2019 from 62.9% for the same period in 2018.

The table below sets forth a breakdown of our gross profit and gross profit margin for the periods indicated:

	Nine months ended September 30,				
	2018		2019		
	RMB	Gross profit margin (%)	RMB	US$	Gross profit margin (%)
	(unaudited)		(in thousands, except %)		
Central laboratory business	71,693	64.5	151,145	21,146	73.7
In-hospital business	13,334	54.4	57,853	8,094	78.6
Pharma research and development services	5,250	65.6	9,360	1,310	67.3
	90,277	62.9	218,358	30,549	74.5

Operating Expenses

Research and development expenses

Our research and development expenses increased by 43.5% to RMB104.7 million (US$14.6 million) for the nine months ended September 30, 2019 from RMB73.0 million for the same period in 2018, primarily due to (i) an increase in staff cost, which was in line with the continued growth of our business, and (ii) an increase in cost of laboratory consumables as we conducted more clinical trials and research and development activities in the nine months ended September 30, 2019.

Selling and marketing expenses

Our selling and marketing expenses increased by 56.0% to RMB104.2 million (US$14.6 million) for the nine months ended September 30, 2019 from RMB66.8 million for the same period in 2018, primarily due to an increase in staff costs, as we continued to expand our sales and marketing teams to support the growth of our central laboratory business and in-hospital business. Selling and marketing expenses as a percentage of total revenues decreased from 46.5% for the nine months ended September 30, 2018 to 35.6% for the same period in 2019, primarily due to our greater economies of scale, as the growth of our revenues from the nine months ended September 30, 2018 to the nine months ended September 30, 2019 outpaced the growth of staff costs.

General and administrative expenses

Our general and administrative expenses increased by 30.5% to RMB83.0 million (US$11.6 million) for the nine months ended September 30, 2019 from RMB63.6 million for the same period in 2018, primarily due to (i) an increase in our allowance for doubtful accounts, which was primarily related to our in-hospital business, and (ii) an increase in staff cost, which was in line with the continued growth of our business.

Interest Expense, Net

Our interest expense, net decreased significantly to RMB0.1 million (US$0.01 million) for the nine months ended September 30, 2019 from RMB11.2 million for the same period in 2018, primarily due to (i) a decrease in interest expenses, which was primarily attributable to the conversion of our convertible notes into our Series C preferred shares in January 2019, and (ii) an increase in interest income in relation to our short-term investment.

Net Loss

Our net loss decreased by 40.1% to RMB74.1 million (US$10.4 million) for the nine months ended September 30, 2019 from RMB123.6 million for the same period in 2018, primarily due to an increase in our gross profit as mentioned above. The decrease in net loss was partially offset by our increased research and development expenses as well as selling and marketing expenses, which was in line with the continued growth of our business.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenues

Our revenues increased by 87.9% to RMB208.9 million (US$29.2 million) for 2018 from RMB111.2 million for 2017, primarily attributable to an increase in revenues generated from services to RMB180.2 million (US$25.2 million) in 2018 from RMB106.8 million in 2017, and to a lesser extent, revenues from sales of products to RMB28.7 million (US$4.0 million) in 2018 from RMB4.4 million in 2017. We derived our revenues from three sources:

- ***Central laboratory business***. Our revenue generated from central laboratory business increased by 83.4% to RMB161.5 million (US$22.6 million) for 2018 from RMB88.0 million for 2017, primarily attributable to the continued growth of our central laboratory business. In 2018, 16,105 patients took our tests, compared to 10,134 patients in 2017.
- ***In-hospital business***. Our revenue generated from in-hospital business increased significantly to RMB33.2 million (US$4.6 million) for 2018 from RMB10.7 million for 2017, primarily attributable to the expansion of our in-hospital business. The number of our partner hospitals increased from 9 as of December 31, 2016 to 16 as of December 31, 2017, and further to 26 as of December 31, 2018.
- ***Pharma research and development services***. Our revenue generated from pharma research and development services increased by 14.7% to RMB14.2 million (US$2.0 million) for 2018 from RMB12.4 million for 2017, primarily attributable to increased research and development services provided to pharmaceutical companies.

Cost of Revenues

Our cost of revenues increased by 87.0% to RMB73.8 million (US$10.3 million) for 2018 from RMB39.5 million for 2017. The increase was primarily attributable to an increase in cost of services to RMB60.7 million (US$8.5 million) in 2018 from RMB37.6 million in 2017, and to a lesser extent, cost of goods sold to RMB13.1 million (US$1.8 million) in 2018 from RMB1.8 million in 2017.

The increase in cost of revenues from 2017 to 2018 was primarily due to an increase in cost of revenues for our central laboratory business, which was in line with our business growth.

Gross Profit and Gross Margin

Our gross profit increased by 88.4% to RMB135.1 million (US$18.9 million) for 2018 from RMB71.7 million for 2017. Our gross margin remained stable at 64.7% for 2018, compared to 64.5% for 2017.

The table below sets forth a breakdown of our gross profit and gross profit margin for the periods indicated:

	For the years ended December 31,				
	2017		2018		
	RMB	Gross profit margin(%)	RMB	US$	Gross profit margin(%)
	(in thousands, except %)				
Central laboratory business	56,875	64.6	105,217	14,720	65.2
In-hospital business	8,879	82.7	20,066	2,807	60.5
Pharma research and development services	5,942	47.9	9,776	1,368	68.7
	71,696	64.5	135,059	18,895	64.7

Operating Expenses

Research and development expenses

Our research and development expenses increased by 114.8% to RMB105.3 million (US$14.7 million) for 2018 from RMB49.0 million for 2017, primarily due to (i) an increase in staff cost, which was in line with the continued growth of our business, and (ii) an increase in cost of laboratory consumables as we conducted more clinical trials and research and development activities in 2018.

Selling and marketing expenses

Our selling and marketing expenses increased by 52.4% to RMB102.9 million (US$14.4 million) for 2018 from RMB67.5 million for 2017, primarily due to the increase in staff costs and travel expenses, as we continued to expand our sales and marketing teams to support the growth of our central laboratory business and in-hospital business. Selling and marketing expenses as a percentage of total revenues decreased from 60.7% in 2017 to 49.2% in 2018, primarily due to our greater economies of scale, as the growth of our revenues from 2017 to 2018 outpaced the growth of staff costs.

General and administrative expenses

Our general and administrative expenses increased by 16.1% to RMB88.3 million (US$12.4 million) for 2018 from RMB76.0 million for 2017, primarily due to an increase in professional service fees, travel expenses and office expenses, which was in line with the continued growth of our business.

Interest Expense, Net

Our interest expense, net increased by 68.5% to RMB16.6 million (US$2.3 million) for 2018 from RMB9.9 million for 2017, primarily due to an increase in average borrowings and issuance of convertible notes to certain of our existing shareholders.

Net Loss

As a result of the foregoing, our net loss for the year increased by 35.2% to RMB177.5 million (US$24.8 million) for 2018 from RMB131.3 million for 2017.

Liquidity and Capital Resources

Our principal sources of liquidity have been equity contributions from our shareholders and bank borrowings. As of September 30, 2019, we had (i) cash and cash equivalents of RMB123.8 million (US$17.3 million), consisting of cash on hand and bank deposits, and (ii) short-term investment balances of RMB389.1 million (US$54.4 million).

We believe that our cash and cash equivalents on hand, our short-term investment balances and our anticipated cash flows generated from our operating activities will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. After this offering, we may decide to expand our business through additional equity and debt financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations.

In utilizing the proceeds we expect to receive from this offering, we may make additional capital contributions or loans to our PRC subsidiaries.

Substantially all of our revenues in the foreseeable future are likely to continue to be denominated in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in U.S. dollars to us without prior SAFE approval by following these routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Nine months ended September 30,		
	2017	2018		2018	2019	
	RMB	RMB	US$	RMB	RMB	US$
			(in thousands)	(unaudited)		
Net cash used in operating activities	(133,701)	(148,780)	(20,815)	(118,230)	(177,905)	(24,891)
Net cash (used in) generated from investing activities	(191,077)	106,091	14,842	112,099	(368,922)	(51,614)
Net cash generated from financing activities	354,166	83,393	11,667	63,470	570,643	79,835
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(11,406)	(159)	(21)	(1,729)	6,134	859
Net increase in cash and cash equivalents and restricted cash	17,982	40,545	5,673	55,610	29,950	4,189
Cash and cash equivalents and restricted cash at the beginning of year/period	36,807	54,789	7,665	54,789	95,334	13,338
Cash and cash equivalents and restricted cash at the end of year/period	54,789	95,334	13,338	110,399	125,284	17,527

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2019 was RMB177.9 million (US$24.9 million), while our net loss for the same period was RMB74.1 million (US$10.4 million). The difference was primarily due to adjustment for non-cash and non-operating items of RMB43.2 million (US$6.0 million), primarily including depreciation and amortization of RMB22.5 million (US$3.2 million), and an allowance for doubtful accounts of RMB9.1 million (US$1.3 million), and changes in working capital. The changes in working capital primarily reflected (i) an increase in accounts receivable of RMB59.7 million (US$8.4 million), primarily as a result of our overall business growth, (ii) an increase in amount due from related parties of RMB53.9 million (US$7.5 million), which mainly represented personal loans we advanced to two executive officers, and (iii) an increase in prepayments and other current assets of RMB13.5 million (US$1.9 million), primarily attributable to our increased deductible value-added tax and prepaid expenses in relation to the procurement of laboratory equipment and raw materials.

Net cash used in operating activities for 2018 was RMB148.8 million (US$20.8 million), while our net loss for the same period was RMB177.5 million (US$24.8 million). The difference was primarily due to adjustment for non-cash and non-operating items of RMB34.9 million (US$4.9 million), primarily including depreciation and amortization of RMB24.7 million (US$3.5 million), and changes in working capital. The changes in working capital primarily reflected (i) an increase in inventories of RMB32.3 million (US$4.5 million), primarily as a result of our overall business growth, and (ii) an increase in prepayments and other current assets of RMB20.2 million (US$2.8 million), primarily attributable to our increased deductible value-added tax and prepaid expenses in relation to the procurement of laboratory equipment and raw materials, which was partially offset by an increase of RMB27.3 million (US$3.8 million) in our deferred revenue, as a result of our overall business growth.

Net cash used in operating activities for 2017 was RMB133.7 million, while our net loss for the same period was RMB131.3 million. The difference was primarily due to adjustment for non-cash and non-operating items of RMB32.4 million, primarily including depreciation and amortization of RMB21.3 million and changes in working capital. The changes in working capital primarily reflected (i) an increase of RMB31.2 million in accounts receivable as a result of our overall business growth, and (ii) an increase of RMB17.0 million in prepayments and other current assets, primarily attributable to our increased deductible value-added tax and prepaid expenses in relation to the procurement of laboratory equipment and raw materials, which was partially offset by an increase of RMB22.8 million in deferred revenue and an increase of RMB9.6 million in accounts payable, as a result of our overall business growth.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2019 was RMB368.9 million (US$51.6 million), primarily due to purchase of short-term investment of RMB369.9 million (US$51.8 million).

Net cash generated from investing activities for 2018 was RMB106.1 million (US$14.8 million), primarily due to proceeds from maturity of short-term investments of RMB130.7 million (US$18.3 million), which was partially offset by purchase of property and equipment of RMB23.2 million (US$3.2 million).

Net cash used in investing activities for 2017 was RMB191.1 million, primarily due to our purchase of short-term investments and long-term investments of RMB130.7 million and RMB35.0 million, respectively.

Financing Activities

Net cash generated from financing activities for the nine months ended September 30, 2019 was RMB570.6 million (US$79.8 million), primarily due to proceeds from issuance of convertible preferred shares and warrant of RMB644.7 million (US$90.2 million). This cash inflow was partially offset by the cash outflow of (i) repayment of long-term borrowings of RMB72.7 million (US$10.2 million), and (ii) repayment of short-term borrowings of RMB4.6 million (US$0.6 million).

Net cash generated from financing activities for 2018 was RMB83.4 million (US$11.7 million), primarily due to proceeds from long-term borrowings of RMB96.6 million (US$13.5 million) and proceeds from issuance of convertible preferred shares of RMB2.0 million (US$0.3 million). This cash inflow was partially offset by the cash outflow of (i) repayment of long-term borrowings of RMB8.2 million (US$1.1 million), (ii) repayment of short-term borrowings of RMB3.0 million (US$0.4 million), and (iii) capital lease obligation payments of RMB2.5 million (US$0.4 million) for certain laboratory equipment.

Net cash generated from financing activities for 2017 was RMB354.2 million, primarily due to proceeds from issuance of convertible preferred shares of RMB234.6 million and proceeds from issuance of convertible notes of RMB117.2 million to certain of our existing shareholders. This cash inflow was partially offset by the cash outflow from the repurchase of ordinary shares of RMB9.1 million and the repayment of the principal of convertible notes of RMB13.8 million.

Capital Expenditures

Our capital expenditures were RMB23.0 million, RMB23.3 million (US$3.3 million) and RMB37.7 million (US$5.3 million) for 2017, 2018 and the nine months ended September 30, 2019, respectively. These capital expenditures included the purchase of property, equipment and computer software. We will continue to make capital expenditures to meet the needs of our business' expected growth. We intend to fund our future capital expenditure with our existing cash balance and proceeds from this offering.

Contractual Obligations

The tables below set forth our contractual obligations as of December 31, 2018 and September 30, 2019, respectively:

Contractual obligations as of December 31, 2018

	Payments due by period				
	Total	less than 1 year	1-3 years	3-5 years	more than 5 years
	(RMB in thousands)				
Long-term borrowings(1)	129,872	41,446	88,426	—	—
Operating lease commitments(2)	14,538	6,998	6,019	1,521	—
Capital lease obligations(3)	9,800	3,472	6,328	—	—
Capital commitments(4)	1,371	1,371	—	—	—

Contractual obligations as of September 30, 2019

	Payments due by period				
	Total	less than 1 year	1-3 years	3-5 years	more than 5 years
	(RMB in thousands)				
Long-term borrowings(1)	54,983	49,496	5,487	—	—
Operating lease commitments(2)	13,614	6,324	5,465	1,825	—
Capital lease obligations(3)	12,291	5,744	6,547	—	—
Capital commitments(4)	3,532	3,532	—	—	—

(1) Long-term borrowings consist of credit facilities and financing arrangements with Zhongguancun Technology Leasing Co., Ltd. See "—Long-term borrowings."
(2) Operating lease commitments consist of commitments under the lease agreements for certain office space.
(3) Capital lease obligations primarily consist of our leases for certain laboratory equipment.
(4) Capital commitments refer to capital expenditure commitments for leasehold improvements for our central laboratory.

Other than those shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2018 and September 30, 2019.

Long-term borrowings

In July 2018, we entered into a banking facility agreement with SPD Silicon Valley Bank, pursuant to which we are entitled to borrow a loan of RMB80 million (US$11.2 million) for general working capital purposes, which consists of (i) up to RMB10 million (US$1.4 million) of revolving loan with an annual interest rate at the PBOC benchmark interest rate plus a spread of 2.15%, and (ii) up to RMB70 million of term loan with an annual interest rate at the PBOC benchmark interest rate plus a spread of 2.25%. As of September 30, 2019, we drew down a total of RMB77.5 million (US$10.8 million) of principal with an effective interest rate of 6.5% or 7.0%. Pursuant to the agreement, the principal is due in July 2020. The principal, interest and other costs of the loans under this agreement were guaranteed by us.

In May 2018, we made two three-year financing arrangements with Zhongguancun Technology Leasing Co., Ltd., bearing an interest rate of 5.8%, secured by certain machinery and laboratory equipment. Under these

arrangements, we make repayments quarterly with total amounts of RMB20.3 million (US$2.8 million) and RMB1.6 million (US$0.2 million), respectively, until May 2021. As of September 30, 2019, the outstanding liability associated with these financing arrangements, net of debt issuance costs, totaled approximately RMB11.8 million (US$1.7 million) and RMB1.0 million (US$0.1 million), respectively.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' 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.

Internal Control Over Financial Reporting

Prior to this offering, we have been a private company with limited accounting and financial reporting personnel and other resources to address our internal controls and procedures. In connection with the audits of our consolidated financial statements as of and for the year ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, we and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting. As defined in the standards established by the PCAOB, a "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified relate to (i) the lack of sufficient accounting and financial reporting personnel with requisite knowledge and experience in application of U.S. GAAP and SEC rules, and (ii) the lack of financial reporting policies and procedures that are commensurate with U.S. GAAP and SEC reporting requirements.

We are in the process of implementing a number of measures to address these material weaknesses identified, including hiring additional qualified accounting and financial reporting personnel with an appropriate understanding of the U.S. GAAP and SEC reporting requirements and enhancing the capabilities of our existing accounting and financial reporting through continuous training and education in the accounting and reporting requirements under U.S. GAAP and SEC rules and regulations. We also plan to take other steps to strengthen our internal control over financial reporting, including formalizing a set of comprehensive U.S. GAAP accounting manuals to streamline our recurring transactions and period-end closing processes, and establishing effective monitoring and oversight controls for non-recurring and complex transactions to ensure the accuracy and completeness of our consolidated financial statements and related disclosures.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. See "Risk Factors—Risks Relating to Our Business and Industry—If we fail to implement or maintain an effective system of internal controls over financial reporting to remediate our material weaknesses, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud."

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 financing reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We have elected to take advantage of such exemptions. However, pursuant to Section 404 and the related rules adopted by the SEC, we, as a public company after being listed, are required to maintain adequate internal control over financial reporting and include our management's assessment of the effectiveness of our company's internal control over financial reporting in our annual report.

Holding Company Structure

We are a holding company with no material operations of its own. We conduct our NGS-based cancer therapy selection business primarily through our VIE's subsidiaries in China. As a result, our ability to pay dividends depends upon dividends paid by our WFOE. If our WFOE or any newly formed PRC subsidiaries 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 WFOE is 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 law, each of our WFOE, VIE and their respective subsidiaries 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 WFOE 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 VIE 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 WFOE has not paid any dividends and will not be able to pay dividends until it generates accumulated profits and meets the requirements for statutory reserve funds.

Inflation

Since our inception, inflation has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index was 1.8% for December 2017 and 1.9% for December 2018. Although we have not been materially affected by inflation, we may be affected if China experiences higher rates of inflation in the future.

Qualitative and Quantitative Disclosures about Market Risk

Credit risk

Our credit risk is mainly associated with cash and cash equivalents, restricted cash, short-term investment, long-term investment, and accounts receivable.

We place our cash and cash equivalents, restricted cash, short-term investment and long-term investment with reputable financial institutions of high credit quality. As of December 31, 2017, 2018 and September 30, 2019, our cash and cash equivalents, restricted cash, short-term investments and long-term investments in an aggregate amount of RMB207.1 million, RMB127.3 million (US$17.8 million) and RMB477.7 million (US$66.8 million), respectively, were held at major financial institutions located in the PRC, and US$2.1 million, US$0.7 million (RMB5.0 million) and US$5.1 million (RMB36.6 million), respectively, were deposited with major financial institutions located outside the PRC. There has been no recent history of default related to these financial institutions. We continue to monitor the credit worthiness of these financial institutions.

Accounts receivables, typically unsecured and denominated in Renminbi, are derived from revenues earned from reputable customers. As of December 31, 2017 and September 30, 2019, we had one customer with a receivable balance exceeding 10% of the total accounts receivable balance. No customer accounted for more than 10% of our total accounts receivable balance as of December 31, 2018. We manage credit risk of accounts receivable through ongoing monitoring of the outstanding balances.

Foreign currency exchange risk

Our reporting currency and functional currency are the Renminbi and U.S. dollars, respectively. From July 21, 2005, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For U.S. dollars against Renminbi, there was depreciation of approximately 6.3% and appreciation of approximately 5.7%, in 2017 and 2018, respectively. It is difficult to predict how market forces or PRC or U.S. government policies may impact the exchange rate between the Renminbi and the U.S. dollars in the future.

We are primarily exposed to changes in U.S. dollar and Renminbi exchange rate. The sensitivity of profit or loss to changes in the exchange rates arises mainly from U.S. dollar-denominated financial assets. Most of our revenues and costs are denominated in Renminbi, while a portion of cash and cash equivalents and equity investment are denominated in U.S. dollars. Any significant revaluation of Renminbi may materially and adversely affect our consolidated cash flows, revenues, earnings and financial position in U.S. dollars. As of December 31, 2017, 2018 and September 30, 2019, a 10% appreciation or depreciation in the U.S. dollar to Renminbi exchange rate would increase or decrease our net profit and equity by approximately RMB0.6 million, RMB0.8 million (US$0.1 million) and RMB2.4 million (US$0.3 million), respectively.

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. Assuming that we convert the full amount of the net proceeds from this offering into Renminbi, a 10% appreciation/depreciation of the U.S. dollar against the Renminbi, from the exchange rate of RMB7.1477 for US$1.00 as of September 30, 2019 to a rate of RMB to US$1.00, will result in an increase/decrease of RMB million in our net proceeds from this offering. A 10% appreciation/depreciation of the U.S. dollar against the Renminbi, from the exchange rate of RMB for US$1.00 as of , 2020 to a rate of RMB to US$1.00, will result in a decrease/increase of RMB million in our net proceeds from this offering.

Substantially all of our business is transacted in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the PBOC or other authorized financial institution at exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other regulatory institutions requires submitting a payment application form together with suppliers' invoices and signed contracts.

Interest rate risk

Fluctuations in market interest rates may negatively affect our financial condition and results of operations. As of December 31, 2017, 2018 and September 30, 2019, most of our borrowings were at fixed rates. We are exposed to fair value interest rate risk due to our borrowings with fixed interest rates. We have not been exposed, nor do we anticipate to be exposed, to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, our future financial condition and results of operations may be affected due to changes in market interest rates.

Critical Accounting Polices, Judgments and Estimates

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our consolidated financial statements in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods.

We base our 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.

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and accompanying notes and other disclosures included in this prospectus. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of these policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Consolidation of VIE

We exercise control over the VIE and its subsidiaries and have the ability and obligation to absorb substantially all of the profit or losses through contractual arrangements. We consider that we control the VIE and its subsidiaries notwithstanding the fact that we do not hold direct equity interests in it, as we have power over the financial and operating policies of the VIE and its subsidiaries and absorb substantially all the profit or losses from the business activities of the VIE and its subsidiaries through contractual arrangements. Accordingly, all of the VIE and its subsidiaries are accounted for as controlled structured entities and their financial statements have also been consolidated by us.

Segment Reporting

In accordance with ASC 280, *Segment Reporting*, our chief operating decision maker, or the CODM, has been identified as our chief executive officer. Our CODM evaluates segment performance based on revenues and gross profit by the operating segments of central laboratory business, in-hospital business and pharma research and development services. No geographical segments are presented because substantially all of our long-lived assets are located in the PRC and substantially all of the our revenues are derived from within the PRC.

Revenue Recognition

Effective January 1, 2017, we adopted Accounting Standards Update (ASU) 2014-09, *Revenue from contracts with Customers* (Topic 606), using the full retrospective method. We derive revenue from our central laboratory business, in-hospital business and pharma research and development services. We recognize revenue to depict the transfer of promised products or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those products or services. The impact of adopting the new revenue standard was not material to our consolidated financial statements.

Revenue from central laboratory business

Revenue from central laboratory business is primarily generated through the sales of our cancer therapy selection test to individual patients. Individual patients prepay the consideration in full, and the transaction price for each contract is fixed at contract inception.

Patients can choose to purchase a single cancer therapy selection test or a package which consists of multiple cancer therapy selection tests of the same type or a combination of different types of cancer therapy selection tests. Each cancer therapy selection test represents a single performance obligation. Revenue is allocated to each performance obligation based on the relative standalone selling price method. We record revenue at a point in time when each cancer therapy selection test report is delivered to the patient.

Our cancer therapy selection packages with multiple cancer therapy selection tests of the same type, or Monitoring Packages, were launched in 2017. The Monitoring Packages expire two years from the date of purchase. Based on historical usage rates, a portion of the cancer therapy selection tests within the Monitoring Packages are not expected to be used by the patient prior to expiration, referred to as a “breakage”. If we are

expected to be entitled to a breakage amount, the expected breakage amount is recognized as revenue in proportion to the total number of tests performed for patients prior to the expiration date. If we are not expected to be entitled to a breakage amount due to the lack of historical experience, the expected breakage amount is recognized as revenue when the package expires. We evaluate our breakage estimates periodically based upon our historical experience with each type of Monitoring Packages and other factors, such as recent usage pattern prior to the expiration period. The historical usage rates may not be reflective of the actual usage rates due to changes in patients' behavior and medical advancements. The determination of whether we have accumulated sufficient historical experience to determine breakage amount and changes in the actual patients' usage rates may significantly impact the amount of breakage revenue recognized for the period.

Revenue from in-hospital business

Revenue from in-hospital business is primarily generated through the sales of reagent kits and the provision of the facilitation services for the sale of laboratory equipment to hospitals. For the sale of reagent kits, we manufacture reagent kits and sell to the hospitals when the hospitals make a purchase order. Each reagent kit represents a single performance obligation. We do not provide rights of return for the reagent kits sold other than returns of defective products. Revenue is allocated to each performance obligation based on a relative standalone selling price basis. We record revenue on the sales of reagent kits at a point in time when the reagent kits are delivered to hospitals. For the facilitation services, we purchase the laboratory equipment from third-party suppliers when a hospital makes a purchase request and resells the laboratory equipment to the hospital. We act as an agent in facilitating the sales of laboratory equipment arrangements as we do not control the equipment before its delivery to hospitals and do not have inventory risks. The facilitation services for each piece of laboratory equipment represent a single performance obligation. We record revenue on a net basis at the point in time when we have completed our facilitation services.

Revenue from pharma research and development services

We provide pharma research and development services to pharmaceutical companies for their development of new drugs for targeted therapies and immunotherapies on various types of cancers. The pharma research and development services include a range of cancer therapy selection test services, analytical validation services and project management services. We deliver an analysis report upon completion of services. The testing services, analytical validation services and project management services are not distinct within the context of the contract because we are using these services as inputs to produce the analysis report. We recognize services revenue over the period in which these services are provided because we do not create an asset with alternative use to us and we have an enforceable right to payment for the performance completed to date. We recognize revenue using an output method to measure progress, utilizing cancer therapy selection tests performed to-date as our measure of progress.

Pharmaceutical companies may also separately engage us to perform multiple cancer therapy selection tests without an analysis of the test results. Each cancer therapy selection test is capable of being distinct and separately identifiable from other promises in the contracts and therefore, represents distinct performance obligations. Revenue is allocated to each cancer therapy selection test using a relative standalone selling price basis. We record revenue at a point in time, when each cancer therapy selection test result is delivered to the pharmaceutical companies.

Income Taxes

We are subject to income taxes in China and Hong Kong. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes.

Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. We adjust these reserves in light of changing

facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes and the effective tax rate in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties. In addition, we are subject to the continuous examination of our income tax filings by the tax authorities, which may assert assessments against us. We regularly assess the likelihood of adverse outcomes resulting from these examinations and assessments to determine the adequacy of our provision for income taxes.

Long-lived Assets

Long-lived assets, including property and equipment and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows independent of other assets. An impairment loss would be recognized when estimated undiscounted future cash flows generated from the assets are less than their carrying amount. Measurement of an impairment loss would be based on the excess of the carrying amount of the asset group over its fair value.

Fair Value of Share Options

We estimate the fair value of each award on the grant date using the binomial option pricing model with the assistance of an independent third-party valuation firm. 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 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 Bonds in effect at the time of grant. 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,
	2017	2018	2019
Risk-free interest rate	2.31%–2.40%	2.69%–3.05%	1.63%–2.41%
Dividend yield	0%	0%	0%
Expected volatility range	48.1%–49.4%	46.0%–47.8%	44.6%–45.3%
Exercise multiple	2.20	2.20	2.20
Contractual life	10 years	10 years	10 years
Fair market value per ordinary share as at valuation dates	US$0.55–US$1.04	US$1.16–US$1.60	US$1.65–US$1.87

These assumptions represented our best estimates, but the estimates involve inherent uncertainties and the application of our judgment. As a result, if we use significantly different assumptions or estimates when valuing our options, our share-based compensation expense could be materially different.

Fair Value of Ordinary Shares

We are required to estimate the fair value of the ordinary shares underlying our options when performing the fair value calculations with the binomial option pricing model. Therefore, our board of directors has estimated the fair value of our ordinary shares at various dates, with input from management, considering the third-party valuations of ordinary shares at each grant date. The valuations of our ordinary shares were performed

using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Audit and Accounting Practice Aid Series: Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the AICPA Practice Guide. In addition, our board of directors considered various objective and subjective factors, along with input from management and the independent third-party valuation firm, to determine the fair value of our ordinary shares, including: external market conditions affecting the industry, trends within the industry, the results of operations, financial position, status of our research and development efforts, our stage of development and business strategy, and the lack of an active public market for our ordinary shares, and the likelihood of achieving a liquidity event such as an initial public offering.

In order to determine the fair value of our ordinary shares underlying each share-based award grant, we first determined our business equity value, or BEV, and then allocated the BEV to each element of our capital structure (convertible preference shares and ordinary shares) using the option pricing method, or OPM. In our case, three scenarios were assumed, namely: (i) the liquidation scenario, in which the OPM was adopted to allocate the value between convertible preferred shares and ordinary shares, (ii) the redemption scenario, in which the OPM was adopted to allocate the value between convertible preferred shares and ordinary shares, and (iii) the mandatory conversion scenario, in which equity value was allocated to convertible preferred shares and ordinary shares on an as-if converted basis.

In determining the fair value of the ordinary shares on December 31, 2017, June 30, 2018, June 30, 2019 and September 30, 2019, we applied the income approach/discounted cash flow analysis based on our projected cash flow using our best estimate as of the valuation. The determination of our fair value of the ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, and our operating history and prospects at the time of valuation.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. Our revenue growth rates, as well as major milestones that we have achieved, contributed to the increase in the fair value of our ordinary shares.

The major assumptions used in calculating the fair value of ordinary shares include:

Discount rates. The discount rates set forth in the table above were based on the weighted average cost of capital, which was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systemic risk factors.

Comparable companies. In deriving the weighted average cost of capital used as the discount rates under the income approach as of the valuation date, we selected ten publicly traded companies for reference as our guideline companies. The guideline companies were selected based on the following criteria: (i) they operate in similar industries as we do, and (ii) their shares are publicly traded in developed capital markets, i.e., the U.S.

Discount for lack of marketability, or DLOM. DLOM was calculated using the Finnerty method based on the historical volatilities of comparable companies. It reflects the lower value placed on securities that are not freely transferable, as compared to those are frequently traded in an established market.

In determining the fair value of the ordinary shares on June 30, 2017 and December 31, 2018, we applied the back-solve method based on the issuance price of the nearest round of preferred share financing.

In determining the fair value of the ordinary shares on the rest of the valuation dates, we applied the interpolation method analysis based on the amount of time between the previous valuation date and subsequent valuation date on the rest of the valuation dates, using a straight-line interpolation between the two valuation dates. This determination included an evaluation of whether there is any significant change in valuation had occurred between the previous valuation and subsequent valuation date.

However, these fair values are inherently uncertain and highly subjective. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include: (i) no material changes in the existing political, legal and economic conditions in China; (ii) our ability to retain competent management, key personnel and staff to support our ongoing operations; and (iii) no material deviation in market conditions from economic forecasts. These assumptions are inherently uncertain.

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, accounts receivable, amounts due from and due to related parties, accounts payable and short-term borrowings approximate their fair values because of their generally short maturities. The carrying amount of long-term borrowings and long-term investments approximate their fair values since they bear interest rates which approximate market interest rates.

We measured the fair value of our warrant liability on a recurring basis using significant unobservable (Level 3) inputs as of September 30, 2019. The valuation technique, inputs and corresponding impact to the fair value are as follows:

Financial instrument	Valuation technique	Unobservable input	Estimation
Warrant liability	Black-Scholes option pricing model	Volatility for Black-Scholes option pricing model	42%
		Market value of the underlying Series C Preferred Shares	US$5.09

We did not transfer any assets or liabilities in or out of Level 3 during the nine months ended September 30, 2019.

We had no financial assets and liabilities measured and recorded at fair value on a nonrecurring basis as of December 31, 2018 and September 30, 2019.

Recent accounting pronouncements

A list of recent relevant accounting pronouncements is included in Note 2 “Summary of Significant Accounting Policies” of our Consolidated Financial Statements.

INDUSTRY

All information and data presented in this section have been derived from an industry report commissioned by us and prepared by CIC, unless otherwise noted. CIC has advised us that the statistical and graphical information contained in this section has been drawn from its database and other sources. The following discussion includes projections for future growth, which may not occur at the rates that are projected or at all.

China's Oncology Industry

Cancer, a disease of the genome, is one of China's leading causes of death and a major public health problem. China has the world's largest annual cancer incidence, which increased from 3.8 million cases in 2014 to 4.4 million cases in 2018, and is estimated to reach 5.8 million cases in 2030. Lung cancer is the most common type of cancer in China, with cancer incidence of 0.9 million cases in 2018, and it is estimated to reach 1.3 million cases in 2030.

Despite its high incidence of cancer, China lags far behind the U.S. in terms of cancer diagnosis and treatment. In 2018, targeted therapies and immunotherapies accounted for 19.2% of all types of cancer treatment in China in terms of revenue, significantly lower than the 83.3% in the U.S. Targeted therapies and immunotherapies, which can avoid the serious side effects of chemotherapies and may achieve better treatment results, are expected to become the new standard of care in China's cancer treatment market. As such, cancer genotyping, which identifies the specific genomic alterations and biomarkers associated with a patient's cancer, is being increasingly adopted in China, as it provides valuable assistance to physicians in formulating personalized treatment plans utilizing targeted therapies and immunotherapies.

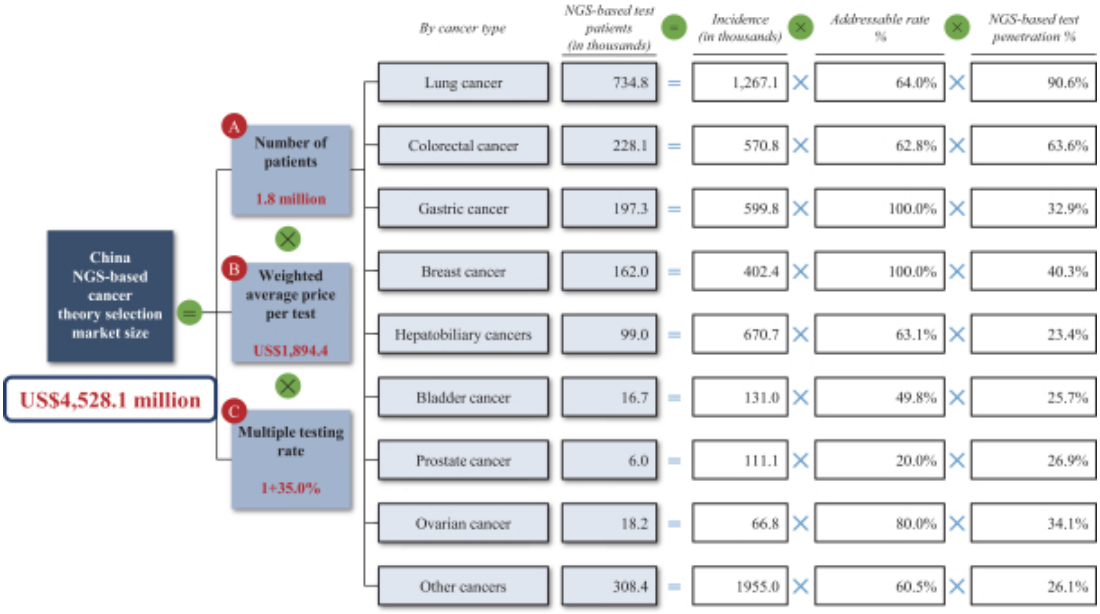
China's NGS-based Cancer Therapy Selection Market

Overview

Unlike conventional cancer genotyping methods, NGS-based cancer therapy selection can simultaneously detect substantially all genomic alterations and biomarkers associated with a patient's cancer in a single test, significantly reducing cost while enhancing accuracy. Despite the vast unmet market need, the penetration of NGS-based cancer therapy selection in China remains low, primarily due to low awareness among physicians and limited availability of targeted therapies. In 2018, 5.1% of late-stage cancer patients and cancer patients who were recommended to take cancer genotyping tests in China took NGS-based cancer therapy selection tests, as compared to the 20.8% in the U.S. In 2030, this percentage is expected to increase to 45.2% in China.

China's NGS-based cancer therapy selection market is expected to increase from US$0.2 billion in 2018 to US$4.5 billion in 2030, reflecting a CAGR of 36.1% from 2018 to 2022 and 27.6% from 2022 to 2030. China's NGS-based cancer therapy selection market accounted for 28.6% of overall cancer genotyping in 2018, and is expected to reach 79.7% in 2030.

The diagram below illustrates the calculation of the estimated market size of China's NGS-based cancer therapy selection market in 2030:



Key Growth Drivers

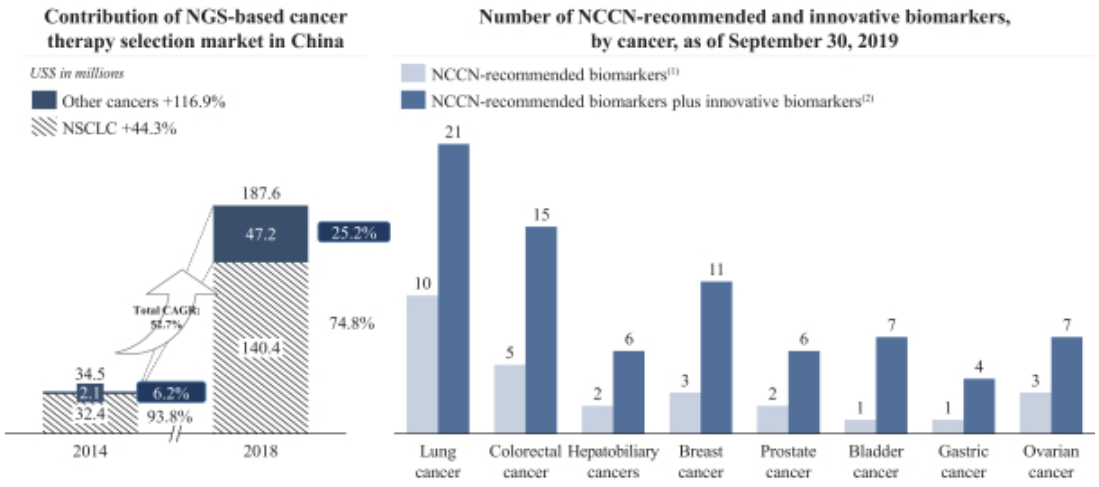
The key growth drivers for China's NGS-based cancer therapy selection market include:

Accelerated approval of targeted therapies and immunotherapies. Targeted therapies and immunotherapies may achieve better treatment results compared to chemotherapies while avoiding the serious side effects, and they are increasingly becoming the standard of care in China's cancer treatment market. In recent years, the NMPA (formerly the CFDA) has accelerated its approval process for targeted therapies and immunotherapies, which may require cancer genotyping before administration. This in turn should accelerate the growth of NGS-based cancer therapy selection.

The following diagrams set forth the history of approvals for targeted therapies and immunotherapies in China from 2001 to 2018:

Use of NGS-based therapy selection for more cancer types. In China, NGS-based cancer therapy selection is currently widely used only for non-small cell lung cancer, or NSCLC. Recently, a growing number of biomarkers for other cancers have been discovered and recommended by the National Comprehensive Cancer Network, or the NCCN, which most oncologists in China refer to in deciding on therapies. In 2018, cancers other than NSCLC constituted 25.2% of China's NGS-based cancer therapy selection market, and this is expected to increase to 58.5% in 2030. We expect the growing use of targeted therapies and immunotherapies in treating other types of cancer, such as breast cancer and colorectal cancer, to drive the demand for NGS-based cancer therapy selection in China.

The following charts set forth the breakdown of NGS-based cancer therapy selection by cancer type and the number of available biomarkers for different types of cancer:



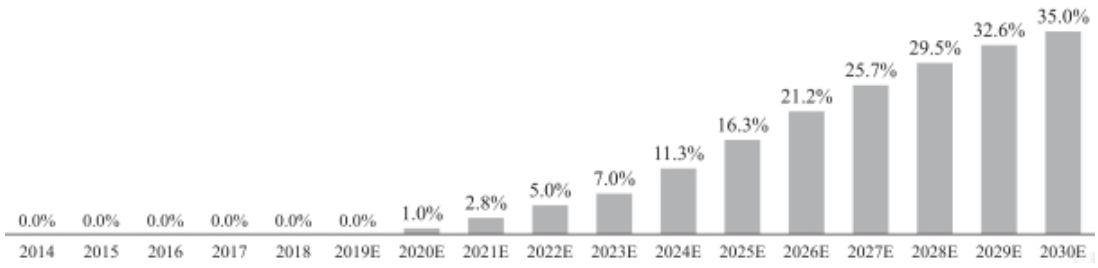
(1) NCCN-recommended biomarkers are those biomarkers included in the NCCN's list of recommended biomarkers in their guidelines for selecting treatment methods.
(2) Innovative biomarkers are those biomarkers for which targeted therapies and immunotherapies are pending FDA-approval.

Favorable government policies. The Chinese government is introducing more favorable reimbursement policies for drugs used in targeted therapies. In 2017, 15 targeted cancer drugs were included in the Ministry of Human Resources and Social Security's National Reimbursement Drug List (which is necessary for them to be covered under various government health insurance programs) for the first time, followed by 14 and 7 more targeted cancer drugs in 2018 and 2019, respectively. Most of these drugs, including all 7 targeted cancer drugs added in 2019, require cancer genotyping for diagnosis. These favorable government policies encourage the launch of innovative cancer drugs, and increase their affordability, which in turn are expected to drive the demand for NGS-based cancer therapy selection.

Aging population. China's population aged 50 and older increased from 383.3 million in 2014 to 443.7 million in 2018, and is expected to reach approximately 583.2 million in 2030. Many types of cancer are increasingly common with advanced age. Lifestyle factors such as smoking and environment are also frequently associated with the incidence of various types of cancer. These factors will contribute to a growing potential market for NGS-based cancer therapy selection.

Increasing awareness of the importance of multiple testing. As more biomarkers are discovered and their corresponding targeted therapies and immunotherapies are developed and approved, patients are more inclined to take multiple NGS-based cancer therapy selection tests to find safer and more efficacious treatments. Late-stage cancer patients are also taking more cancer genotyping tests to monitor drug resistance to initial treatments and to formulate subsequent treatment plans.

The following diagram sets forth the percentage of patients who have been, and are expected to be, tested twice with NGS-based cancer therapy selection from 2014 to 2030:

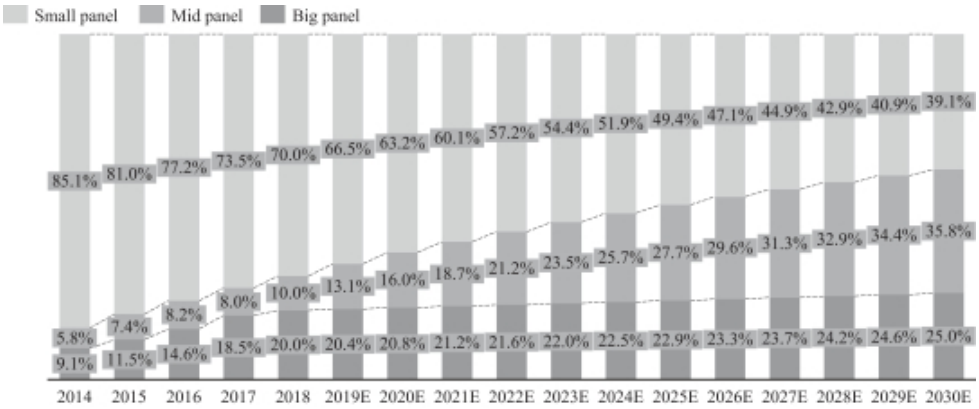


Pricing

The average price of NGS-based cancer therapy selection tests in China increased from US$991.7 in 2014 to US$1,237.5 in 2018, and is expected to reach US$1,894.4 in 2030. The table below sets forth the average historical and projected price of NGS-based cancer therapy selection tests in China from 2014 to 2030 in US dollars:

2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
991.7	1,067.3	1,151.6	1,207.9	1,237.5	1,319.1	1,367.4	1,431.1	1,511.6	1,578.8	1,623.2	1,667.8	1,712.6	1,757.7	1,803.0	1,848.6	1,894.4

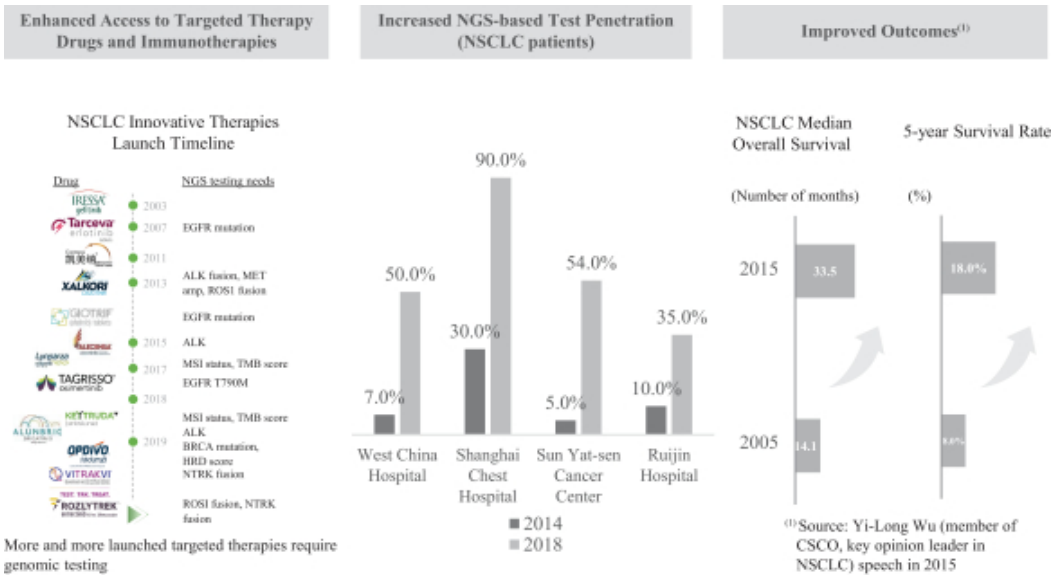
Mid-panel and big-panel NGS-based cancer therapy selection tests, which can typically detect approximately 100 and over 300 genes at the same time, respectively, represent high-end tests and are usually more expensive. These tests accounted for 30.0% of NGS-based cancer therapy selection tests in 2018, and are expected to reach 60.8% in 2030. As the proportion of mid- and big-panel NGS-based cancer therapy selection tests continues to increase, the average price of NGS-based cancer therapy selection tests increases correspondingly. The diagram below sets forth the historical and forecasted percentage breakdown for NGS-based cancer therapy selection tests of various panel sizes from 2014 to 2030:



Case Study: NSCLC

The incidence of lung cancer in China increased from 0.8 million cases in 2014 to 0.9 million cases in 2018. NSCLC accounted for approximately 80.0% of the incidence of lung cancer in China in 2018. In particular, late-stage NSCLC, the type of cancer to which NGS-based cancer therapy selection is most frequently applied, accounts for 80.0% of all incidence of NSCLC in China. An increasing number of biomarkers associated with NSCLC have been discovered, and targeted therapy drugs corresponding to these biomarkers have been developed, tested and approved. These targeted therapy drugs have become recommended standard therapies under the NCCN guidelines. The availability of NSCLC targeted therapy drugs has led to an increasingly large penetration of NGS-based cancer therapy selection usage. In particular, the penetration of NGS-based therapy selection for late-stage NSCLC increased from 6.5% in 2014 to approximately 20.0% in 2018, and is expected to increase to 90.6% in 2030.

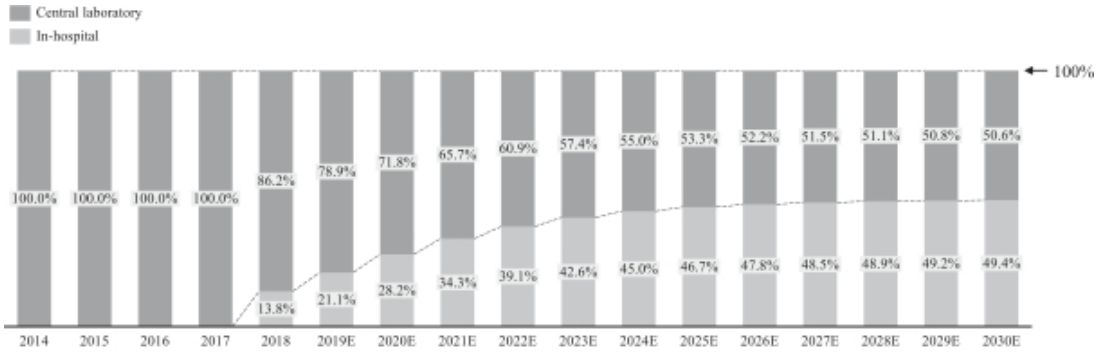
The diagrams below set forth the growing availability of targeted therapy drugs for NSCLC in China, the increased use of NGS-based cancer therapy selection in 2014 and 2018 for certain leading oncology hospitals in China, and the improved clinical results for China's NSCLC patients:



Distribution channels

NGS-based cancer therapy selection companies in China are primarily pursuing two major business models: the central laboratory and the in-hospital model. Most NGS-based cancer therapy selection companies conduct their business through the central laboratory model, in which cancer patients' treating physicians order cancer genotyping tests for their patients during the diagnostic process, the patients' liquid biopsy or tissue samples are shipped to the company's central laboratory for testing, and physicians form treatment plans based on the test results. Fewer companies conduct their business through the in-hospital model, in which they partner with hospitals to establish in-hospital cancer genotyping laboratories and supply reagent kits, allowing the hospitals to conduct tests on their own. Under the in-hospital model, NGS-based cancer therapy selection companies have revenue streams of initial facilitation of equipment purchases followed by recurring sales of reagent kits.

The in-hospital segment of China's NGS-based cancer therapy selection market accounted for 13.8% of China's total NGS-based cancer therapy selection market in terms of number of patients in 2018, and is expected to reach 49.4% in 2030. The diagram below sets forth the historical and forecasted percentage breakdown of the central laboratory segment and in-hospital segment of China's NGS-based cancer therapy selection market from 2014 to 2030:



The following is a list of China's top 25 oncology hospitals, which includes both specialized oncology hospitals and general hospitals:

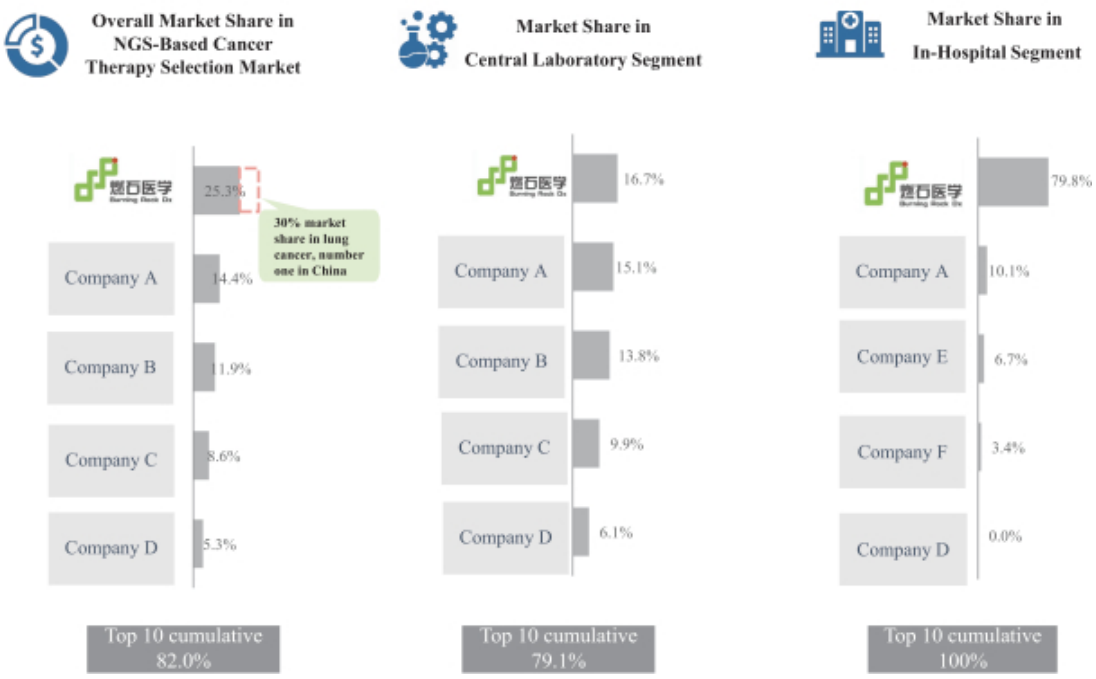
China's Top 25 Oncology Hospitals
West China Hospital, Sichuan University
Fudan University Shanghai Cancer Center
Cancer Hospital Chinese Academy of Medical Sciences
Zhejiang Cancer Hospital
Sun Yat-sen University Cancer Center
Beijing Cancer Hospital
Tianjin Medical University Cancer Institute and Hospital
Tongji Hospital
Shandong Cancer Hospital
Jiangsu Cancer Hospital
People's Liberation Army General Hospital
Peking Union Medical College Hospital
Zhongshan Hospital
Hunan Cancer Hospital
Shanghai Chest Hospital
Henan Cancer Hospital
The First Affiliated Hospital of Zhengzhou University
Guangdong Provincial People's Hospital
Hebei Cancer Hospital
Heilongjiang Cancer Hospital
The First Hospital Affiliated to AMU (Southwest Hospital)
Jiangsu Province Hospital
Shanghai Pulmonary Hospital
Liaoning Cancer Hospital
The First Affiliated Hospital, Sun Yat-sen University

Competitive Landscape

Although NGS-based cancer therapy selection is a nascent industry in China with approximately six years of history, the industry has become increasingly concentrated and is dominated by its five largest players. We are

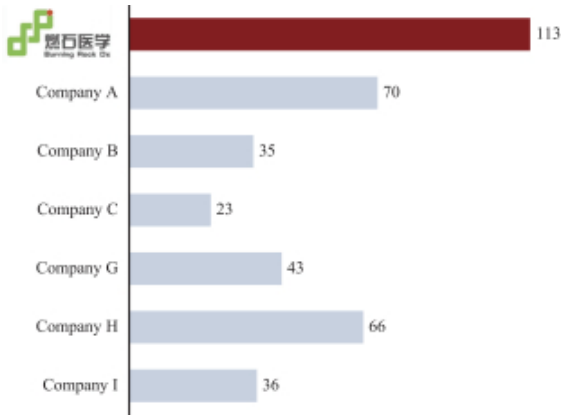
the market leader in all relevant markets in 2018 in terms of number of patients tested, with the largest market share of 25.3% in the overall NGS-based cancer therapy selection market, 16.7% in the central laboratory segment and 79.8% in the in-hospital segment. We are also one of the only five companies in China to have obtained approval from the NMPA for NGS-based cancer therapy selection reagent kits, an approval that is critical to success in the in-hospital segment. We are the only company in China that has both (i) a laboratory certified under the CLIA, accredited by CAP, and certified as an NGS laboratory by the NCCL, and (ii) an NGS-based reagent kit approved by the NMPA.

The diagrams below set forth the respective market shares of the top five players in China's overall NGS-based cancer therapy selection market and its central laboratory and in-hospital segments, in terms of number of patients tested in 2018:



In addition, we have the highest number of publications among NGS-based cancer therapy selection companies in China, with 113 articles published since 2015.

Comparison of the number of publications(1) of major NGS-based cancer therapy selection companies(2)



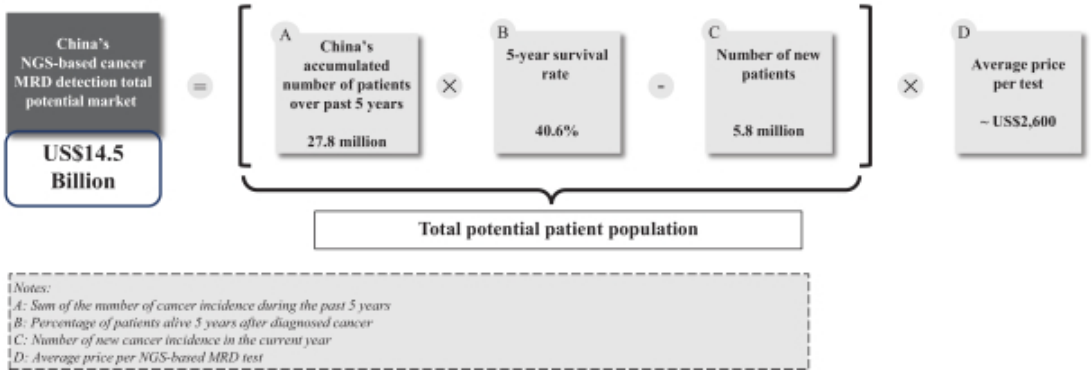
(1) Refer to peer-reviewed articles directly related to NGS-based cancer therapy selection.
(2) Include companies which generate over 50% of revenue from NGS-based cancer therapy selection.

China's Minimal Residual Disease Testing Industry

Minimal residual disease, or MRD, refers to the small number of cancer cells that may remain in the body after treatment. MRD testing serves post-treatment cancer patients as a preventative detection method for cancer recurrence. However, MRD levels may be so small that they do not cause any physical signs or symptoms, and they often cannot be detected with conventional methods. As physicians' awareness of the significance of MRD testing continues to rise and NGS-based cancer therapy selection becomes increasingly available, MRD testing is expected to represent significant market opportunities. China's total potential market for MRD testing is estimated to be US$14.5 billion in 2030.

The diagram below sets forth the method of calculation of the total potential market for China's NGS-based MRD detection in 2030:

Methodology and projection (2030) for China's NGS-based cancer MRD detection total potential market



China's Early Cancer Detection Industry

Market Opportunities

Early cancer detection can significantly improve the prognosis and quality of cancer patients' lives, while reducing mortality rates and treatment costs. Compared with conventional detection methods, such as a PET-CT,

which can only scan tumors that are 0.5 cm in size or larger, emerging methods like NGS-based liquid biopsies can detect the circulating tumor DNA, or ctDNA, of a tumor 10 years before conventional detection methods. NGS-based ctDNA early cancer detection, which is easy to use and has high accuracy, is becoming an effective preventive measure and will improve patient access and screening rates, thereby significantly increasing the treatment success rate for various types of cancers. The ten-year survival rate for cancer patients diagnosed at stage Ia or earlier is 90.0%, significantly higher than the 10.0% for those diagnosed at late stage.

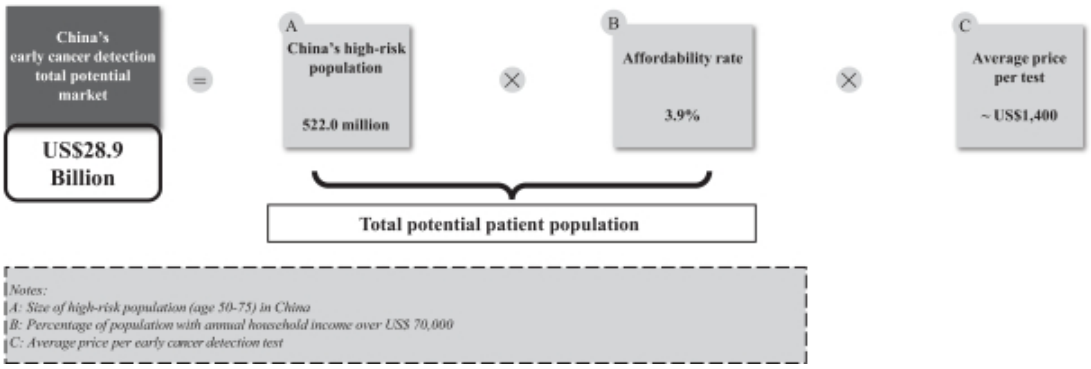
For the high-risk population for each cancer type, regular screening is recommended. However, physician awareness and patient screening rates for early cancer detection remain relatively low in China. The following table sets forth examples of primary screening methods and recommended screening regularities for various cancer types and their corresponding screening rates in China and the U.S.:

Cancer site	High-risk population	Test or procedure	Recommendation	Screening rate	
				U.S.	China
Breast	• Women ages 40+	• Mammography	• Annual screening	~64%	~16%
Cervix	• Women ages 21-29 • Women ages 30-65	• Pap test • Pap test & HPV DNA test	• Every 3 years • Every 5 years with both	~83%	~21%
Colorectal	• Men and women ages 50-75	• gFOBT or FIT, or • Multi-target stool DNA test, or • Flexible sigmoidoscopy, or • Colonoscopy, or • CT Colonography	• Annual screening • Every 3 years • Every 5 years • Every 10 years • Every 5 years	Overall screening rate: ~63% FOBT rate: ~7.0% Colonoscopy rate: ~60.0%	Overall screening rate: ~20% FOBT rate: ~6.7% Colonoscopy rate: 13~15%
Lung	• Smokers ages 55-75 with 30+ pack-year history	• Low-dose helical CT scan	• Annual screening	~3.9%	~0.4%
Prostate	• Men ages 50+	• Prostate-specific antigen test	• Follow the healthcare provider's advice	~34%	~8%

Total Potential Market

China's early cancer detection market primarily targets the high-risk population, which for most cancers typically includes people between 50 to 75 years old, focusing on that portion who can afford early cancer detection tests. China's total potential market for early cancer detection is expected to increase from US$17.6 billion in 2018 to US$28.9 billion in 2030, representing a CAGR of 4.2%. The diagram below sets forth the method of calculation of the total potential market for China's early cancer detection and the resulting projection for 2030:

Methodology and projection (2030) for China's early cancer detection total potential market

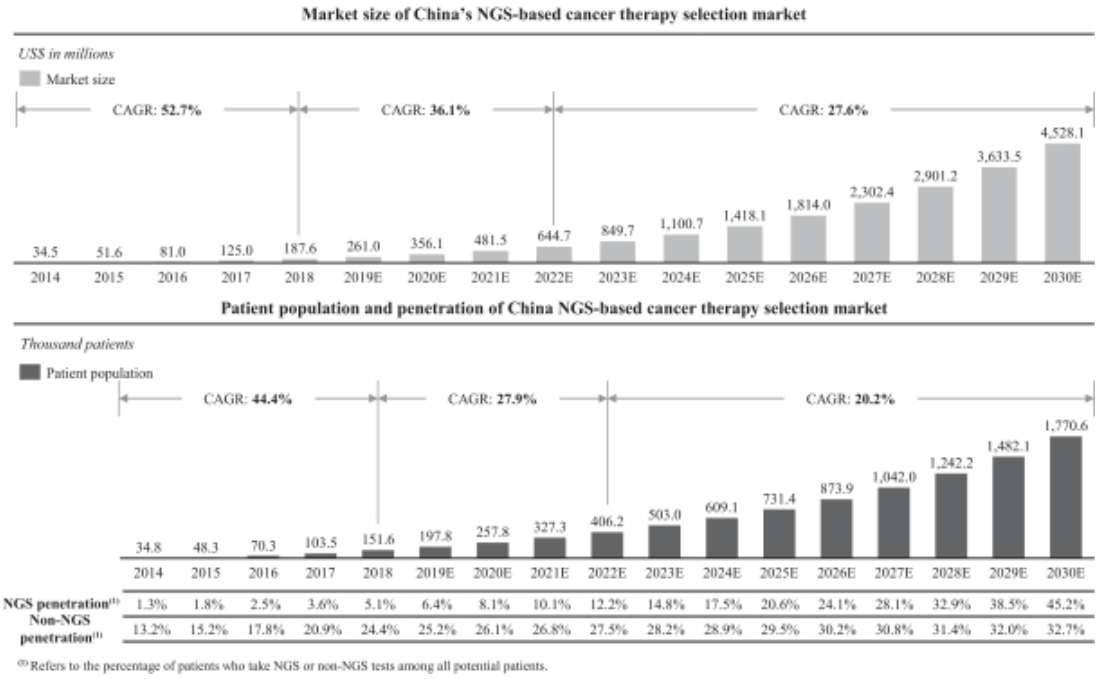


Notes:
A: Size of high-risk population (age 50-75) in China
B: Percentage of population with annual household income over US$ 70,000
C: Average price per early cancer detection test

Detailed NGS-based China Cancer Therapy Selection Market Data Breakdown

Market Size and Patient Population

The diagrams below set forth the historical and forecasted market size and patient population, respectively, for China's NGS-based cancer therapy selection market from 2014 to 2030:



(1) Refers to the percentage of patients who take NGS or non-NGS tests among all potential patients.

China's NGS-based Cancer Therapy Selection Market for Various Types of Cancers

The table below sets forth the historical and forecasted market size of China's NGS-based cancer therapy selection market for various types of cancers from 2018 to 2030, in terms of number of patients tested:

	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
	US$ in millions												
Lung cancer	140.4	193.4	262.3	350.5	461.0	583.7	727.1	891.8	1,074.0	1,268.5	1,470.1	1,674.6	1,879.3
Colorectal cancer	19.7	28.0	38.6	53.5	74.0	99.7	133.5	177.2	232.2	299.5	380.0	474.3	583.4
Gastric cancer	9.0	13.0	18.2	25.9	36.9	51.8	72.8	102.5	143.5	199.3	274.1	373.5	504.6
Breast cancer	11.9	17.0	23.5	32.8	45.8	62.4	84.7	114.2	152.2	200.0	258.7	329.7	414.3
Hepatobiliary cancers	5.2	7.4	10.2	14.3	20.3	28.0	39.0	54.3	75.1	103.0	140.1	189.0	253.1
Bladder cancer	0.3	0.5	0.8	1.2	1.9	2.9	4.3	6.5	9.7	14.4	20.9	30.1	42.8
Prostate cancer	0.3	0.4	0.6	0.8	1.2	1.7	2.4	3.3	4.6	6.4	8.6	11.5	15.3
Ovarian cancer	0.8	1.2	1.8	2.5	3.7	5.2	7.4	10.3	14.3	19.7	26.6	35.4	46.6
Other cancers	—	—	—	—	—	14.3	29.6	58.1	108.4	191.7	322.0	515.3	788.8
Total market size	**187.6**	**261.0**	**356.1**	**481.5**	**644.7**	**849.7**	**1,100.7**	**1,418.1**	**1,814.0**	**2,302.4**	**2,901.2**	**3,633.5**	**4,528.1**

The table below sets forth the historical and forecasted population of China's cancer patients who will take NGS-based cancer therapy selection for various types of cancers from 2018 to 2030:

	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
	In thousands												
Lung cancer	113.4	146.6	189.9	238.2	290.5	345.5	402.4	459.9	517.4	574.1	629.4	683.1	734.8
Colorectal cancer	15.9	21.2	28.0	36.3	46.6	59.0	73.8	91.4	111.9	135.6	162.7	193.5	228.1
Gastric cancer	7.2	9.8	13.2	17.6	23.2	30.6	40.3	52.8	69.1	90.2	117.4	152.4	197.3
Breast cancer	9.6	12.9	17.0	22.3	28.8	37.0	46.9	58.9	73.3	90.5	110.8	134.5	162.0
Hepatobiliary cancers	4.2	5.6	7.4	9.7	12.8	16.6	21.6	28.0	36.2	46.6	60.0	77.1	99.0
Bladder cancer	0.3	0.4	0.6	0.8	1.2	1.7	2.4	3.4	4.7	6.5	9.0	12.3	16.7
Prostate cancer	0.2	0.3	0.4	0.6	0.7	1.0	1.3	1.7	2.2	2.9	3.7	4.7	6.0
Ovarian cancer	0.7	0.9	1.3	1.7	2.3	3.1	4.1	5.3	6.9	8.9	11.4	14.4	18.2
Other cancers	—	—	—	—	—	8.4	16.4	30.0	52.2	86.8	137.9	210.2	308.4
Total patient population	**151.6**	**197.8**	**257.8**	**327.3**	**406.2**	**503.0**	**609.1**	**731.4**	**873.9**	**1042.0**	**1242.2**	**1482.1**	**1770.6**

Biomarkers and Corresponding Targeted Therapies and Immunotherapies

The table below sets forth the biomarkers associated with various types of cancer and their corresponding targeted therapies and immunotherapies, including those recommended under treatment guidelines published by the NCCN and innovative biomarkers:

Type of cancer	Biomarker		Recommended targeted therapies and immunotherapies
Lung cancer	NCCN-recommended	EGFR	Osimertinib, Erlotinib, Afatinib, Gefitinib, Dacomitinib
		ALK	Alectinib, Brigatinib, Ceritinib, Crizotinib, Lorlatinib
		ROS1	Crizotinib, Entrectinib, Ceritinib, Lorlatinib
		BRAF V600E	Dabrafenib+Trametinib, Vemurafenib, Dabrafenib
		NTRK	Larotrectinib, Entrectinib
		PD-L1	Pembrolizumab, Atezolizumab
		MET	Crizotinib
		RET	Cabozantinib, Vandetanib
		HER2	Ado-trastuzumab emtansine
		TMB	Nivolumab+Ipilimumab, Nivolumab
	Innovative	KRAS	AMG 510 / MRTX849
		BRAF non-V600E	Trametinib
		FGFR	Erdafitinib
		DDR2, CBL	Sitravatinib
		NFE2L2,KEAP1	Sapanisertib
		RICTOR	Sapanisertib
		NRG1	Zenocutuzumab, Afatinib
		HRR genes	Talazoparib
		PIK3CA, PTEN	Serabelisib, Alpelisib, Taselisib
		AKT	Ipatasertib
		ERBB3	U3-1402
Colorectal cancer	NCCN-recommended	KRAS/NRAS/BRAF V600E wild type	Cetuximab, Panitumumab
		dMMR/MSI-H	Pembrolizumab, Nivolumab±Ipilimumab
		NTRK	Larotrectinib
		BRAF V600E	Irinotecan+Cetuximab/Panitumumab+Vemurafenib, Dabrafenib+Trametinib+Cetuximab/Panitumumab, Encorafenib+Binimetinib+Cetuximab/Panitumumab
		HER2	Trastuzumab+Pertuzumab/Lapatinib
	Innovative	KRAS	AMG 510, MRTX849
		NRAS	Binimetinib, LY3214996, KO-947
		BRAF non-V600E	Trametinib
		ALK, ROS1	Crizotinib, Entrectinib
		RET	Regorafenib, LOXO-292, Pralsetinib
		MET	Cabozantinib+Panitumumab
		POLE, POLD1	Pembrolizumab, Nivolumab
		RNF43	WNT974, RXC004
		PIK3CA	Cabozantinib
		FLT1, FLT4, KDR	Axitinib, Regorafenib, Pazopanib
Gastric cancer	NCCN-recommended	HER2	Trastuzumab
		MSI-H/dMMR	Pembrolizumab
	Innovative	FGFR2	Bemarituzumab (FPA144), AZD4547
		PTEN	Ipatasertib (GDC-0068), GSK2636771
		MET	Onartuzumab, Rilotumumab
		EGFR	Nimotuzumab, Varlitinib

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Type of cancer	Biomarker		Recommended targeted therapies and immunotherapies
Breast cancer	NCCN-recommended	ERBB2	Trastuzumab, Pertuzumab
		BRCA1/2	Olaparib, Talazoarib, Carboplatin, Cisplatin
		PIK3CA	Alpelisib
	Innovative	ERBB2/3	T-DM1, DS-8201a, Aafatinib, Poziotinib, Trastuzumab, Lapatinib, Neratinib, TAS0728, A-166
		AKT	Ipatasertib, Capivasertib
		PI3K, PTEN	Buparlisib, Taselisib
		BRCA1/2	Niraparib, Rucaparib, Veliparib
		HRR genes	Olaparib, Talazoparib, Rucaparib, Veliparib, Prexasertib
		EGFR	Poziotinib, Afatinib
		FGFR1/2/3	Erdafitinib, Debio1347
		POLD1	Pembrolizumab
Hepatobiliary cancers	NCCN-recommended	dMMR/MSI-H	Pembrolizumab
	Innovative	dMMR/MSI	M7824
		FGFR1/2/3/4	Erdafitinib, Debio1347, Derazantinib, Infigratinib
		IDH1/2	Ivosidenib, Enasidenib
		ERBB2/3	A166, TAS0728
Bladder cancer	NCCN-recommended	FGFR2/3	Erdafitinib
	Innovative	FGFR	Rogaratinib, Vofatamab, Derazantinib, Pemigatinib,
		ERBB2	Afatinib, Trastuzumab+pertuzumab, T-DM1, Neratinib, A166, DF1001
		DDR genes	Olaparib,
			Gemcitabine Plus Cisplatin
		PI3K, PTEN	Buparlisib, GSK2636771
		TCS1/TSC2	Sapanisertib
		mTOR	Everolimus
Prostate cancer	NCCN-recommended	dMMR/MSI-H	Pembrolizumab
	Innovative	DDR genes	Olaparib, Talazoparib, Niraparib, Rucaparib
		PI3K, PTEN	LY3023414, GSK2636771
		CDK4/6, CCND1/2/3, CDKN2A/B, RB1	Ribociclib, Palbociclib
Ovarian cancer	NCCN-recommended	dMMR/MSI-H	Pembrolizumab
		BRCA1/2	Olaparib, Rucaparib
		NTRK	Entrectinib, Larotrectinib
	Innovative	HRR genes	Olaparib, Niraparib, Veliparib, Talazoparib, Prexasertib
		P13K, PTEN	Copanlisib, ARQ 092
		ERBB2	HER2 CTL peptide-based vaccine, A-166
		CDK4/6, CCND1/2/3, CDKN2A/B, RB1	Pajbociclib, Abmeciclib, Ribociclib
Solid tumor	Innovative	KRAS	AMG 510, MRTX849, BI 1701963
		AKT	Capivasertib
		CDK4/6,CCND1/2/3, CDKN2A/B, RB1	Palbociclib, Abemaciclib, Ribociclib
		ERBB3	TAS0728, GSK2849330
		EZH2	Tazemetostat
		CCNE1, FBXW7, MYC, RB1	Prexasertib
		FGF19	BLU-554
		FGFR	Erdafitinib, Debio1347
		FLCN, mTOR, RHEB, TSC	Temsirolimus
		FLT1/4, KDR	Axitinib, Regorafenib, Pazopanib
		GNA11, GNAQ	Sorafenib, Trametinib
		NRAS, HRAS	Tipifarnib
		KEAP1, STK11	Telaglenastat
		HRR genes	Olaparib, Rucaparib, Niraparib, Talazoparib, Prexasertib
		MAP2K1	Ulixertinib
		MDM2/4	Milademetan, BI 907828, AMG 232
		MYC	Prexasertib, Barasertib
		NF1	Telaglenastat
		NF2	Defactinib
		PTCH1, SMO	Vismodegib
		PIK3CA, PTEN	GSK2636771, AZD8186
		RHEB	Temsirolimus
		SETD2	Adavosertib
		SMARCA4, SMARCB1	Tazemetostat
		SRC	Bosutinib, Dasatinib
		TP53	Prexasertib, Adavosertib

BUSINESS

OUR MISSION

Guard life via science.

OVERVIEW

We aim to transform precision oncology and early cancer detection. We are China's number one NGS-based cancer therapy selection company, as evidenced by the largest market share of 25.3% in China's NGS-based cancer therapy selection market in terms of number of patients tested in 2018, according to CIC. Our cancer therapy selection platform is built upon our advanced proprietary technologies, comprehensive portfolio of products and a two-pronged market-driven commercial infrastructure addressing both larger hospitals through our in-hospital model and smaller hospitals through our central laboratory model.

Our advanced technology platform integrates cutting-edge proprietary cancer therapy selection technologies using both tissue and liquid biopsies, including assay biochemistry, bioinformatics, a patented laboratory information management system and expansive genomic databases. Our proprietary HS library preparation technology allows us to work with poor quality and limited volume samples and enables enhanced sensitivity—capabilities that are critical to effectively deploying NGS-based cancer therapy selection, especially in China. Our in-depth cancer genomics insights, accumulated from over 162,000 tests performed since our inception, enable us to process and accurately analyze genomic information and achieve a median turnaround time of 6 days.

Our NGS-based cancer therapy selection test products are used to assist physicians in selecting the most effective therapy for cancer patients. We currently offer 13 NGS-based cancer therapy selection tests applicable to a broad range of cancer types, including lung cancer, gastrointestinal cancer, prostate cancer, breast cancer, lymphomas, thyroid cancer, colorectal cancer, ovarian cancer, pancreatic cancer, and bladder cancer, using both tissue and liquid biopsy samples. Our core products, including OncoScreen Plus™ and LungPlasma™, perform on par with those of our global peers. We are the clear leader in the lung cancer segment of China's NGS-based cancer therapy selection market, with a market share of 30.3% in terms of number of patients tested in 2018, according to CIC. We believe we offer the best NGS-based cancer therapy selection products and services in China, and we have won the trust of pharmaceutical companies, physicians, hospitals and patients with our high quality standards, superior product performance and strong service support. Our products are recognized by the medical, pharmaceutical and scientific communities, as evidenced by (i) the use of our products by oncology key opinion leaders in clinical trials and research studies they initiate, and (ii) our collaborations on clinical trials and research studies with leading pharmaceutical companies including AstraZeneca (NYSE: AZN), Sino Biopharm (HKEX: 1177), CStone (HKEX: 2616) and BeiGene (HKEX: 6160), primarily by providing central laboratory services and companion diagnostics development services to these pharmaceutical companies. The results of these clinical trials and research studies have been published in 68 peer-reviewed articles, and the results of research studies using our products have been published in 45 peer-reviewed articles.

We are the only company in China that has both (i) an NGS laboratory certified under the CLIA, accredited by the CAP, and certified by China's NCCL, and (ii) an NGS-based reagent kit approved by China's NMPA. We believe these certifications, accreditations and regulatory approvals endorse the efficiency, accuracy and consistency of our testing results.

We pioneered a two-pronged commercial infrastructure, consisting of both central and in-hospital laboratories, to maximize market penetration and create higher barriers to entry.

- ***Central laboratory model***: Our central laboratory processes cancer patients' tissue and liquid biopsy samples delivered to us from hospitals across China and issues test reports. This model has enabled us to become China's largest provider of NGS-based cancer therapy selection tests while building relationships with over 540 hospitals across China. Our central laboratory also supports our

collaborations with pharmaceutical companies. We are the number one in the central laboratory segment of China's NGS-based cancer therapy selection market, with a market share of 16.7% in terms of number of patients tested in 2018, according to CIC. Revenue from our central laboratory model has accounted for a substantial majority of our revenue to date, and we expect it to continue to grow.

- ***In-hospital model***: Chinese hospitals generally prefer to conduct laboratory tests in-house. However, despite the large and growing demand for NGS-based cancer therapy selection tests, hospitals face multiple challenges in adopting these tests, which have technically sophisticated workflows. In 2016, we became China's first NGS-based cancer therapy selection company to offer an in-hospital model, providing turn-key solutions to address Chinese hospitals' challenges in adopting NGS-based cancer therapy selection. We help our partner hospitals establish their in-hospital laboratories, install laboratory equipment and systems, and provide ongoing training and support. With these laboratories, equipment and systems in place, we sell them our reagent kits on a recurring basis, which allow them to perform testing on their own in a standardized manner. We have partnered with 40 Class III Grade A hospitals (the highest of China's nine-tiered hospital designation system), giving us a 79.8% market share in the in-hospital segment of China's NGS-based cancer therapy selection market in terms of number of patients tested in 2018, according to CIC. While revenue from our in-hospital model is still relatively small, we are investing substantially to expand it and expect it to become an increasingly important segment of China's NGS-based cancer therapy selection market.

Our proprietary database, OncoDB, includes over 162,000 cancer therapy selection test results. OncoDB enables us to build our Live Annotation Visualization and Analysis, or LAVA, a cloud-based cancer genomic data ecosystem that facilitates the broader exchange of real-time clinically actionable genomic data among physicians. Over 420 physicians from 120 hospitals have joined LAVA. We plan to expand LAVA to pharmaceutical companies and hospitals to assist in clinical trials and research studies. As LAVA expands, we believe that it will create business opportunities for all of its participants.

In addition to our NGS-based cancer therapy selection tests, we are also investing in our development of early cancer detection tests. Early cancer detection can substantially increase the chances of successful treatment and therefore presents enormous market opportunities. However, it is extremely difficult to develop liquid biopsy-based early cancer detection tests with the sensitivity and specificity needed for the tests to be clinically useful. Our targeted DNA methylation-based library preparation technologies and bioinformatics effectively address these challenges by enhancing the signal-to-noise ratio on the most informative cancer-associated methylation loci and blocks, enabling us to detect extremely low circulating levels of cancer biomarkers to facilitate accurate early detection of multiple cancers. Our early cancer detection technologies have demonstrated sensitivities of 52% for Stage Ia lung cancer, 71% for Stage I colorectal cancer and 85% for Stage I hepatocellular carcinoma, at specificities of 96-99% (meaning 96-99% of the people who do not have these early-stage cancers test negative for such cancers), which compare similarly to those of our global peers, based on to publicly available data. We will continue our research and development efforts in early cancer detection, with the aim of developing pan-cancer early detection products.

Minimum residual disease, or MRD, detection is useful for monitoring post-treatment cancer patients, and we are also researching ways to leverage our existing technologies to develop MRD detection products.

We are one of the fastest-growing companies in China's NGS-based cancer therapy selection market. Our revenue increased by 87.9% from RMB111.2 million in 2017 to RMB208.9 million (US$29.2 million) in 2018. Our revenue increased by 104.1% from RMB143.6 million for the nine months ended September 30, 2018 to RMB293.0 million (US$41.0 million) for the same period in 2019. Our gross profit increased by 88.4% from RMB71.7 million in 2017 to RMB135.1 million (US$18.9 million) in 2018. Our gross profit increased by 141.9% from RMB90.3 million for the nine months ended September 30, 2018 to RMB218.4 million (US$30.5 million) for the same period in 2019. Our gross profit margin was 64.5%, 64.7%, 62.9% and 74.5% in 2017, 2018 and the nine months ended September 30, 2018 and 2019, respectively.

OUR COMPETITIVE STRENGTHS

Market-leading position in China's NGS-based cancer diagnostics industry that will drive continued growth

We are China's number one NGS-based cancer therapy selection company, as evidenced by the largest market share of 25.3% in China's NGS-based cancer therapy selection market in terms of number of patients tested in 2018, according to CIC. Our cancer therapy selection platform is built upon our advanced proprietary technologies, comprehensive portfolio of world-class products and a two-pronged market-driven commercial infrastructure addressing both larger hospitals through our in-hospital model and smaller hospitals through our central laboratory model.

We have helped jointly define standards for this rapidly evolving industry by educating China's medical community on NGS-based cancer therapy selection by collaborating on publications with oncology key opinion leaders and presentations at major academic conferences. Our technology and research are widely regarded and cited among the scientific community, as evidenced by (i) the use of our products by oncology key opinion leaders in clinical trials and research studies they initiate, and (ii) our collaborations on clinical trials and research studies with leading pharmaceutical companies including AstraZeneca, Sino Biopharm and CStone, primarily by providing central laboratory services and companion diagnostics development services to these pharmaceutical companies. The results of these clinical trials and research studies have been published in 68 peer-reviewed articles, and the results of research studies using our products have been published in 45 peer-reviewed articles. We have also worked with regulators to share our insights on the nature of the NGS technology and obtained the most comprehensive portfolio of product and laboratory certifications. Among the over 300 NGS-based cancer therapy selection companies in China, we are the only one holding comprehensive regulatory certificates and approvals—including China's first NMPA-approved NGS-based reagent kit, China's second NGS laboratory with the NCCL certification and China's first NGS laboratory with the CLIA laboratory certification, as well as CAP certificates of accreditation.

We believe our market-leading position will drive our continued growth by (i) supporting the continued expansion of our genomic database, which will further strengthen our technologies and products; (ii) giving us first-mover advantages in terms of market acceptance of our products as physicians will be most familiar with and confident in them; (iii) allowing us to establish and benefit from barriers to entry, especially in our in-hospital model; (iv) allowing us to benefit from economies of scale, and (v) enabling us to build on our technology platform to develop proprietary technologies for early cancer detection, which can substantially increase cancer patients' chances of successful treatment and improve their quality of life.

Advanced NGS-based cancer therapy selection technologies

We believe we have cutting-edge NGS-based cancer therapy selection technologies. We have developed proprietary technologies that effectively address the unique challenges in applying NGS-based cancer therapy selection, especially in China. Our proprietary HS library preparation technology can derive accurate results from low quality DNA in formalin-fixed paraffin-embedded, or FFPE, samples or liquid biopsy samples containing small quantities of ctDNA, allowing us to work with the poor quality and limited volume samples that are typical in the oncology field, especially in China. Our proprietary unique molecular index, or UMI, technology and bioinformatics enable us to achieve increased assay sensitivity and lower our ctDNA detection limit to 0.1% or lower, significantly enhancing the accuracy of liquid biopsy tests. We have co-developed Magnis BR, China's first and only capture-based—one of the two major enrichment methods widely used for targeted DNA sequencing, where probe is used to "capture" specific genomic regions of interest for downstream sequencing—fully automated NGS library preparation system, and associated library preparation reagents, with Agilent, which assist Chinese hospitals in adopting NGS-based cancer therapy selection.

A comprehensive portfolio of cancer therapy selection products

We offer 13 NGS-based cancer therapy selection tests that analyze genes associated with a broad range of cancer types. The design and performance of our products perform on par with world-class cancer therapy selection companies. They have been widely adopted, especially in the lung cancer segment of China's

NGS-based cancer therapy selection market, where we are the clear market leader with a market share of 30.3% in terms of number of patients tested in 2018, according to CIC.

Our OncoScreen Plus™, which reflects the latest developments in targeted therapy and immunotherapy, tests for 520 genes associated with most solid tumors for which there is an FDA- or NMPA-approved therapy, as well as immunotherapy-related biomarkers such as microsatellite instability, or MSI, and tumor mutation burden, or TMB, which provide additional insights for therapy selection. OncoScreen Plus™ also participated in the FDA-initiated SEQC2 study for global tissue-based NGS assay comparison. Our selection of tissue- and liquid-based lung cancer tests—from eight-gene LungCure™ to 168-gene LungPlasma™—cater to the different clinical needs and budgets of patients with NSCLC, China's most prevalent cancer and the cancer with the highest mortality rate.

The design and performance of our products have been endorsed by their adoption in clinical trials and research studies conducted by leading domestic and global biopharmaceutical companies. AstraZeneca selected our LungPlasma™ as the only NGS-based product for its Tagrisso (Osimertinib) Phase III diagnostic methods comparison study, and it also selected our HRDCore™ for the Phase III clinical study of a drug candidate. CStone selected our OncoScreen Plus™ for the Phase III clinical trial of its CS1001 to detect the biomarker TMB for NSCLC patients, and an affiliate of Sino Biopharma selected our LungCure™ and OncoScreen Plus™ for its Phase I/II clinical study of a drug candidate for local advanced or metastatic NSCLC.

Two-pronged commercial infrastructure creating high barriers to entry

Our two-pronged commercial infrastructure is tailored to maximize our penetration into China's NGS-based cancer therapy selection market, with (1) a central laboratory model to build our brand awareness and market share and serve hospitals that lack the necessary scale to establish their own facilities; and (2) an in-hospital model to address the enormous in-hospital segment of China's NGS-based cancer therapy selection market.

The rapid growth of our central laboratory model has enabled us to become China's number one provider of NGS-based cancer therapy selection tests while building relationships with hospitals across China. Our central laboratory also supports our collaborations with pharmaceutical companies on clinical trials and research studies. We are the number one in the central laboratory segment of China's NGS-based cancer therapy selection market, with a market share of 16.7% in terms of number of patients tested in 2018, according to CIC.

Chinese hospitals generally prefer to conduct laboratory tests in-house, but they face multiple challenges in adopting technically demanding NGS-based cancer therapy selection tests for in-house use. In 2016, we became the first company in China to offer an in-hospital model, which provides a turn-key solution for Chinese hospitals. In establishing in-hospital laboratories, we take responsibility throughout the process from laboratory redesign, laboratory equipment procurement and system installation to ongoing training and support—effectively addressing Chinese hospitals' challenges. We believe that this business model fosters customer loyalty and creates high barriers to entry. We have partnered with 40 Class III Grade A hospitals, and established a 79.8% market share in the in-hospital segment, which we expect to become an increasingly important segment of China's NGS-based cancer therapy selection market.

Breakthrough technologies in early cancer detection

We have developed two proprietary technologies that address major challenges in China's early cancer detection industry. Early cancer detection presents an enormous market opportunity. In 2018, approximately 60%, or 2.5 million cases, of China's cancer incidence are diagnosed in late-stage (Stage III or IV), more than three times the number of such cases in the U.S. The high late-stage diagnosis rate is an important factor behind China's annual high mortality from cancer, which is 2.8 million cases in 2018, more than four times of that of the U.S. The wide adoption of early cancer detection can significantly improve the prognosis and quality of patients' life while reducing mortality rates and treatment costs. However, it is extremely difficult to develop liquid biopsy-based early cancer detection tests with the sensitivity and specificity needed for the tests to be clinically useful. Our proprietary technologies that detect extremely low circulating levels of cancer biomarkers facilitate

accurate early detection of multiple cancers by enhancing the signal-to-noise ratio on the most informative cancer-associated methylation loci and blocks. Our early cancer detection technologies have demonstrated sensitivities of 52% for Stage Ia lung cancer, 71% for Stage I colorectal cancer and 85% for Stage I hepatocellular carcinoma, at specificities of 96-99%, which compare similarly to those of our global peers, based on publicly available data. With our advanced technologies, we believe that we are well-positioned to succeed in China's early cancer detection industry.

Multidisciplinary management team across molecular biology, genetics, biostatistics and marketing

Our multidisciplinary management team has the skills and experience necessary to drive our growth, including the science skills necessary to develop world-class products, the data skills to analyze and benefit from the enormous genomic database we have and continue to expand, and the commercial skills necessary to reach the Chinese hospitals and physicians who use our products. Led by our founder and chief executive officer Mr. Yusheng Han, this team has technical expertise gained from industry experience in companies and research institutes such as Novartis, Pfizer, Illumina, Memorial Sloan Kettering Cancer Center and the Howard Hughes Medical Institute, as well as post-graduate degrees in molecular biology, genetics, medicine and biostatistics, with our chief operating officer and chief technology officer holding PhDs from the University of Pennsylvania and Duke University, respectively. The team is also experienced in commercialization and marketing in the biotech sector, combined with venture capital, private equity, investment banking and management consulting experience.

OUR STRATEGIES

Increase market penetration of our cancer therapy selection products and expand our product portfolio

To reinforce our market-leading position in China's NGS-based cancer therapy selection market, we plan to continue to increase the market penetration of our cancer therapy selection products and expand our product portfolio. In particular, we plan to continue:

- deploying our fully-automated NGS library preparation system to strengthen our leading position in the in-hospital segment of China's NGS-based cancer therapy selection market;
- conducting sales and marketing activities to drive the rapid adoption of our cancer therapy selection products, particularly in the in-hospital segment of China's NGS-based cancer therapy selection market;
- expanding and validating clinical utility of our cancer therapy selection products to the MRD detection market;
- seeking additional regulatory approvals for our cancer therapy selection products, including obtaining MNPA approvals for more of our cancer therapy selection products and completing related clinical trials; and
- designing and bringing to market comprehensive NGS-based cancer therapy selection products for upcoming targeted therapies and immunotherapies and collaborating with leading pharmaceutical companies in clinical trials and research studies.

Continue research and development in early cancer detection

We will continue our research and development efforts in early cancer detection, with the aim of developing pan-cancer early detection products. We intend to leverage our key technical capabilities and our collaborating relationships with oncology key opinion leaders to enhance the performance and validate the clinical utility of our pan-cancer early detection products.

Use our genomic database to build an ecosystem connecting physicians, hospitals and pharmaceutical companies that will create business opportunities for all participants

We will expand LAVA, our cancer genomic data ecosystem, to pharmaceutical companies and hospitals to assist in clinical trials and research studies and improve institutional data integration. We will invest in building on LAVA's capabilities to enable physicians, hospitals and pharmaceutical and diagnostic companies to exchange reliable, real-time, and clinically relevant genomic data. With LAVA, we aim to promote information flow among all participants—leading to better clinical results for patients. As our cancer therapy selection business expands, our cancer genomic data ecosystem will grow with it, and it will in turn help increase customer loyalty and drive the growth of our business. As LAVA expands, we believe that it will create business opportunities for all of its participants.

OUR TECHNOLOGIES

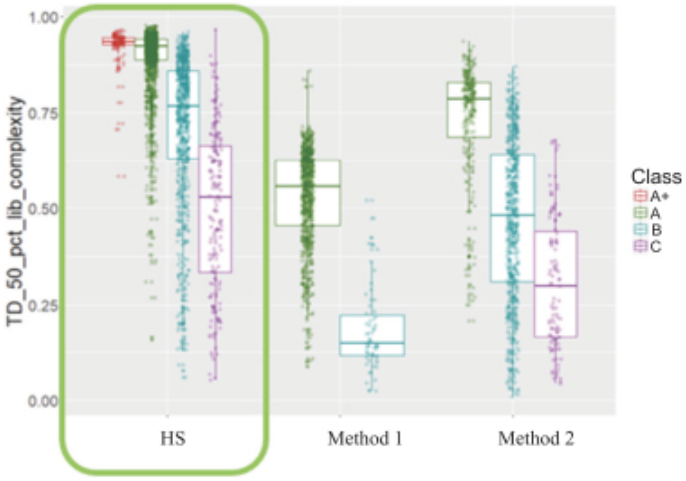
NGS-Based Cancer Therapy Selection Technologies

The adoption of NGS-based cancer therapy selection in China presents a number of challenges, including (i) library preparation and probe hybridization using the low-quality FFPE samples containing degraded or low quantities of DNA that are common in China, and (ii) Chinese hospitals typically prefer to perform tests in-house rather than outsourcing to third parties, but lack the required expertise, knowledge and skills to perform NGS-based cancer therapy selection tests. We have developed the proprietary assay biochemistry and bioinformatics described below that underlie our current product portfolio and effectively address those challenges.

HS Library Preparation Technology—Enhancing Capture Efficiency for Low-Quality FFPE Samples

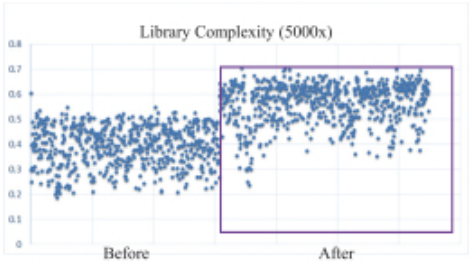
The low quality FFPE samples available in China often fail to meet the minimum quality and quantity thresholds required for standard NGS-based cancer therapy selection. Our proprietary High Sensitivity, or HS, library preparation technology improves the capture efficiency of low-quality FFPE samples and enables us to maximize the capture of unique DNA molecules, which are used to make up the sequencing library. This technology improves by approximately 80% the library conversion and library complexity—a measure of the number of unique DNA molecules present in a DNA library—of DNA libraries derived from FFPE samples, enabling us to work with low-quality FFPE samples. When applied to liquid biopsy ctDNA samples, our HS library preparation technology shows similar improvements in library complexity, enabling us to work with liquid biopsy ctDNA samples as small as 10-nanograms.

The diagram below illustrates the significant improvements in complexity and overall quality of DNA libraries derived from clinical FFPE samples of different quality levels (from the highest level "A+" to the lowest level "C") using our HS library preparation technology, each as compared with conventional library preparation methods:



Comparison of FFPE DNA library complexity and quality at 500X raw depth

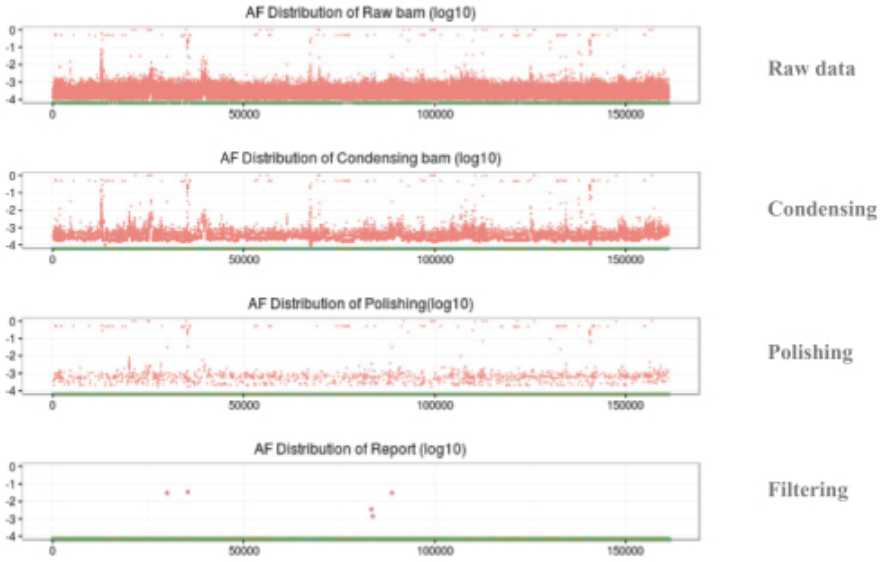
The diagram below illustrates the improvements (denoted as "after") in library complexity of liquid biopsy ctDNA samples achieved using our HS library preparation technology:



Liquid Biopsy Technologies—Enabling Super-High Sensitivity in ctDNA Samples Through Signal-Noise Ratio Enhancement

Compared to tissue biopsies, NGS-based ctDNA liquid biopsies require higher technological capabilities and expertise because of the low concentrations of ctDNA in liquid biopsy samples. In addition to our HS technology, we have also developed our UMI technology and corresponding bioinformatics, which improve the signal detection and noise control capabilities of our liquid biopsy-based tests and accurately distinguish true origin of DNA fragments from those that are duplicated, contaminated, erroneous or otherwise irrelevant. These technologies increase test sensitivity and lower our ctDNA detection limit by five to ten times to 0.1% or lower, which significantly enhances the accuracy of our liquid biopsy-based tests.

The diagram below illustrates the noise reduction achieved by applying our UMI technology in ctDNA sample library preparation:



MSI Calling Algorithms—World-Class NGS-Based Algorithms Detecting MSI in Tissue and Liquid Biopsies

Polymerase chain reaction-, or PCR-, based methods have been the conventional method for detecting microsatellite instability, or MSI, an important biomarker for immune-oncology treatment selection. We have developed proprietary NGS-based MSI calling algorithms, prettyMSI and bMSISEA, which enable our tests to accurately detect the presence of MSI in tissue and ctDNA samples, respectively. By incorporating these algorithms, our tissue and liquid biopsy-based tests provide patients a one-stop, cost-effective solution for the detection of genomic alterations of targeted genes and MSI in a single test. According to CIC, our MSI calling algorithms have higher sensitivity than substantially all other published MSI algorithms.

In 2018, our prettyMSI algorithm was clinically validated in an MSI detection study with the results published in a 2018 March Journal of Molecular Diagnostics article "*A novel and reliable method to detect microsatellite instability in colorectal cancer by next-generation sequencing*." In 2019, one of our products using the prettyMSI algorithm was endorsed and recommended in *Chinese Experts Consensus on MSI testing*.

Automated NGS Library Preparation System—Enabling Automation and Standardization of In-Hospital Laboratories

Hospitals in China generally lack the expertise necessary to conduct NGS-based cancer therapy selection. In addition, the conventional process flows that most Chinese hospitals use not only make the testing process time consuming, but also introduce contamination risk in the library preparation stage, which reduces testing accuracy. We have been a pioneer in helping Chinese hospitals address these challenges, and in September 2019, we launched Magnis BR, China's first and only capture-based fully automated NGS library preparation system, and associated library preparation reagents, which we co-developed with Agilent. Magnis BR and its associated reagents are particularly suitable for Chinese hospitals because they fully automate the NGS library preparation process, converting DNA samples into sequencing-ready libraries in around nine hours. Magnis BR can process 112 samples per week.

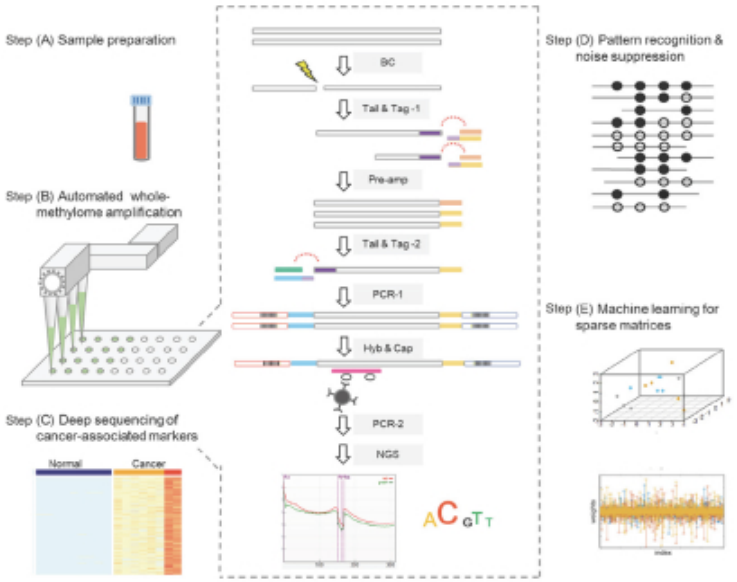
Early Cancer Detection Technologies

In 2016, we started our research and development on the use of targeted DNA methylation in early cancer detection. Early cancer detection can substantially increase the chances of successful treatment, and accordingly presents enormous market opportunities. However, it is extremely difficult to develop liquid biopsy-based early cancer detection tests with the sensitivity and specificity needed for the tests to be clinically useful. To effectively address the technical challenges of early cancer detection, we have developed targeted DNA methylation-based library preparation technologies and bioinformatics that sensitively detect extremely low circulating levels of cancer biomarkers by enhancing the signal-to-noise ratio on the most informative cancer-associated methylation loci and blocks, facilitating the accurate early detection of multiple cancers.

We have built on our technology platform to develop proprietary technologies for early cancer detection using analysis of change in DNA methylation, a promising biomarker associated with the initiation of certain cancers. BrELSA™ is our proprietary targeted DNA-methylation-based library preparation technology for early cancer detection. It significantly increases the conversion rate, and maximizes the preservation, of sequenceable DNA fragments; it also ensures that the methylation sites of pathogenic significance are captured. These capabilities allow us to prepare sequenceable libraries using liquid biopsy samples as small as 5 to 10 milligrams. We also use targeted DNA methylation reinforced malignancy non-invasive detection, or brMERMAID™, our proprietary bioinformatics and statistical algorithm for the early detection of multiple types of cancers. We train brMERMAID™ with real world clinical samples and its machine learning capability enables continuous performance improvements as it incorporates data from additional clinical samples. The combination of brELSA™ and brMERMAID™ enables highly sensitive, accurate and robust early cancer detection results that are on par with global leaders.

At the American Association of Cancer Research (AACR) Annual Meeting 2019, we presented a poster that demonstrated the data of early detection of lung cancer using our methylation profiling method combining brELSA™ and brMERMAID™. Our poster regarding brELSA™ and brMERMAID™ titled "*Multiplatform analysis of early-stage cancer signatures in blood*" has been submitted to and accepted by the AACR to be presented in the Special Conference on Advances in Liquid Biopsies in 2020.

The diagram below illustrates our early cancer detection workflow incorporating brELSA™ and brMERMAID™:



Step (A) Sample preparation: 8-10 ml of venous blood is collected and processed to isolate circulating cell-free DNA, or cfDNA, which is a cancer biomarker.

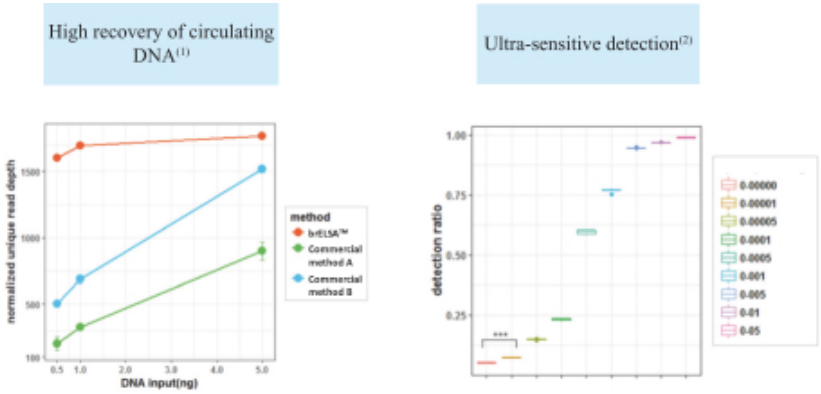
Step (B) Automated whole-methylome amplification: DNA Libraries are prepared using a method called whole methylome bisulfite sequencing, or WGBS, in an automated way. WGBS is a widely used method to profile the methylation landscape of the whole genome. The detailed sub-steps are shown in the center of the above diagram.

Step (C) Deep sequencing of cancer-associated markers: Probes are used to capture the specific genomic regions associated with common types of cancer, and the captured regions are then sequenced at high depth. The detailed sub-steps are shown in the center of the above diagram.

Step (D) Pattern recognition & noise suppression: After the methylation changes are detected, statistical algorithms are used to differentiate signals from noise in the sequencing data and the signals are then categorized into specific patterns.

Step (E) Machine learning for sparse matrices: An algorithm is built to differentiate tumor samples from normal samples. This algorithm combines numerous random and scarce methylation patterns to address challenges arising from low circulating levels of tumor DNA in early-stage cancer patients.

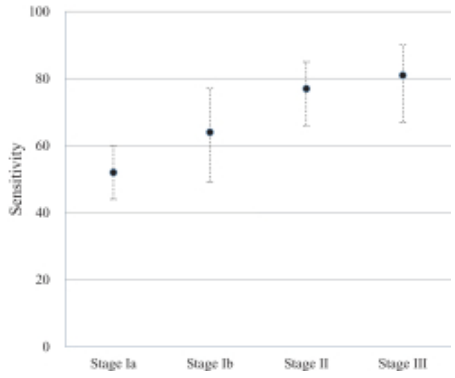
The graphs below show that our brELSA™ technology enables higher recovery of circulating DNA in library preparation and sequencing as compared to two commercially available kits. The high recovery rate and deep sequencing of targeted methylated region facilitates the ultra-high detection sensitivity, with the limit of detection as low as 0.001%:



(1) The graph shows the unique read depth (Y-axis) observed with different quantities of DNA input (X-axis) of *E.coli* (DH5a)—a type of bacteria used in labs worldwide as a host for DNA sequences, using brELSA™ and two commercially available kits when sequenced to ~ 2,000X median depth. It shows that brELSA™'s unique read depth is consistently higher than the other two kits, which in turn enables higher recovery of circulating DNA in library preparation and sequencing.

(2) The x-axis denotes cell lines with various known proportions of methylation sites, with the exact proportion numbers (from 0.00000, or 0.000% to 0.05, or 5%) as indicated in the box on the right; the y-axis denotes the percentage of methylation sites being recognized as positive using brELSA™. This graph demonstrates that even for the most signal-scarce sample —0.00001 (0.001%) tumor cell DNA shown as the yellow bar in the graph—the overall sample can still be recognized as positive, as indicated by the three asterisks in the graph. This result shows that brELSA™ has ultra-high detection sensitivity, with a limit of detection as low as 0.001%.

The table below sets forth the sensitivity of our early cancer detection technologies in the detection of stage I-III lung cancer at 96% specificity:



The table below sets forth the sensitivity of our early cancer detection technologies for the detection of stage I-IV lung cancer, colorectal cancer and hepatocellular carcinoma at 96-99% specificity:

	Stage	Sensitivity	95% Confidence Interval
Lung Cancer(1)	I	41%	30—53%
	II	74%	62—84%
	III	72%	55—85%
Colorectal cancer	I	71%	59—81%
	II	87%	77—93%
	III	90%	78—96%
Hepatocellular carcinoma	I	85%	67—94%
	II	90%	54—99%
	III	100%	79—100%

(1) Adenocarcinoma 38-65%, squamous cell carcinoma 62-86% for stage I and II; the lung cancer cohort in table above contains mostly adenocarcinoma.

We plan to upgrade our early cancer detection test currently under development—a 3-cancer test that detects lung, intestinal and liver cancers—to a 7-cancer test that detects lung, intestinal, liver, pancreatic, esophageal, ovarian and gastric cancers, with improved accuracy in determining the origin of tissue compared to the 3-cancer test. We are in the process of completing the clinical validation for our 3-cancer test. We have started the development and analytical validation for our 7-cancer test, following the completion of which we plan to start its training and clinical validation. Accordingly, we have started the enrollment for the independent validation cohort for our 7-cancer test. We also plan to conduct the clinical trial for registration purposes for our 7-cancer test on pan-cancer high-risk population.

OUR PRODUCTS

We offer 13 NGS-based tissue and liquid biopsy cancer therapy selection tests, catering to different clinical and affordability needs of the different cancer patient segments.

The table below sets forth the 13 tests we currently offer:

			Applicable Sample Types			
Cancer Type	Product Name	# of Genes	FFPE or Fresh tissue	ctDNA	White Blood Cells	Immunotherapy biomarkers
Pan-Cancer	OncoScreen Plus™	520 genes	●	●	●	MSI, TMB
	PurePlasma™	108 genes	●	●		MSI
	HRDCore™	72 genes	●	●	●	
	UGene™	53 genes			●	
	BRCA Testing	2 genes	●		●	
Lung Cancer	LungCure™	8 genes	●	●		
	LungCore™	68 genes	●			
	LungPlasma™	168 genes	●	●		MSI
Gastrointestinal Cancer	ColonCore™	41 genes	●	●	●	MSI
Prostate Cancer	ProstateCore™	72 genes	●	●	●	
Breast Cancer	BreastCore™	36 genes	●	●	●	
Lymphomas	LymphPlasma™	112 genes	●	●		
Thyroid Cancer	ThyroCore™	18 genes	●			

Our Key Products

OncoScreen Plus™

In 2015, we launched our pan-cancer test OncoScreen™, which we upgraded to OncoScreen Plus™ in 2017. OncoScreen Plus™ reflects the latest developments in targeted therapy and immunotherapy. This test profiles 520 genes associated with most solid tumors, such as lung cancer, colorectal cancer, breast cancer, ovarian cancer, bladder cancer and prostate cancer, for which a targeted therapy has been approved by the FDA or NMPA or is in current clinical development. In addition to detecting the genomic alternations of the targeted genes, OncoScreen Plus™ also detects important immune-oncology biomarkers including TMB and MSI, as well as rare but clinically actionable biomarkers, such as NTRK fusions, which provide important insights for therapy selection. More than 30,000 samples have been tested through OncoScreen™ or OncoScreen Plus™.

We have also accumulated over 8,000 tissue-ctDNA matched sample pairs from OncoScreen Plus™ tests, which provide us important insights on how to improve test performance, including knowledge on false positives in plasma circulating free DNA gene detection caused by clonal hematopoiesis indeterminant potential, or CHIP. The table below sets forth the key specifications of OncoScreen Plus™:

Product and Operational Specifications	OncoScreen Plus™
Number of genes	520
Immunotherapy biomarkers	TMB, MSI
Limit of detection (on hot-spot mutations)	1.7-2%
Maximum turnaround time(1)	10 days
Number of clinical samples processed	~ 30,000(2)
Number of paired samples processed	~ 8,000

(1) For the nine months ended September 30, 2019.
(2) Refers to the total number of samples tested through OncoScreen™ or OncoScreen Plus™.

The design and performance of OncoScreen Plus™ has been endorsed by its adoption in 16 clinical trials and studies. For example, it was selected by CStone in its Phase III clinical trial of CS1001—one of CStone's core product candidates that targets PD-L1—to detect TMB, which can potentially identify the patients who may benefit from treatment of CS1001. OncoScreen Plus™ also participated in the FDA-initiated SEQC2 study for global tissue-based NGS assay comparison. OncoScreen™ and OncoScreen Plus™ were also used in research studies that resulted in publications in high-impact journals, including Clinical Cancer Research and EBioMedicine.

LungPlasma™

In 2015, we launched LungPlasma™, our ctDNA liquid biopsy-based test for NSCLC. This test analyzes 168 genes that are related to the development of NSCLC, including all genes that have a targeted therapy that is FDA- or NMPA-approved or NCCN-recommended. It provides information with optimal clinical value for NSCLC patients, especially advanced-stage NSCLC patients who do not have accessible tissue, across various treatment stages, from baseline profiling, dynamic monitoring to MRD detection.

The table below sets forth the key specifications of LungPlasma™:

Product and Operational Specifications	LungPlasma™
Number of genes	168
Immunotherapy biomarkers	MSI
Limit of detection (defined at 80% sensitivity)	0.2%
Percentage of samples processed within 7 days(1)	88%
Number of clinical samples processed	~ 38,000
Number of paired samples processed	~ 9,000

(1) For the nine months ended September 30, 2019.

Our LungPlasma™ demonstrates consistently high sensitivity in liquid biopsies for biomarkers associated with NSCLC that are difficult to detect using conventional methods. For example, our LungPlasma™ can detect actionable mutations among treatment-naive stage IV NSCLC patients with sensitivity of 96% and specificity greater than 99%. In a separate study, LungPlasma™ detected ALK fusion with a sensitivity of 79%. From a real-world cohort of 1016 patients with paired tissue and plasma samples tested simultaneously, LungPlasma™ could detect at least one actionable mutation among 74% patients from tissues samples, 61% from plasma samples, or 76% from either.

The performance of LungPlasma™ has been validated in clinical trials and research studies led by international and domestic pharmaceutical companies and leading oncology key opinion leaders, including:

- A 2017 study that was published in the Journal of Thoracic Oncology titled "*Capture-based targeted ultradeep sequencing in paired tissue and plasma samples demonstrates differential subclonal ctDNA-releasing capability in advanced lung cancer*," in which LungPlasma™ presented high concordance between the paired tissue and plasma samples, illustrating its high clinical feasibility and utility. In this study, the specificity of LungPlasma™ for all targeted genomic alterations was higher than 99%, and the sensitivity of LungPlasma™ was 87.2% for all targeted genomic alterations and 96.2% for the known actionable driver mutations among the 7 NCCN-recommended genes.
- Our LungPlasma™ was applied in the exploratory biomarker sub-study within the BENEFIT study, which was an innovatively designed prospective study where patients were tested for EGFR mutations based solely on liquid biopsy and recruited to test the efficacy of Gefitinib among EGFR-mutant patients. The BENEFIT study was published in the *Lancet Respiratory Medicine* titled "*Detection of EGFR mutations in plasma circulating tumor DNA as a selection criterion for first-line gefitinib treatment in patients with advanced lung adenocarcinoma (BENEFIT): a phase 2, single-arm, multicenter clinical trial*". In this study, concurrent mutations identified by LungPlasma™ were able to further stratify EGFR-mutant patients into groups with differential response to Gefetinib.
- Our LungPlasma™ was selected by AstraZeneca as the only NGS-based product for its Tagrisso (Osimertinib) Phase III diagnostic methods comparison study.

LungPlasma™ has also been used in a number of high impact research studies, with results published in 28 peer-reviewed articles in academic journals, including Journal of Thoracic Cancer, Annals of Oncology and Lancet Respiratory Medicine. For example, our LungPlasma™ was used in a research study that resulted in the 2018 January Annals of Oncology article titled "*Unique genetic profiles from cerebrospinal fluid cell-free DNA in leptomeningeal metastases of* EGFR*-mutant non-small-cell lung cancer: a new medium of liquid biopsy*," which we jointly published with Professor Yi-Long Wu.

These published studies provide further evidence of LungPlasma™'s accurate and consistent test performance.

ColonCore™

ColonCore™, which we launched in 2016, is capable of simultaneously assessing 22 microsatellite loci related to MSI status and detecting mutations in 41 genes associated with gastrointestinal cancers. It has been validated in multiple studies in China on NGS-based detection of MSI from both tissue and plasma samples. According to a 2018 March Journal of Molecular Diagnostics article titled "*A novel and reliable method to detect microsatellite instability in colorectal cancer by next-generation sequencing*," the specificity and sensitivity of ColonCore™ were 100% and 97.9%, respectively. Our ColonCore™ was also endorsed and recommended in *Chinese Experts Consensus on MSI Testing*.

HRDCore™

HRDCore™, which we launched in 2018, is specifically designed to target critical genes associated with homologous recombination deficiency, or HRD. This product was selected by AstraZeneca for the Phase III clinical study of a drug candidate.

CERTIFICATIONS AND REGULATORY APPROVALS

We are committed to developing and maintaining high quality standards for our laboratory and products. As part of this effort, we voluntarily sought and obtained certifications from the relevant U.S. certifying authorities. We have also obtained the NCCL certification for our central laboratory and the NMPA approval for an NGS-based reagent kit. We are the only company in China that has an NGS laboratory that has been certified by the CLIA and the NCCL and accredited by the CAP. We are also the first company in China with an NMPA-approved NGS-based reagent kit. We believe these certifications and regulatory approvals demonstrate the efficiency, accuracy and consistency of our testing services.

The U.S.

We aspire to become a world-class cancer diagnostics company, and we believe an integral step to achieving this goal is for our laboratory to comply with world-class certification requirements. Accordingly, we voluntarily applied for and obtained the following certifications and accreditations:

CLIA certification. The Clinical Laboratory Improvement Amendments, or the CLIA, mandate specific standards in the areas of personnel qualifications, administration, and participation in proficiency testing, patient test management, quality control, quality assurance and inspections. These standards are intended to ensure that CLIA-certified laboratories' testing services are accurate, reliable and timely. In the U.S., clinical laboratories must be CLIA-certified by the Centers for Medicare & Medicaid Services, or the CMS, before they can accept human samples for diagnostic testing. In January 2017, our central laboratory became the first NGS laboratory in China to be CLIA-certified—one and a half years ahead of our competitors.

CAP accreditation. The CAP accredits laboratories performing testing on specimens from human beings or animals, using methodologies and clinical application within the expertise of the program. In the U.S., the CMS has deemed CAP standards to be equal to or more stringent than CLIA regulations. Our central laboratory was accredited by the CAP in February 2019.

China

Cancer genotyping is a nascent and rapidly evolving industry. Given the nature of the industry, relevant regulatory authorities in China, similar to their counterparts in the U.S., are constantly drafting and refining the regulatory requirements to implement quality management systems in the industry. We are one of the pioneers in China's cancer genotyping industry, and have worked with regulators to share our insights on the nature of the NGS technology while seeking comprehensive approvals, setting high industry standards. We have obtained the following certifications in China:

NCCL certification. The NCCL is the supervising authority of NGS laboratories in China. Our central laboratory in Guangzhou was the second and one of the only three NGS laboratories in China to have passed comprehensive review by the provincial centers for clinical laboratories led by the NCCL. In May 2018, we were certified by, and received NGS laboratory certification from, the Guangdong branch of the NCCL.

NMPA approval. We are a pioneer in our industry in seeking and obtaining the NMPA approval. In September 2016, our LungCure™ was the first innovative medical device in the oncology application field that was approved to enter the "Innovative Device Pathway," a fast-track review for innovative medical device, similar to the FDA's "Breakthrough Device Program." In July 2018, our LungCure™ was approved by the NMPA and became the NMPA's first approved NGS-based reagent kit. We plan to seek approval for more reagent kits with the NMPA.

ACADEMIC COLLABORATIONS

We seek to raise the profile of our technologies and products in China's medical community and encourage their adoption through two principal channels: collaborations with oncology key opinion leaders—where we either collaborate with them and co-author papers or through studies conducted by oncology key opinion leaders

using our products, both of which are published in leading academic journals; and collaboration with pharmaceutical companies—where we collaborate with them on targeted therapies and immunotherapies under clinical investigation.

Physicians look to peer experts and key opinion leaders in the medical community for guidance in research, diagnosis and treatment. We believe our relationships with oncology key opinion leaders, as well as the resulting peer-to-peer interaction they have generated, have been instrumental in raising the awareness of our technology platform and driving adoption of our products.

We form academic collaborations with oncology key opinion leaders where our products are used in clinical trials and research studies on cancer targeted therapies and immunotherapies, the results of which have been published in 68 peer-reviewed articles in the Journal of Clinical Oncology, Lancet Respiratory Medicine, Clinical Cancer Research, Journal of Thoracic Oncology, Annals of Oncology and other academic journals.

The table below highlights some of our publication collaborations with influential oncology key opinion leaders based on these clinical trials and research studies:

Collaborating Key Opinion Leaders	Journal Title	Article Title	Our Products
Yi-Long Wu, head of the Lung Research Institute of Guangdong Provincial People's Hospital, former president of Chinese Society of Clinical Oncology (CSCO), president of Chinese Thoracic Oncology Group (CTONG)	Clinical Cancer Research	*Acquired MET Y1248H and D1246N mutations mediate resistance to MET inhibitors in non-small cell lung cancer*	Our LungPlasma™ and OncoScreen™ were chosen in the biomarker study of the phase II trial of INC280, an innovative MET inhibitor developed by Novartis
Jie Wang, head of department of medicine in the Cancer Hospital of Chinese Academy of Medical Sciences, vice president of CSCO	Lancet Respiratory Medicine	*Detection of EGFR mutations in plasma circulating tumor DNA as a selection criterion for first-line Gefitinib treatment in patients with advanced lung adenocarcinoma (BENEFIT): a phase 2, single-arm, multicenter clinical trial*	Our LungPlasma™ was used for the NGS-based cancer therapy selection of plasma ctDNA in the study
Qing Zhou, deputy head of the Lung Research Institute of Guangdong Provincial People's Hospital, secretary of CTONG	EBioMedicine	*Analysis of resistance mechanisms to Abivertinib, a third-generation EGFR tyrosine kinase inhibitor, in patients with EGFR T790M-positive non-small cell lung cancer from a phase I trial*	Our OncoScreen™ was selected in the biomarker study
Ying Yuan, deputy head of department of medicine of the Second Affiliated Hospital of Zhejiang University School of Medicine, member and secretary of the Committee of Colorectal Cancer of China Anti-Cancer Association	Journal of Molecular Diagnostics	*A novel and reliable method to detect microsatellite instability in colorectal cancer by next-generation sequencing*	Our ColonCore™ and the corresponding MSI calling algorithm were used in the validation study

In addition to publication collaborations, our products are also used in clinical trials and research studies conducted by oncology key opinion leaders that have resulted in peer-reviewed articles in academic journals. The

table below highlights some of the clinical trials and research studies using our products that resulted in peer-reviewed articles in academic journals:

Key Opinion Leader	Journal Title	Article Title	Our Products
Baohui Han, oncologist residing in Shanghai Chest Hospital	Advanced Science	*Circulating DNA-based sequencing guided Anlotinib therapy in non-small cell lung cancer*	Our LungPlasma™ was chosen in the biomarker study of anlotinib
Yun Fan, oncologist residing in Zhejiang Cancer Hospital	Clinical Cancer Research	*Cell-cycle and DNA-damage response pathway is involved in leptomeningeal metastasis of non-small cell lung cancer*	Our LungPlasma™ was used for the NGS-based cancer therapy selection of plasma ctDNA in the study

We also collaborate with oncology key opinion leaders in studies that have resulted in presentations at leading academic conferences. For example, in 2019, we have collaborated with Professor Yun Fan, who made the presentation "*Integrated genomic mutation and DNA methylation analyses of non-small cell lung cancer patients with brain metastases*" at European Society for Medical Oncology (ESMO) Congress 2019, which used our DNA methylation-based detection technologies. In the same year, we collaborated with Professor Lin Wu, who made the presentation "*Characterization of genomic alterations in Chinese LCNEC and SCLC via comprehensive genomic profiling*" at 2019 World Conference on Lung Cancer (WCLC), which used our OncoScreen Plus™.

In addition to collaborations with oncology key opinion leaders, we also collaborate with seven out of the top 25 oncology hospitals in China to conduct clinical trials for our products, including West China Hospital, Sichuan University, Fudan University Shanghai Cancer Center, Cancer Hospital Chinese Academy of Medical Sciences, Shanghai Chest Hospital, Henan Cancer Hospital, Jiangsu Province Hospital and Shanghai Pulmonary Hospital.

COLLABORATIONS WITH PHARMACEUTICAL COMPANIES

We collaborate with over 20 leading international and domestic pharmaceutical companies on clinical trials and research studies, primarily by providing central laboratory services and companion diagnostics development services. These services enable pharmaceutical companies to identify molecularly defined patient populations enrolled in specific clinical trials or to better understand how targeted oncology therapy and immunotherapy drug candidates are working on patients, which in turn guides their drug development process. In order to form collaborations with pharmaceutical companies, we must go through their rigorous quality assurance audits and technical validations to demonstrate that the design, specification and performance of our tests as well as our testing workflow meet their quality and technical requirements. Examples of such collaborations include:

AstraZeneca

Our LungPlasma™ was the only NGS-based product selected by AstraZeneca for its Tagrisso (Osimertinib) Phase III diagnostic methods comparison study.

In November 2017, our HRDCore™ was selected by AstraZeneca for the Phase III clinical study of a drug candidate.

CStone

In May 2018, our OncoScreen Plus™ was selected by CStone in its Phase III clinical trial of CS1001—one of CStone's core product candidates that targets PD-L1—to detect TMB, which can potentially identify the patients who may benefit from treatment of CS1001.

Sino Biopharm

In September 2019, our LungCure™ and OncoScreen Plus™ were selected by Jiangsu Chia Tai Fenghai Pharmaceutical Co. Ltd., a company affiliated with Sino Biopharm, in the Phase I/II clinical study of a drug candidate for local advanced or metastatic NSCLC.

BeiGene

In the fourth quarter of 2019, we entered into an agreement with BeiGene, under which our OncoScreen Plus™ was selected to detect TMB in BeiGene's domestic and international clinical trials for its PD-1 drug candidate.

DISTRIBUTION

We pioneered a two-pronged commercial infrastructure, consisting of both central and in-hospital laboratories, to maximize market penetration and create higher barriers to entry:

- ***Central laboratory model***. Since 2014, we have offered our cancer therapy selection tests under a central laboratory model. Under this model, cancer patients' tissue and liquid biopsy samples are delivered to our central laboratory in Guangzhou for processing, and we issue test reports generally within six days from our receipt of the tissue and liquid biopsy samples, respectively. Our central laboratory also supports our collaborations with pharmaceutical companies; and
- ***In-hospital model***. In China, cancer patients typically go to top oncology hospitals for cancer treatment. These hospitals generally prefer to conduct laboratory tests in-house. Although the complexities of NGS-based cancer therapy selection have so far limited the number of hospitals to have their own laboratory facilities for these tests, we believe that the in-hospital segment presents enormous market opportunities and will become an increasingly important segment of China's cancer genotyping market. Given this opportunity, in 2016, we began offering turn-key solutions under our in-hospital model, enabling our partner hospitals that use our reagent kits to perform testing on their own in a standardized manner with our ongoing training and support.

Central Laboratory Model

We began offering NGS-based cancer therapy selection services under a central laboratory model in 2014, and we have become the market leader in the central laboratory segment of China's NGS-based cancer therapy selection market, with a market share of 16.7% in terms of number of patients tested in 2018, according to CIC. Under our central laboratory model, cancer patients' treating physicians order our cancer therapy selection tests for their patients during the diagnostic process, have the patients' liquid biopsy or tissue samples shipped to our central laboratory in Guangzhou for testing, and design treatment plans based on our test results. Our test reports communicate the actionable genomic alterations in a patient's cancer and match those alterations with potentially relevant treatment options, including targeted therapies and immunotherapies, according to predicted efficacy or resistance. Patients pay us for these tests with out-of-pocket payments.

We have established a dedicated sales and marketing team that focuses on expanding our brand awareness and growing our coverage of hospitals and physicians across China. Our marketing efforts for our central laboratory model include educating hospitals and physicians on the benefits of our tests and the clinical data supporting our test results. We also work with medical professional societies to promote the awareness of the clinical benefits of our tests and NGS-based cancer therapy selection in general, and we sponsor or present at medical, scientific or industry exhibitions and conferences and pursue or support scientific studies of our tests and the publication of results in academic journals.

Since our inception, physicians from over 540 hospitals have ordered our cancer therapy selection tests under our central laboratory model. The table below sets forth the key operating data for our central laboratory model for the periods presented:

	Year ended December 31,		Nine months ended September 30,	
	2017	2018	2018	2019
Number of patients tested	10,134	16,105	11,597	16,904
Number of ordering physicians(1)	777	1,135	957	1,339
Number of ordering hospitals(2)	207	263	231	298

(1) Represents physicians who on average order at least one test from us every month during a relevant period under the central laboratory model.
(2) Represents hospitals whose residing physicians who on average order at least one test from us every month during a relevant period under the central laboratory model.

In-hospital Model

Despite the large and growing demand, Chinese hospitals face multiple challenges in adopting NGS-based cancer therapy selection testing in house, which has technically sophisticated workflows such as library preparation and complex data analysis and interpretation. As a result, these hospitals are in urgent need of high-performing and greatly standardized technologies and products that adhere to their rigorous quality requirements and operating protocols. Strategically focusing on the in-hospital segment of China's cancer genotyping industry since our inception, in 2016 we became the first company in China to offer Chinese hospitals a turn-key solution and ongoing support that effectively addresses their challenges in adopting NGS-based cancer therapy selection.

The flow chart below sets forth the key steps of our in-hospital model:

(1) Typically include tests conducted by the hospitals to compare our tests against conventional cancer therapy selection methods, as well as against those offered by other NGS-based cancer therapy selection companies.

To form collaborations with partner hospitals, we must complete each partner hospitals' rigorous onboarding process, including (i) benchmarking tests conducted by the hospitals, including comparisons of our tests against conventional cancer therapy selection methods such as PCR and FISH, as well as against those offered by other NGS-based cancer therapy selection companies, and (ii) other comprehensive assessments to evaluate our technical and service capabilities. Throughout this process, our dedicated in-hospital model sales and technical support teams, working closely with our research and development, medical support and other teams, collaborate with our partner hospitals to redesign their in-hospital laboratories, complete tender processes, source laboratory equipment and supplies, install laboratory systems and customize the hospitals' testing workflow, data analysis and report generation—all while ensuring compliance with the hospitals' rigorous quality and operating protocols.

Once an in-hospital laboratory is in operation, the partner hospital purchases our products to perform NGS-based cancer therapy selection on a recurring basis. We are dedicated to continuously optimizing the operations of these in-hospital laboratories and maintaining our relationships with our partner hospitals. We frequently conduct onsite visits and provide remote technical support, such as data analytics support, to ensure optimal laboratory performance. In September 2019, we launched our fully automated NGS library preparation

system, Magnis BR, and associated library preparation reagents, which we co-developed with Agilent. Magnis BR and its associated reagents are particularly suitable for Chinese hospitals because they fully automate the NGS library preparation process and convert DNA samples into sequencing-ready libraries in around nine hours, which help partner hospitals streamline their testing workflow, reduce manual labor and minimize risks.

Through our strategic focus—supported by our high-quality products and industry-leading technological capabilities—we have become the market leader in the in-hospital segment of China's NGS-based cancer therapy selection market, with a market share of 79.8% in terms of number of patients tested in 2018. Our in-hospital model represents a stable and growing revenue stream that consists of fees from initial facilitation of the hospitals' laboratory equipment purchases followed by recurring sales of our products.

We have partnered with 40 Class III Grade A hospitals (the highest of China's nine-tiered hospital designation system) in 22 cities across China, to establish in-hospital laboratories. The table below sets forth the cumulative numbers of our partner hospitals as of the dates indicated:

	As of December 31,			As of September 30,
	2016	2017	2018	2019
Pipeline partner hospitals(1)	7	12	14	21
Contracted partner hospitals(2)	2	4	12	19
Total number of partner hospitals	9	16	26	40

(1) Refers to hospitals that have established in-hospital laboratories, completed laboratory equipment installation and commenced pilot testing using our products. According to CIC, it generally takes 12 to 30 months for hospitals to progress from pipeline partner hospitals to contracted partner hospitals, which generate recurring revenue from the sale of reagent kits.
(2) Refers to hospitals that have entered into contracts to purchase our products for use on a recurring basis in their respective in-hospital laboratories we helped them establish.

CANCER GENOMIC DATA ECOSYSTEM

We seek to leverage the vast array of genomic data generated by our NGS-based cancer therapy selection platform to position ourselves at the center of China's cancer treatment paradigm. Our proprietary database, oncoDB, includes cancer-related genomic data from over 162,000 tests performed since our inception. It represents the largest lung cancer genomic information database, as well as one of the largest cancer genomic information databases, in China. OncoDB will continue to expand as more NGS-based cancer therapy selection is conducted using our tests, and our knowledge regarding Chinese cancer patients' genomic alteration patterns is continuously enhanced, which in turn enhances the effectiveness of our treatment recommendations to physicians.

Building on the expansive data in OncoDB, in 2019 we launched Live Annotation, Visualization and Analysis, or LAVA, our cloud-based cancer genomic data ecosystem that facilitates the broader exchange of real-time clinically actionable genomic data among physicians. LAVA is accessible through an online web portal and a mobile application. Over 420 physicians from 120 hospitals have joined LAVA.

LAVA offers physicians a broad spectrum of capabilities that are useful in treating cancer patients and forming research collaborations with each other. It has computerized and centralized all clinically useful data of cancer patients who have taken our tests. This enables patients' treating physicians to search, retrieve and manage their patients' most up-to-date medical records, which can otherwise be difficult over the long case histories of many cancer patients. LAVA also provides detection rates of certain genomic aberrances that are characteristic of the real world Chinese patient population, helping doctors make better and more timely diagnosis and therapeutic recommendations and further facilitates remote cooperation and discussion among physicians about the optimal treatment methods. We have obtained appropriate consents from all patients and participating physicians and have implemented de-identification and other measures to ensure that all data are shared safely and securely and that patients' privacy is protected.

We plan to expand LAVA to assist pharmaceutical companies in their research and development of new drug candidates and achieve precise patient recruitment in clinical trials. The vast quantity of genomic data we have accumulated will assist pharmaceutical companies in their development of cancer targeted therapies and immunotherapies by discovering novel targetable mutations in particular cancer types, or identifying patients who are potentially suitable for the drugs they are developing, and thus improving clinical trial success rates. This type of patient information is exceptionally valuable, especially for certain rare mutations.

OPERATIONS

We primarily perform cancer therapy selection using both tissue and liquid biopsy tests under the central laboratory model in our NCCL- and CLIA-certified, CAP-accredited central laboratory in Guangzhou. Our central laboratory currently has an annual capacity of over 100,000 tests, which we expect to double in 2020 through the adoption of automation systems and laboratory expansions. We achieve a median turnaround time of six days for both of our liquid biopsy and tissue-based tests. Our test reports contain comprehensive information about the detected actionable genomic alterations and recommend targeted therapies and immunotherapies for each genomic alteration, according to predicted efficacy and resistance.

We have applied good clinical practices, or GCP, to the operations of our central laboratory. Our GCP system consists of a quality control, or QC, system, a quality assurance, or QA, system and a corrective and preventive action, or CAPA, management system. We have incorporated these comprehensive quality control measures in all stages of our testing process to ensure the high-quality, consistency, and timeliness of our testing results. We have also participated in various proficiency tests and external quality assessments for the testing services we offer, including, among others, ctDNA testing, NGS solid tumor testing, and BRCA testing and interpretation. Our industry-leading technological capabilities and QC system have resulted in our operational excellence. For example, the testing success rate of our LungPlasma™ is 99.5% (represents the proportion of clinical samples tested by LungPlasma™ that passed our quality control standards—including cfDNA extraction amount, pre-library quality, library quality and sequencing data quality—and therefore test reports were successfully generated), which we believe is on par with world-class genomic testing companies.

We have GMP-standard manufacturing facilities in Guangzhou for the manufacturing of our reagent kits, with an aggregate annual production capacity of 250,000 kits. We plan to substantially increase our production capacity to meet rising market demand by installing automated workstations in our manufacturing facilities. We have adopted various QC measures to ensure that we comply with all applicable regulations, standards and internal policies during the manufacturing process. In October 2018, our manufacturing facilities obtained ISO13485 certification. This ISO standard demonstrates that we have a comprehensive quality management system for the design and manufacture of medical devices.

We typically source sequencers, reagents and certain other laboratory supplies used in our laboratory operations from trading companies that procure laboratory supplies from a variety of manufacturers. We generally enter into short-term supply agreements with our suppliers on an as-needed basis, each specifying the quantity, quality, warranty, delivery and payment terms and other customary terms for the respective batch of laboratory equipment and supply we purchase. Our suppliers generally grant us a credit term of 30 to 90 days, and are responsible for the repair and maintenance of the laboratory equipment and supplies they supply.

RESEARCH AND DEVELOPMENT

Our research and development efforts are primarily focused on the following areas:

Development of, and improvement on, NGS-based cancer therapy selection products. Based on clinical market demand and scientific progress, we design a series of different panels to meet different clinical needs. In particular, we are continuously working on designing products that require lower sample input and have higher library conversion rate and shorter hands-on time. We are also working to increase the automation of NGS-based

cancer therapy selection products to alleviate manual workload and improve therapy selection precision. Our bioinformatics team will continue improving our data analysis algorithms and developing our analysis pipeline. Our validation team is working on thoroughly evaluating the sensitivity, specificity, reproducibility and accuracy of each product before launch.

Development of more reagent kits for NMPA approval. We are developing a number of products targeting different cancers for the NMPA approval. For each product, we will implement strict design control process, perform analytical validation, and conform the manufacturing to GMP and ISO13485 standards. We are also developing the corresponding software solutions for these products.

Development and validation of MRD detection products. We are conducting analytical and clinical validation studies on our UMI-based liquid biopsy products for their sensitivity and utility for MRD detection, which could demonstrate clinical benefits for early-stage patients by predicting their risk of recurrence after treatment.

Development of early cancer detection technologies and products. Building upon brELSA™, our targeted DNA methylation-based library preparation method, and brMERMAID™, our machine learning algorithm, we will keep improving the biochemistry behind our technologies to enhance background noise suppression, allowing for more accurate qualification and enabling our tests to be compatible with more sequencers, as well as improving our early detection prediction models for cancer detection sensitivity, specificity and tissue origin determination accuracy.

Development of automation solutions for current and future products. To alleviate complicated workflow for NGS-based cancer therapy selection products, we are developing multiple automation solutions to streamline the workflow and reduce human intervention and turnaround time. Solutions we are now developing include robotic liquid handling system and corresponding laboratory information management system integration to work with high, medium, and low throughput laboratory requirement.

Research and technology development on additional clinically actionable biomarkers. We are also conducting research and development on additional clinically actionable biomarkers. For example, we are developing a technology to sequence RNA samples to detect clinically significant RNA alterations, which is expected to be a useful supplement to DNA sequencing.

In 2017, 2018 and the nine months ended September 30, 2019, our research and development expenses was RMB49.0 million, RMB105.3 million (US$14.7 million) and RMB104.7 million (US$14.6 million), respectively.

INTELLECTUAL PROPERTY

We protect our intellectual property rights through a combination of patents, trademarks, copyrights, trade secrets, including know-how, license agreements, confidentiality agreements and procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements and other contractual rights.

Our patent strategy is focused on seeking coverage for our core technologies and specific follow-on applications, implementations for detecting and monitoring cancer by determining genomic alterations, and evaluating the status of specific biomarkers in liquid or tissue samples. In addition, we file for patent protection on our on-going research and development, particularly into early-stage cancer screening.

Our patents and patents applications are primarily related to our proprietary library preparation technologies, algorithms and laboratory equipment and processes. As of September 30, 2019, we held 11 patents in China, which will expire between 2025 and 2038. As of the same date, we had seven pending patent applications in China, two pending patent applications in Hong Kong, and three international applications strategically filed under the Patent Cooperation Treaty, or PCT, of which one is pending registration for our MSI calling algorithms in the U.S., Europe and Japan.

The table below sets forth details of our key patents:

Description of patent	Use and application	Jurisdiction	Expiration date
A library preparation method and associated reagents (HS library preparation technology)	Our cancer therapy selection tests	China	2035
A composition of matter that detects the presence of MSI in liquid biopsy samples (related to bMSISEA)	Tests such as ColonCore™ and pan-cancer tests	China	2036
A automation method of the management and reporting of quality control of laboratory processes	Our laboratory information management system	China	2038

The table below sets forth details of our key pending patent applications:

Description of patent application	Use and application	Jurisdiction	Expected expiration date
A NGS-based method to simultaneously detect MSI and genomic mutations in liquid biopsy samples (bMSISEA)	Our cancer therapy selection tests that detect MSI in liquid biopsy samples, such as ColonCore™	China, PCT(1)	2038
A NGS-based method to simultaneously detect MSI and genomic mutations in tissue samples (prettyMSI)	Our cancer therapy selection tests that detect MSI in tissue samples, such as OncoScreen Plus™	China, Hong Kong, PCT (currently under review by patent offices in Japan, the U.S. and the European Union)	2039
Compositions and methods for preparing nucleic acid libraries (brELSA™)	Our targeted DNA-methylation based library preparation method for early cancer detection	PCT(1)	2038

(1) An international patent application has been filed under the PCT.

We have also registered three software copyrights related to our laboratory process quality control management, report automation, and sequencing result analysis.

As of September 30, 2019, we had registered 63 trademarks, including “燃石医学”, “BURNING ROCK DX”, “ ” and product and service names, and 183 trademark applications pending in China. We also own four registered domain names, including our official website.

FACILITIES

Our corporate headquarters, central laboratory and manufacturing facilities are located in Guangzhou, China. We also have a research and development center in Shanghai and offices in Beijing. These facilitates have an aggregate of over 12,000 square meters. We currently lease all of our facilities. We believe that we will be able to obtain adequate facilities, principally through leasing, to accommodate our future expansion.

EMPLOYEES

As of December 31, 2017, December 31, 2018 and September 30, 2019, we had 294, 528 and 654 employees, respectively. Most of our employees are located in China, with a small number located in the United States. The following table sets forth the number of our employees by function as of September 30, 2019.

	As of September 30, 2019	
	Number	% of Total Employees
Functions:		
Technology, Research and Development	139	21.3%
Medical Affairs	38	5.8%
Operations and Quality Assurance	172	26.3%
Sales and Marketing	258	39.4%
General and Administration	47	7.2%
Total number of employees	654	100.0%

As required by PRC laws and regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, medical insurance and unemployment insurance and housing fund. We are required under PRC laws to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

COMPETITION

We are China's number one NGS-based cancer therapy selection company. China's cancer genotyping industry is highly competitive. Our major competitors include domestic NGS-based cancer therapy selection companies, such as AmoyDx, BGI and Geneseeq. Our competitors may have more expertise, experience and financial resources, stronger business relationships in developing and commercializing their products and services, more mature technologies, greater market adoption among physicians, patients and others in the medical community, broader test menus, larger databases, or greater brand recognition than we do. We also cannot assure you that our technologies will not become obsolete if we cannot keep pace with the constantly changing technologies in the industry.

LEGAL PROCEEDINGS

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition or cash flows. Regardless of the outcome, litigation may have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

REGULATION

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.

Regulations on Foreign Investment

Investment in China by foreign investors are regulated by the Catalog of Industries for Encouraging Foreign Investment, as promulgated by the MOFCOM and the NDRC on June 30, 2019, and the Special Administrative Measures on Access of Foreign Investment (2019 Edition), or the Negative List, as promulgated on June 30, 2019. Industries not listed in the Negative List are generally permitted and open to foreign investment, unless specifically prohibited or restricted by the PRC laws and regulations. According to the Negative List, foreign investors are permitted to access to the medical device industry, whereas foreign investors are prohibited from investing in businesses involving the development and application of genomic diagnosis and treatment technology.

In addition, a foreign-invested enterprise in the PRC is required to comply with other regulations on its incorporation, operation and changes. On March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the PRC, which became effective on January 1, 2020. Pursuant to the Foreign Investment Law of the PRC, China will grant national treatment to foreign invested entities, except for those foreign invested entities that operate in industries that fall within "restricted" or "prohibited" categories as prescribed in the Negative List to be released or approved by the State Council.

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 clarify 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 SAMR jointly promulgated the 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 directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

Regulations on Human Genetic Resources

The Regulation on the Management of Human Genetic Resources, as promulgated by the State Council on May 28, 2019 and effective on July 1, 2019, regulates the collection, preservation, usage and provision of human genetic resources. According to this regulation, "human genetic resource" includes human genetic resource materials and information. Human genetic resource materials refer to organs, tissues, cells and other genetic materials containing human genome, genes and other genetic materials. Human genetic resource information refers to information, such as data, generated by human genetic resources materials. The Administrative Department of Science and Technology under the State Council is responsible for the management of human genetic resources at the national level, and the administrative departments of science and technology under the provincial governments are responsible for the management of human genetic resources at local level and are vertically directed by the central government. Foreign organizations, individuals and institutions established or actually controlled by foreign organizations and individuals are not allowed to collect or preserve human genetic resources (including organs, tissues, cells and other genetic materials of human genome and gene) in China or provide human genetic resources abroad.

Regulation on Medical Institutions and Medical Devices

Regulatory Authorities

The newly formed NMPA under the State Administration for Market Regulation is the government authority that monitors and supervises the administration of pharmaceutical products, medical devices and

cosmetics. The NMPA's predecessor, the CFDA, was established in March 2013 and separated from the Ministry of Health of the PRC, or the MOH, as part of an institutional reform of the State Council. Predecessors of the NMPA also include the former State Food and Drug Administration, or the SFDA, which was established in March 2003 and the State Drug Administration, or the SDA, that was established in August 1998. The primary responsibilities of the NMPA include:

- monitoring and supervising the administration of pharmaceutical products, medical devices and cosmetics in the PRC;
- formulating administrative rules and policies concerning the supervision and administration of the pharmaceutical, medical device and cosmetics industry;
- evaluating, registering and approving of new drugs, generic drugs, imported drugs and traditional Chinese medicine;
- approving and issuing permits for the manufacture and export/import of pharmaceutical products and medical devices, and approving the establishment of enterprises to be engaged in the manufacture and distribution of pharmaceutical products; and
- examining and evaluating the safety of pharmaceutical products, medical devices and cosmetics and handling significant accidents involving these products.

The National Health and Family Planning Commission, or the NHFPC, has been renamed as the National Health Commission, or the NHC. The NHC is an authority at the ministerial level under the State Council and is primarily responsible for national public health. The NHC combines the responsibilities of the former NHFPC, the Leading Group Overseeing Medical and Healthcare Reform under the State Council, the China National Working Commission on Aging, partial responsibilities of the Ministry of Industry and Information Technology in relation to tobacco control, and partial responsibilities from the State Administration of Work Safety in relation to occupational safety. The predecessor of NHFPC is the MOH. Following the establishment of the SFDA in 2003, the MOH was put in charge of the overall administration of national health in the PRC excluding the pharmaceutical industry.

Medical Institutions Laws and Regulations

The Regulation on the Administration of Medical Institutions as promulgated by the State Council in 1994 and revised in 2016 provides the requirements for the establishment and administration of medical institutions. The establishment of medical institutions must comply with local governments' plans for the establishment of medical institutions and the basic standards for medical institutions. To establish a medical institution, an entity or individual will be subject to the examination and approval of the health administrative department of the local government at or above the county level. A medical institution providing medical services must register and obtain a Medical Institution Practice License. An entity or individual that has not obtained a Medical Institution Practice License may not carry out diagnosis or treatment activities. The revised Rules for Implementation of the Administrative Regulation on Medical Institutions, as promulgated by the NHFPC in February 2017, further regulates the approval on the establishment, registration, validation and practice of medical institutions.

Guangzhou Burning Rock Dx Co., Ltd., a subsidiary of our VIE, obtained a Medical Institution Practice License in September 2017, with a five-year validity from March 2015 to March 2020.

The Measures for the Administration of Clinical Testing Laboratories in Medical Institutions, which was promulgated by the MOH in February 2006 and became effective in June 2006, provides regulations on the examination, establishment, quality management and safety practice of clinical testing laboratories in medical institutions.

The Measures for the Administration of Clinical Gene Amplification Testing Laboratories in Medical Institutions, as promulgated by the MOH in December 2010, provides the requirements for medical institutions

to carry out clinical gene amplification test techniques. A clinical gene amplification testing laboratory refers to a laboratory that detects specific DNA or RNA by amplification to perform disease diagnosis, treatment monitoring and prognosis determination. The MOH is responsible for supervising and administering clinical gene amplification testing laboratories in medical institutions nationwide. The health administrative authorities at the provincial level are responsible for supervising and administering clinical gene amplification testing laboratories in medical institutions within their respective administrative regions. This regulation also provides the examination and establishment of clinical gene amplification testing laboratories, laboratory quality management and laboratory supervision and management.

The Notice for the Basic Standards for Clinical Testing Laboratories (for Trial Implementation), as promulgated by the NHFPC in July 2016, further provides the standards and requirements for clinical testing laboratories.

The Notice for the Further Administration of Clinical Gene Amplification Testing Laboratories in Medical Institutions as promulgated by the Guangdong Health Department in September 2012 provides that medical institutions carrying out clinical gene amplification test techniques must apply for technical access from the Guangdong Health Department, and the Guangdong Clinical Laboratory Center is authorized as the technical auditing institution of clinical gene amplification testing technology.

The Notice for the Further Administration of Department Office and Medical Technology in Clinical Institutions, as promulgated by the Guangdong Health Department in May 2016, further provides for the management of medical technology. Clinical gene amplification testing technology, as a limited medical technology, is subject to the examination and approval of the Guangdong Health Department.

Guangzhou Burning Rock Dx Co., Ltd., a subsidiary of our VIE, obtained its Certificate of Clinical Gene Amplification Testing Laboratory in August 2015, with a five-year validity from August 2015 to August 2020. Guangzhou Burning Rock Dx Co., Ltd. obtained its Certificate of High Throughput Sequencing Testing Laboratory in May 2018, with a five-year validity from May 2018 to May 2023.

Medical Devices Administration Laws and Regulations

According to the Notice on Strengthening the Management of Products and Technologies Related to Clinical Use of Gene Sequencing, as promulgated by the CFDA and NHFPC in February 2014, gene sequencing diagnostic products (including gene sequencer and related diagnostic reagents and software) are regulated as medical devices and must be registered pursuant to relevant regulations.

The Regulation on the Supervision and Administration of Medical Devices, as amended by the State Council in May 2017, regulates entities that engage in the research and development, production, operation, use, supervision and administration of medical devices in the PRC. Medical devices are classified according to their risk levels. Class I medical devices are medical devices with low risks, and the safety and effectiveness of which can be ensured through routine administration. Class II medical devices are medical devices with moderate risks, which are strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices are medical devices with relatively high risks, which are strictly controlled and administered through special measures to ensure their safety and effectiveness. The evaluation of the risk levels of medical devices take into consideration the medical devices' objectives, structural features, methods of use and other factors. Registration certificates are required for Class II and Class III medical devices. The classification of specific medical devices is stipulated in the Medical Device Classification Catalog, which was issued by the CFDA on August 31, 2017 and became executive on August 1, 2018.

The Administrative Measures for the Registration of Medical Devices, or the Medical Devices Registration Measures, as promulgated by the CFDA in October 2014, provide that Class I medical devices are subject to record-filing, while Class II and Class III medical devices are subject to registration. According to the Medical

Devices Registration Measures, the registration and record-filing of IVD reagents that are regulated as medical devices are governed by the Administrative Measures for the Registration of IVD Reagents, which was first promulgated by the CFDA and took effect on July 30, 2014, and amended on January 25, 2017. Pursuant to the Administrative Measures for the Registration of IVD Reagents, Class I IVD reagents are subject to filing, and Class II and Class III IVD reagents are subject to inspection, approval and registration.

According to the Opinions on Deepening the Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices, the evaluation and approval for the application of innovative medical devices will be prioritized. In November 2018, the NMPA released the Special Review Procedures for Innovative Medical Devices, which provides that the NMPA will prioritize applications for qualified innovative medical devices. These rules specify requirements for the application of innovative medical devices, including certificates, intellectual property, process and results of product research and development and other technical documents.

The Measures for the Supervision and Administration of the Manufacture of Medical Devices, as promulgated by the CFDA in November 2017, regulates entities that engage in the manufacturing of medical devices in the PRC. The food and drug administration authorities at or above the county level regulate medical device manufacturing within their administrative regions, including manufacturing-related licensing and registration, contract manufacturing and manufacturing quality controls. Production permits are required for the manufacture of Class II and Class III medical devices. A medical device production license is valid for five years, which may be extended upon expiration in accordance with relevant administrative provisions. Medical device manufacturers are not required to obtain a medical device operation license to sell their self-manufactured products.

The Good Manufacturing Practice Rules for Medical Devices, as promulgated by the CFDA on December 29, 2014 and effective on March 1, 2015, provide basic principles for quality control systems for medical devices manufacturing, and these rules are applicable to the entire process of design and development, production, sales and post-sale services of medical devices.

The Measures for the Supervision and Administration of the Business Operation of Medical Devices, as promulgated by the CFDA in November 2017, regulates entities conducting the business operation of medical devices in the PRC. Medical devices are assigned to one of three regulatory classes based on the level of control necessary to assure the safety and effectiveness of the device. Business activities involving medical devices are regulated in accordance with the classification of each of the medical devices. No registration or license is required for business activities involving Class I medical devices. Registration is required for business activities involving Class II medical devices, and licenses are required for business activities involving Class III medical devices. A medical device operation license is valid for five years, which may be extended upon expiration in accordance with relevant administrative provisions. Medical devices manufacturing enterprises engaging in the sale of self-produced products are not required to obtain a medical device operation license.

According to the Supervision and Administration of Medical Devices, entities are prohibited from using or operating unregistered, expired, invalid or obsolete medical devices or those without a certificate of conformity.

Pursuant to the Notice on Strengthening the Administration of Import and Use of Pharmaceutical and Medical Devices, as promulgated by the CFDA in October 2010, medical institutions may only purchase qualified medical devices from enterprises with a medical device manufacture license or a medical device operation license.

Guangzhou Burning Rock Dx Co., Ltd., a subsidiary of our VIE, obtained Class I medical devices record-filing certificates for our general kit for sequencing reaction, nucleic acid extraction or purification reagent, sequencing kit for gene sequencing and library kit for gene sequencing (DNA interruption linking) in May 2016, January 2017, April 2017 and December 2017, respectively. Guangzhou Burning Rock Dx Co., Ltd. also

obtained a Class III medical device registration certificate for our human EGFR/ALK/BRAF/KRAS fusion gene mutation detection kit (reversible termination sequencing) and mutation gene analysis software for non-small cell lung cancer in July 2018 and August 2019, respectively.

Guangzhou Burning Rock Dx Co., Ltd. obtained a Class III medical device manufacture license for our human EGFR/ALK/BRAF/KRAS fusion gene mutation detection kit (reversible termination sequencing) in August 2018, with a term of five years.

Guangzhou Burning Rock Medical Devices Co., Ltd. obtained a medical device operation license for Class III medical devices in April 2016, with a term of five years.

Medical Devices Subject to Cold Chain Management

According to the Guidelines for Cold Chain (Transport & Storage) Management of Medical Devices, as promulgated by the CFDA in September 2016, medical devices subject to cold chain management, such as our reagent kits, are medical devices requiring refrigeration and frozen management in the process of transportation and storage in accordance with relevant instructions and labels. Medical device manufacturers and wholesalers must equip with cold storage, refrigerated vehicles and containers, and other facilities and equipment, which fit the variety and scale of the medical devices they produce or operate. To ensure proper temperature control during transportation, operators must choose a reasonable means of transportation, and take adequate temperature control measures based on transportation conditions, which, among others, include the quantity of medical devices subject to cold-chain management, the distance and time requirements, and the temperature requirements. Operators who engage third-party carriers must examine the carrier's qualifications and capabilities, and enter into relevant agency agreements for transportation.

Tendering Processes for Medical Devices

The Chinese government has implemented measures to encourage pooled procurement of expensive medical consumables through tendering processes. In June 2007, MOH issued the Notice on Further Strengthening the Administration of Centralized Procurement of Medical Devices, which requires that all non-profit medical institutions established by local governments, associations or state-owned enterprises participate in the centralized procurement. Public tendering will be the principal method for centralized procurement.

Policies on NGS-based Cancer Therapy Selection

In recent years, China has introduced a series of policies that support the development of NGS-based cancer therapy selection. The table below presents a selection of these policies introduced by relevant governmental authorities in China from 2014 to 2018:

Date	Authority	Key messages
February, 2014	NMPA	The NMPA (former CFDA) issued a *Notice on Special Approval Procedures for Innovative Medical Devices (Trial)*, which significantly accelerated the approval process for NGS products.
March, 2014	State Council	The State Council published *Regulation on the Supervision and Administration of Medical Devices*, which provides that reagents related to human gene testing are Class III medical devices. NGS products are managed as medical devices.

Date	Authority	Key messages
February, 2015	NHC	The NHC published Guidelines for *Personalized Medical Testing Applications of Sequencing Technology*, which provides guidance on sample collection, transportation, receiving, processing, testing and inspection of project development, verification, and validation, basic principles of quality control, result reporting, and the possible problems and countermeasures, to provide standardized guidance on precision medicine based on sequencing technology application.
July, 2015	NHC	The NHC published *Guidelines for Individualized Treatment and Detection of Tumors*, which provides for the standardization of testing technology, laboratory access and quality assurance. It includes specific requirements for clinical and medical laboratories to ensure the accuracy of genotyping test results.
February, 2016	NHC	The NHC published *Notice of the General Office of the National Health and Family Planning Commission on Issues Related to the Management of Clinical Testing Projects*, which covers strengthening the management of clinical inspection projects, standardizing the clinical inspection work of medical institutions, meeting the needs of clinical medical treatment, and ensuring the quality and safety of medical treatment.
May, 2017	State Council	The State Council published *Amendments to the Regulations on the Supervision and Administration of Medical Devices*, which regulates Class III medical devices, including NGS products, under product registration management. It also provided detailed requirements for Class III medical device registration.
September, 2018	NHC	The NHC published *Guidelines for Clinical Application of New Cancer Drugs* to guide the clinical application of cancer drugs. The guidelines cover 7 types of tumors including respiratory system, digestive system, blood tumor, urinary system, breast cancer and 42 types of cancer drugs, providing clear guidance for precision medicine.
November, 2018	NMPA	The NMPA published *Notice Concerning Public Solicitation of Opinions on Guidelines for Clinical Trials of In Vitro Diagnostic Reagents*, which provides basic principles for IVD reagent clinical trials, provides recommendations in principle for clinical trial design, identifies key factors to consider during clinical trials, and provides reference for technical review departments in reviewing clinical trial data.

Other Significant PRC Regulations Affecting Our Business Activities

Commercial Bribery Regulations

The Standing Committee of the National People's Congress adopted the Anti-Unfair Competition Law, which became effective on December 1, 1993 and was amended on November 4, 2017, with the most recent amendment coming into force on January 1, 2018. The Anti-Unfair Competition Law provides that a business operator commits a crime if it offers money or any other bribes in the course of selling or purchasing products.

Medical device companies involved in criminal investigations or administrative proceedings related to bribery are listed in the Adverse Records of Commercial Briberies by their respective provincial health and

family planning administrative departments. Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry, which became effective on March 1, 2014, provincial health and family planning administrative departments are responsible for formulating the implementing measures for the establishment of Adverse Records of Commercial Briberies. If a company is listed in the Adverse Records of Commercial Briberies for the first time, its products may not be purchased by public medical institutions. A company will not be penalized by the relevant PRC government authorities merely by virtue of having contractual relationships with sales agents or third-party promoters who are engaged in bribery activities, so long as such company and its employees are not utilizing the sales agents or third-party promoters for the implementation of, or acting in conjunction with them in, the prohibited bribery activities. In addition, a company is under no legal obligation to monitor the operating activities of its sales agents and third-party promoters, and will not be subject to penalties or sanctions by relevant PRC government authorities as a result of failure to monitor their operating activities.

Product Liability Regulations

In addition to a strict new medical products approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in China. Under current PRC law, manufacturers and vendors of defective products in China may incur liability for loss and injury caused by such products. Pursuant to the General Principles of the Civil Law of the PRC promulgated on April 12, 1986 and amended on August 27, 2009, a defective product that causes property damage or physical injury to any person may subject the manufacturer or vendor of that product to civil liability for such damage or injury.

On February 22, 1993, the Product Quality Law of the PRC, or the Product Quality Law, was promulgated to supplement the Civil Law of the PRC aiming to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law was revised by the National People's Congress on July 8, 2000, August 27, 2009 and December 29, 2018. Pursuant to the revised Product Quality Law, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any consumer information they obtain during their business operations. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

We are not aware of any material product liability related litigation or other legal proceedings against us arising from the gene testing products or services that we provide to our customers.

PRC Tort Law

Under the Tort Law of the PRC, which became effective on July 1, 2010, if damages to persons are caused by defective products due to the fault of a third party, such as the parties providing transportation or warehousing services, the producers and the sellers of the products have a right to recover their respective losses from such third parties. If defective products are identified after they have been distributed, the producers or the sellers must take remedial measures, such as issuance of a warning or recall of products, in a timely manner. The producers or the sellers will be liable under tort if they fail to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus causing damages. If the products are produced or sold with known defects and cause deaths or severe adverse health issues, the infringed party has a right to claim punitive damages in addition to compensatory damages.

Intellectual Property Laws and Regulations

China has made substantial efforts to promulgate comprehensive legislation governing intellectual property rights, including laws and regulations on patents, trademarks, copyrights and domain names.

Patents

Pursuant to the PRC Patent Law, most recently amended in December 2008, and its implementation rules, most recently amended in January 2010, patents in China fall into three categories: invention, utility model and design. An invention patent is granted to a new technical solution proposed in respect of a product or method or an improvement of a product or method. A utility model is granted to a new technical solution that is practicable for application and proposed in respect of the shape, structure (or a combination of both) of a product. A design patent is granted to a new design of a certain product in shape, pattern (or a combination of both) and in color, shape and pattern combinations aesthetically suitable for industrial application. Under the PRC Patent Law, the term of patent protection starts from the date of application. Patents relating to invention are effective for twenty years, and utility model and design patents are effective for ten years from the date of application. The PRC Patent Law adopts the principle of "first-to-file" system, which provides that where more than one person files a patent application for the same invention, a patent will be granted to the person who first files the application.

Existing patents can be narrowed, invalidated or unenforceable due to a variety of grounds, including lack of novelty, creativity, and deficiencies in patent application. In China, a patent must have novelty, creativity and practical applicability. Under the PRC Patent Law, novelty means that before a patent application is filed, no identical invention or utility model has been publicly disclosed in any publication in China or overseas or has been publicly used or made known to the public by any other means, whether in or outside of China, nor has any other person filed with the patent authority an application that describes an identical invention or utility model and is recorded in patent application documents or patent documents published after the filing date. Creativity means that, compared with existing technology, an invention has prominent substantial features and represents notable progress, and a utility model has substantial features and represents any progress. Practical applicability means an invention or utility model can be manufactured or used and may produce positive results. Patents in China are filed with the State Intellectual Property Office, or SIPO. Normally, the SIPO publishes an application for an invention patent within 18 months after the filing date, which may be shortened at the request of applicant. The applicant must apply to the SIPO for a substantive examination within three years from the date of application.

The PRC Patent Law provides that, for an invention or utility model completed in China, any applicant (not limited to Chinese companies and individuals), before filing a patent application outside of China, must first submit it to the SIPO for a confidential examination. Failure to comply with this requirement will result in the denial of any Chinese patent for the relevant invention. This added requirement of confidential examination by the SIPO has raised concerns by foreign companies that conduct research and development activities in China or outsource research and development activities to service providers in China.

Patent Enforcement

Unauthorized use of patents without consent from owners of patents, forgery of patents belonging to other persons, or engaging in other patent infringement acts, will subject the infringers to infringement liability. Serious offenses such as forgery of patents may be subject to criminal penalties.

When a dispute arises out of the infringement of a patent owner's patent rights, PRC law requires that the parties first attempt to settle the dispute through mutual consultation. However, if the dispute cannot be settled through mutual consultation, the patent owner, or an interested party who believes the patent is being infringed, may either file a civil legal suit or file an administrative complaint with the relevant patent administration authority. A Chinese court may issue a preliminary injunction upon the request of the patent owner or an

interested party before instituting any legal proceedings or during the proceedings. Damages for infringement are calculated as the loss suffered by the patent holder arising from the infringement, and if the loss suffered by the patent holder arising from the infringement cannot be determined, the damages for infringement are calculated as the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined using a reasonable multiple of the license fee under a contractual license. Statutory damages may be awarded in circumstances where damages cannot be determined by the calculation standards described above. The damage calculation methods will be applied in the order described above. Generally, a patent owner has the burden of proving that the patent is being infringed. However, if the owner of an invention patent for manufacturing process of a new product alleges infringement of its patent, the alleged infringer has the burden of proof.

As of September 30, 2019, we held 11 patents in China. As of the same date, we had seven pending patent applications in China, two pending patent applications in Hong Kong, and three international applications strategically filed under the Patent Cooperation Treaty (including the patent application for ELSA™, our proprietary targeted DNA-methylation based library preparation method for early cancer detection), of which one is pending registration for our MSI calling algorithms in the U.S., Europe and Japan.

Trade Secrets

According to the PRC Anti-Unfair Competition Law, the term “trade secrets” refers to technical and business information that is unknown to the public, has utility and may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders.

Under the PRC Anti-Unfair Competition Law, which was promulgated on September 2, 1993 and was amended on November 4, 2017, business persons are prohibited from infringing others’ trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, intimidation, solicitation or coercion; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; or (3) disclosing, using or permitting others to use the trade secrets in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence. If a third party knows or should have known that an employee or former employee of the right owner of trade secrets or any other entity or individual conducts any of the illegal acts listed above, but still accepts, publishes, uses or allows any other to use such secrets, this practice will be deemed as an infringement of trade secrets. A party whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties in the amount of RMB100,000 to RMB500,000, and where the circumstance is serious, the fine will be RMB500,000 to RMB3,000,000. Alternatively, persons whose trade secrets are being misappropriated may file lawsuits in a Chinese court for loss and damages incurred due to the misappropriation.

The measures to protect trade secrets include oral or written non-disclosure agreements or other reasonable measures to require the employees of, or persons in business contact with, legal owners or holders to keep trade secrets confidential. Once the legal owners or holders have asked others to keep trade secrets confidential and have adopted reasonable protection measures, the requested persons bear the responsibility for keeping the trade secrets confidential.

Trademarks

The PRC Trademark Law and its implementation rules protect registered trademarks. The PRC Trademark Office of State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. As of September 30, 2019, we had 63 registered trademarks and 183 pending trademark applications in the PRC.

Copyright

Pursuant to the Copyright Law of the PRC, effective in June 1, 1991 and amended in October 27, 2001 and February 26, 2010, copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the rights of production and distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC, constitutes infringements of copyrights. The infringer must, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology or pay damages.

Pursuant to the Computer Software Copyright Protection Regulations promulgated on December 20, 2001 and amended in January 8, 2011 and January 30, 2013, a software copyright owner may complete registration formalities with a software registration authority recognized by the State Council's copyright administrative department. A software copyright owner may authorize others to exercise that copyright, and is entitled to receive remuneration. As of September 30, 2019, we had three software copyrights.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the Ministry of Industry and Information Technology. The Ministry of Industry and Information Technology is the main regulatory body responsible for the administration of PRC internet domain names. As of September 30, 2019, we had four registered domain names, including our official website.

PRC Regulation on Data Protection

The Basic Standards for Medical Laboratories (for Trial Implementation), as promulgated by the NHFPC in 2016, provides that medical laboratories must establish information management and patient privacy protection policies. The Measures for the Administration of General Population Health Information (for Trial Implementation) as promulgated by the NHFPC in 2014 sets forth the operational measures for patient privacy protection in medical institutions. The measures regulate the collection, use, management, safety and privacy protection of general population health information by medical institutions. Medical institutions must establish information management departments responsible for general population health information and establish quality control procedures and relevant information systems to manage this information. Medical institutions must adopt stringent procedures to verify the general population health data collected, timely update and maintain the data, establish policies on the authorized use of this information, and establish safety protection systems, policies, practice and technical guidance to avoid divulging confidential or private information.

To comply with these laws and regulations, we have required our customers and research partners to consent to, or obtain consent from the tested individuals to, our collection and use of their personal information for our genetic tests. We have also established information security systems to protect tested individuals' privacy, including data access restrictions and monitoring, data storage, database encryption and backup procedures.

PRC Regulation on Labor Protection

Under the Labor Law of the PRC, effective on January 1, 1995 and subsequently amended on August 27, 2009 and December 29, 2018, the PRC Employment Contract Law, effective on January 1, 2008 and subsequently amended on December 28, 2012 and the Implementing Regulations of the Employment Contract Law, effective on September 18, 2008, 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. Employers are also 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 as requested by the Labor Contract Law of the PRC.

Pursuant to the Law of Manufacturing Safety of the PRC, effective on November 1, 2002 and amended on August 27, 2009 and August 31, 2014, manufacturers must establish a comprehensive management system to ensure manufacturing safety in accordance with applicable laws, regulations, national standards, and industrial standards. Manufacturers not meeting relevant legal requirements are not permitted to commence manufacturing activities.

Pursuant to the Administrative Measures Governing the Production Quality of Pharmaceutical Products effective on March 1, 2011, manufacturers of pharmaceutical products must establish production safety and labor protection measures in connection with the operation of their manufacturing equipment and manufacturing process.

Pursuant to applicable PRC laws, rules and regulations, including the Social Insurance Law, which became effective on July 1, 2011 and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds, which became effective on January 22, 1999 and amended on March 24, 2019, the Interim Measures concerning the Maternity Insurance of Employees, which become effective on January 1, 1995, and the Regulations on Work-related Injury Insurance, which became effective on January 1, 2004 and was subsequently amended on December 20, 2010, employers must contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer fails to make social insurance contributions timely and in full, the social insurance collecting authority will order the employer to make up outstanding contributions within the prescribed time period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such an employer fails to make the overdue contributions within the time limit, the relevant administrative department may impose a fine equivalent to one to three times the overdue amount.

Regulations Relating to Foreign Exchange Registration of Offshore Investment by PRC Residents

In July 2014, SAFE issued SAFE Circular 37 and its implementation guidelines. Pursuant to SAFE Circular 37 and its implementation guidelines, PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. PRC residents required to make these registrations are also required to amend their registrations with SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV. In February 2015, SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment, or the SAFE Circular 13, effective June 2015. SAFE Circular 13 amends SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. Failure to comply with the registration procedures set forth in these regulations may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

Regulations Relating to Employee Stock Incentive Plan

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. 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, must register with 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 these regulations. 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 these employees related to their share options or restricted shares. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their IIT in accordance with relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

Regulations Relating to Dividend Distributions

The principal regulations governing distributions of dividends paid by wholly foreign-owned enterprises include:

- Company Law of the PRC (1993), as amended in 1999, 2004, 2005, 2013, and 2018;
- Foreign Investment Enterprise Law of the PRC; and
- Implementation Rules to the Foreign Investment Law.

Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in China is required to set aside at least 10% of its after-tax profit (based on PRC accounting standards) each year to its general reserves until the accumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends. A foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds. A PRC company may not 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.

Regulations Relating to Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Under the Foreign Exchange Administration Regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of foreign currency-denominated loans.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular No. 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular No. 142 provides that RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the enterprise's business scope approved by the applicable government authority and may not be used for equity investments within China. SAFE also strengthened its oversight of the

flow and use of Renminbi capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such Renminbi capital may not be changed without SAFE's approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. In March 2015, SAFE issued SAFE Circular No. 19, which took effective and replaced SAFE Circular No. 142 on June 1, 2015. Although SAFE Circular No. 19 allows for the use of Renminbi converted from the foreign currency-denominated capital for equity investments in China, the restrictions continue to apply as to foreign-invested enterprises' use of the converted Renminbi for purposes beyond the business scope, for entrusted loans or for inter-company Renminbi loans. SAFE promulgated the Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 or Circular 16 could result in administrative penalties.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, which substantially amended and simplified foreign exchange procedures. Pursuant to this circular, the opening of various special purpose foreign exchange accounts (e.g., pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts), the reinvestment of lawful incomes derived by foreign investors in China (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment), and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer require SAFE approval, and multiple capital accounts for the same entity may be opened in different provinces, which was not previously permitted. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013 and amended in October 2018, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in China based on the registration information provided by SAFE and its branches.

Furthermore, SAFE Circular No. 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment.

Regulations on Enterprise Income Tax

Pursuant to the EIT Law effective as of January 2008 and as last amended in December 2018, the income tax rate for both domestic and foreign-invested enterprises is 25% with certain exceptions. To clarify certain provisions in the EIT Law, the State Council promulgated the Implementation Rules of the EIT Law in December 2007, which became effective in January 2008 and as amended in April 2019. Under the EIT Law and the Implementation Rules of the EIT Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Besides 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 EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management body" is 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 EIT Law provide that since January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or 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 dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which the non-PRC shareholders reside.

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. These laws and regulations governing both the disclosure and the use of confidential patient medical information may become more restrictive.

We also comply with numerous additional national and provincial laws relating to matters such as safe working conditions, manufacturing practices, environmental protection and fire hazard control in all material aspects. We believe that we are currently in compliance with these laws and regulations; however, we may be required to incur significant costs to comply with these laws and regulations in the future. Unanticipated changes in existing regulatory requirements or adoption of new requirements could therefore have a material adverse effect on our business, results of operations and financial condition.

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this prospectus.

Directors and Executive Officers	Age	Position/Title
Yusheng Han	41	Founder, director and chief executive officer
Shaokun (Shannon) Chuai	40	Director and chief operating officer
Gang Lu	48	Director
Feng Deng	56	Director
Yunxia Yang	46	Director
Jing Rong	38	Director
Zhihong (Joe) Zhang	44	Chief technology officer
Hao Liu	46	Chief medical officer
Leo Li	35	Chief financial officer

Mr. Yusheng Han is our founder, director and chief executive officer. Mr. Han has 16 year of experience in life science. From June 2011 to November 2013, he was an associate in Northern Light Venture Capital where he focused on investment in the healthcare industry and helped the firm invest in successful companies. From July 2005 to May 2009, Mr. Han worked at BioTek Instruments, Inc. as its general manager in China. During his term with BioTek Instruments China, he built and led teams across marketing, sales and post-sale. From September 2003 to May 2005, he served as the product specialist of Gene Company Limited. Mr. Han received a bachelor's degree in biochemistry from Jilin University in July 2000, and a master's degree in cell biology in Peking Union Medical College in June 2003. He obtained a Master of Business Administration degree from Columbia Business School in May 2011.

Dr. Shaokun (Shannon) Chuai has served as our director since August 2016. Dr. Chuai joined us as chief technology officer in May 2014 and she was appointed the chief operating officer in March 2016. Prior to joining us, she worked at China Novartis Institutes for BioMedical Research (CNIBR), responsible for the bioinformatics and translational research platform, and Novartis Oncology as the principal statistician for phase III clinical trials of targeted drugs. From June 2003 to June 2005, she worked at Memorial Sloan-Kettering Cancer Center as research statistician, responsible for omics data mining and clinical trial design. Dr. Chuai holds a bachelor's degree from Nankai University, a master's degree in statistics and applied mathematics from Texas A&M University, and a Ph.D. degree in biostatistics from the University of Pennsylvania.

Mr. Gang Lu has served as our director since June 2014. In 2009, Mr. Lu joined Legend Star, a venture capital headquartered in Beijing, and he is now a partner of Legend Star and leads investment in healthcare, specialized in the fields of innovative medicine, biological and genetic technology, and innovative medical service. Mr. Lu holds a bachelor's degree in electromagnetic engineering from Xidian University and a Master of Business Administration degree from Tsinghua University.

Mr. Feng Deng has served as our director since August 2016. Mr. Deng has over 20 years of experience in venture capital, computer science and telecommunication industry. He founded Northern Light Venture Capital in January 2006 and served as its managing director, focusing on investment in technology, media and telecom, or TMT, clean technology, healthcare and consumer sectors. From February 2004 to February 2005, he served as the vice president in strategy in Juniper Networks. From October 1997 to February 2004, Mr. Deng served as the vice president in engineering, chief strategy officer and a director of NetScreen Technologies Inc. Prior to NetScreen, he worked at Intel Corporation as a systems architect from July 1993 to October 1997. He holds a bachelor's and a master's degree in electronic engineering from Tsinghua University, a master's degree in computer engineering from the University of Southern California, and a Master of Business Administration degree from the Wharton Business School of the University of Pennsylvania.

Ms. Yunxia Yang has served as our director since January 2017. Ms. Yang is a partner of Sequoia Capital China focusing on healthcare investment. Prior to joining Sequoia Capital China in 2015, she worked at the healthcare team at Legend Capital, where she led investment in areas covering gene diagnostics, medical devices and healthcare service. Before setting foot in venture capital, she worked as business development manager at Johnson & Johnson and product manager at GE Healthcare. Ms. Yang holds a Master of Business Administration degree from Duke University and Master of Clinical Science from Huazhong Technology University.

Mr. Jing Rong has served as our director since May 2017. Mr. Rong is an executive director of CMBI Capital Management (Shenzhen) Co., Ltd., a wholly owned subsidiary of China Merchant Bank, responsible for equity investment in medical and pharmaceutical industries. In 2015, Mr. Rong served as general manager of the 4th investment department in Pingan Caizhi Investment Management Co., Ltd., a wholly owned subsidiary of Pingan Securities, focusing on equity investment in medical and pharmaceutical industries. From 2012 to 2015, he worked at China Merchants Capital Management Co., Ltd. as the vice president managing investment funds in medical and pharmaceutical industries. From 2007 to 2011, he worked at Ernst & Young and, from 2003 to 2007, at Deloitte. Mr. Rong obtained a bachelor's degree in accounting from Xiamen University in 2003 and a Master of Business Administration degree from Chinese University of Hong Kong in 2012.

Dr. Zhihong (Joe) Zhang served as our chief technology officer since March 2016. Prior to joining us, Dr. Zhang was a staff scientist of Illumina, Inc., and a senior fellow of Howard Hughes Medical Institute and University of Washington. He obtained a bachelor's and master's degree in biochemistry and molecular biology from Fudan University in 1997 and 2000, and a Ph.D. degree in molecular genetics and microbiology from Duke University in 2005.

Mr. Hao Liu has served as our chief medical officer since August 2015. Prior to joining us, Mr. Liu worked at Novartis, leading R&D strategy and projects in China on solid tumor. Prior to Novartis, he worked at Pfizer where he led clinical research on Crizotinib in China. Mr. Liu obtained a bachelor's degree in clinical medicine from Shanghai Medical College of Fudan University (formerly known as Shanghai Medical University) in July 1996, and a master's degree in pathology and pathophysiology from Peking Union Medical College in July 2001.

Mr. Leo Li has served as our chief financial officer since the third quarter of 2019. Prior to joining us, Mr. Li served as the chief financial officer of Weidai Ltd., a NYSE-listed leading auto-backed financing solution provider in China. Prior to Weidai Ltd., Mr. Li served as an investment director and later an executive director of Vision Knight Capital, or VKC, a private equity fund focusing on China's internet-driven sectors. Prior to VKC, Mr. Li worked at Morgan Stanley Asia Ltd. Mr. Li attended University of Oxford from 2004 to 2008 and received a four-year Master of Physics degree. Mr. Li is a Chartered Financial Analyst.

Board of Directors

Our board of directors will consist of directors upon the SEC's declaration of effectiveness of our registration statement on Form F-1, in which this prospectus is included. 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 that (a) such director, if his or her interest in such contract or arrangement is material, has declared the nature of his or her interest at the earliest meeting of the board at which it is practicable for him or her to do so, either specifically or by way of a general notice and (b) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. 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.

Committees of the Board of Directors

We will establish an audit committee, a compensation committee and a nominating and corporate governance committee. We will adopt a charter for each of these committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee will consist of , and . will be the chairman of our audit committee. We have determined that and each satisfies the "independence" requirements of [Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market/Section 303A of the Corporate Governance Rules of the NYSE] and meets the independence standards under Rule 10A-3 under the Exchange Act, as amended. We have determined that qualifies as an "audit committee financial expert." The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee will consist of , and . will be the chairman of our compensation committee. We have determined that and each satisfies the "independence" requirements of [Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market/Section 303A of the Corporate Governance Rules of the NYSE]. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee will be responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee will consist of , and . will be the chairman of our nomination committee. We have determined that and each satisfies the "independence" requirements of [Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market/Section 303A of the Corporate Governance Rules of the NYSE]. The nominating and corporate governance committee will assist the board in selecting individuals qualified to

become our directors, and determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board 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.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also have a duty to exercise skills they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than what 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. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our directors may be elected by an ordinary resolution of our shareholders. Alternatively, our board of directors may, by the affirmative vote of a simple majority of the directors present and voting at a board meeting appoint any person as a director to fill a casual vacancy on our board or as an addition to the existing board. Our directors are not automatically subject to a term of office and hold office until such time as they are removed from office by an ordinary resolution of our shareholders. In addition, a director will cease to be a director if he (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

Our officers are appointed by and serve at the discretion of the board of directors, and may be removed by our board of 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, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct. If the executive officer otherwise fails to perform agreed duties, we may terminate employment upon one-week to 30-day advance written notice. We may also terminate an executive officer's employment upon mutual agreement or 30-day advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. Our executive officer may resign at any time upon mutual agreement or 30-day advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiration of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all information with economic value, including but not limited to inventions, works and software, which they conceive, develop or reduce to practice during the executive officer's employment with us and one year following the last date of employment, and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for information with economic value.

We [have entered] into indemnification agreements with each of our directors and executive officers. 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.

Compensation of Directors and Executive Officers

In 2018, we paid an aggregate of approximately RMB3.8 million (US$0.5 million) in cash to our executive officers, and we did not pay any compensation to our non-executive directors. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and other statutory benefits and a housing provident fund.

Share Incentive Awards

We have granted share options to our directors, officers and employees. As of the date of this prospectus, options to purchase 4,807,484 ordinary shares are outstanding. The following table summarizes, as of the date of this prospectus, the awards granted to our directors and executive officers and other individuals as authorized by our board of directors, excluding awards that were forfeited or canceled after the relevant grant dates.

Name	Ordinary Shares Underlying Options Awarded	Exercise Price (US$/Share)	Date of Grant	Date of Expiration
Shaokun (Shannon) Chuai	2,134,765	0.0001	May 10, 2014	May 10, 2024
Zhihong (Joe) Zhang	*	0.0001	December 1, 2015, April 1, 2016 and May 10, 2018	December 1, 2025, April 1, 2026 and May 10, 2028
Hao Liu	*	0.0001	August 3, 2015	August 3, 2025
Leo Li	*	0.0001 and 6.8092	October 31, 2019 and December 30, 2019	October 31, 2029 and December 30, 2029
Other individuals as a group	4,596,803	0.0001	March 18, 2014 to December 6, 2019	March 18, 2024 to December 6, 2029

* Less than 1% of our total outstanding shares.

PRINCIPAL SHAREHOLDERS

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares on an as-converted basis as of the date of this prospectus by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% or more of each class of the voting securities, assuming issued and outstanding preferred shares are automatically converted into ordinary shares upon completion of this offering.

The calculations in the table below are based on 171,509,325 ordinary shares on an as-converted basis outstanding as of the date of this prospectus, and Class A ordinary shares and Class B ordinary shares 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, 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 Immediately After This Offering				
	Number	%†	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares on an as-Converted Basis	% of Beneficial Ownership	% of Aggregate Voting Power††
Directors and Executive Officers:**							
Yusheng Han(1)	34,649,695	20.2					
Shaokun (Shannon) Chuai(2)	5,291,597	3.1					
Gang Lu	—	—					
Feng Deng(3)	23,760,489	13.9					
Yunxia Yang	—	—					
Jing Rong	—	—					
Hao Liu	*	*					
Zhihong (Joe) Zhang	*	*					
Leo Li	*	*					
All Directors and Executive Officers as a Group	65,544,905	38.2					
Principal Shareholders:							
Quantum Boundary Holdings Limited(1)	34,649,695	20.2					
Northern Light Venture Capital III, Ltd.(4)	23,760,489	13.9					
Investment funds affiliated with Sequoia Capital China(5)	15,867,122	9.3					
Investment funds affiliated with CMB International Private Investment Limited(6)	15,188,770	8.9					
LYFE Capital Stone (Hong Kong) Limited(7)	13,731,421	8.0					
Crest Top Developments Limited(8)	10,642,358	6.2					
An entity affiliated with GIC(9)	10,649,500	6.1					

* Less than 1% of our total outstanding shares.

** Except as otherwise indicated below, the business address of our directors and executive officers is 601, 6/F, Building 3, Standard Industrial Unit 2, No. 7, Luoxuan 4th Road, International Bio Island, Guangzhou, China.

† For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the total number of shares outstanding, which is 171,509,325 on an as-converted basis as

of the date of this prospectus, and the number of shares such person or group has the right to acquire upon exercise of an option, warrant or other right within 60 days after the date of this prospectus. The total number of ordinary shares outstanding upon completion of this offering will be , including Class A ordinary shares to be sold by us in this offering in the form of ADSs.

†† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to six (6) votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

(1) Represents 29,071,045 ordinary shares, 3,274,216 Series A convertible redeemable preferred shares, and 2,304,434 Series A+ convertible redeemable preferred shares directly held by Quantum Boundary Holdings Limited, a British Virgin Island company wholly owned by Mr. Yusheng Han. All of these ordinary and convertible redeemable preferred shares will be re-designated as Class B ordinary shares upon completion of this offering. The register address of Quantum Boundary Holdings Limited is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

(2) Represents 3,972,049 ordinary shares, 682,128 Series A convertible redeemable preferred shares, and 637,420 Series A+ convertible redeemable preferred shares directly held by Loving Marvin Holdings Limited, a British Virgin Island company wholly owned by Dr. Shaokun (Shannon) Chuai. All of these ordinary and convertible redeemable preferred shares will be re-designated as Class A ordinary shares upon completion of this offering. The registered address of Loving Marvin Holdings Limited is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

(3) Consists of the shares listed in footnote (4) below. For purpose of this section, Mr. Feng Deng, one of our directors, beneficially owns the shares held by Northern Light Venture Capital III, Ltd.

(4) Represents 23,760,489 Series A convertible redeemable preferred shares held by Northern Light Venture Capital III, Ltd., or NLVC, a Cayman Islands exempted limited liability company. NLVC is beneficially owned by Northern Light Venture Fund III, L.P., Northern Light Strategic Fund III, L.P. and Northern Light Partners Fund III, L.P., which are Cayman Islands exempted limited liability partnerships. The general partner of these three limited partnerships is Northern Light Partners III, L.P., a Cayman Islands exempted limited liability partnership, which is ultimately controlled by Feng Deng, who is one of our directors. All of these convertible redeemable preferred shares will be re-designated as Class A ordinary shares upon completion of this offering. The registered address of Northern Light Venture Capital III, Ltd. is Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands.

(5) Represents (i) 5,555,556 Series A+ convertible redeemable preferred shares and 1,595,448 Series B convertible redeemable preferred shares directly held by SCC Venture V Holdco I, Ltd., an exempted company with limited liability incorporated under the law of the Cayman Islands, and (ii) 8,077,148 Series B convertible redeemable preferred shares and 638,970 Series C convertible redeemable preferred shares directly held by SCC Venture VI Holdco, Ltd., an exempted company with limited liability incorporated under the law of the Cayman Islands. All of these convertible redeemable preferred shares will be re-designated as Class A ordinary shares upon completion of this offering. SCC Venture V Holdco I, Ltd. is wholly owned by Sequoia Capital China Venture Fund V, L.P. The general partner of Sequoia Capital China Venture Fund V, L.P. is SC China Venture V Management, L.P., whose general partner is SC China Holding Limited. SCC Venture VI Holdco, Ltd. is wholly owned by Sequoia Capital China Venture Fund VI, L.P. The general partner of Sequoia Capital China Venture Fund VI, L.P. is SC China Venture VI Management, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, which in turn is wholly owned by Mr. Neil Nanpeng Shen. The registered address of SCC Venture V Holdco I, Ltd. and SCC Venture VI Holdco, Ltd. is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(6) Represents (i) 8,991,900 Series B convertible redeemable preferred shares and 4,066,970 Series C convertible redeemable preferred shares held by EverGreen SeriesC Limited Partnership, a Cayman Islands exempted limited partnership; and (ii) 2,129,900 Series C convertible redeemable preferred shares held by CMBI Private Equity Series SPC on behalf of and for the account of Biotechnology Fund IV SP, a segregated portfolio company incorporated under the law of Cayman Islands, which in turn is wholly owned by CMB International Private Investment Limited, an exempted company with limited liability incorporated under the law of Cayman Islands. CMB International Private Investment Limited is also the general partner of EverGreen SeriesC Limited Partnership, and holds voting and dispositive power of the shares held by EverGreen SeriesC Limited Partnership. The registered address of CMBI Private Equity Series SPC is the offices of Harneys Fiduciary (Cayman) Limited of 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. The registered address of EverGreen SeriesC Limited Partnership is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

(7) Represents 7,301,587 Series A+ convertible redeemable preferred shares, 5,897,359 Series B convertible redeemable preferred shares, and 532,475 Series C convertible redeemable preferred shares held by LYFE Capital Stone (Hong Kong) Limited, a Hong Kong private company limited by shares. LYFE Capital Stone (Hong Kong) Limited is owned by LYFE Capital Fund, L.P., and LYFE Capital Fund—A, L.P., two Cayman Islands exempted limited partnerships. All of these convertible redeemable preferred shares will be re-designated as Class A ordinary shares upon completion of this offering. The registered address of LYFE Capital Stone (Hong Kong) Limited is RM 1501-682, 15F SPA CTR, 53-55 Lockhart RD, Wanchai, Hong Kong.

(8) Represents 8,321,965 Series A convertible redeemable preferred shares, 1,746,032 Series A+ convertible redeemable preferred shares, and 574,361 Series B convertible redeemable preferred shares held by Crest Top Developments Limited, a limited liability company incorporated under the law of British Virgin Islands, which is ultimately wholly owned by Legend Holdings Corporation. All of these convertible redeemable preferred shares will be re-designated as Class A ordinary shares upon completion of this offering. The registered address of Crest Top Developments Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

(9) Represents (i) 8,519,600 Series C convertible redeemable preferred shares held by Owap Investment Pte Ltd, a limited liability company incorporate under the law of Singapore, and (ii) 2,129,900 Series C convertible redeemable preferred shares issuable upon exercise of a warrant granted to Owap Investment Pte Ltd. on January 31, 2019. Owap Investment Pte. Ltd. is wholly owned by GIC (Ventures) Pte Ltd and is managed by GIC Special Investments Pte. Ltd., or GICSI. GICSI is wholly owned by GIC Private Limited and is the private equity investment arm of GIC Private Limited. The registered address of Owap Investment Pte Ltd is 168 Robinson Road, #37-01 Capital Tower, Singapore 068912.

As of the date of this prospectus, a total of 1,038,771 ordinary shares and 45,559 preferred shares are held by three record holders in the U.S., representing approximately 0.6% of our total outstanding ordinary shares on an as-converted basis.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

RELATED PARTY TRANSACTIONS

Contractual Arrangements with Our VIE and Its Shareholders

See “Corporate History and Structure—Contractual Arrangements.”

Private Placements

See “Description of Share Capital—History of Securities Issuances.”

Shareholders Agreement

See “Description of Share Capital—Shareholders Agreement.”

Employment Agreements and Indemnification Agreements

See “Management—Employment Agreements and Indemnification Agreements.”

Other Related Party Transactions

Transactions with Mr. Yusheng Han

As of December 31, 2017, 2018 and September 30, 2019, we had RMB15.3 million, RMB16.0 million (US$2.2 million) and RMB53.8 million (US$7.5 million) due from Mr. Yusheng Han, our founder, director and chief executive officer, respectively. Such amounts mainly represented personal loans we advanced to Mr. Han. All outstanding principal will be repaid in full before this offering.

Transactions with Dr. Shaokun (Shannon) Chuai

As of September 30, 2019, we had RMB17.7 million (US$2.5 million) due from Dr. Shaokun (Shannon) Chuai, our director and chief operating officer. Such amount mainly represented personal loans we advanced to Dr. Chuai. All outstanding principal will be repaid in full before this offering.

Transactions with EaSuMed

We invested in and are currently a minority shareholder of EaSuMed Holding Ltd., or EaSuMed, a medical service provider. In 2017, 2018 and the nine months ended September 30, 2019, we paid service fees in the amount of RMB1.2 million, RMB1.2 million (US$0.2 million) and RMB0.8 million (US$0.1 million) to EaSuMed, respectively, which was mainly related to consulting services EaSuMed provided to us.

Transactions with BRT

BRT Bio Tech Limited, or BRT, was a former offshore holding company of our management team members. In 2017, 2018 and the nine months ended September 30, 2019, we repurchased a number of our shares from BRT for a consideration of RMB33.3 million, RMB1.5 million (US$0.2 million) and RMB1.0 million (US$0.1 million), respectively. As of December 31, 2017, 2018 and September 30, 2019, we had RMB3.1 million, RMB3.3 million (US$0.5 million) and RMB3.4 million (US$0.5 million) due to BRT, respectively.

DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association, as amended from time to time, and the Companies Law (2018 Revision) of the Cayman Islands, which we refer to as the Companies Law below.

As of the date of this prospectus, our authorized share capital is US$50,000.0 divided into 500,000,000 shares, par value of US$0.0001 each, comprising (a) 376,415,039 ordinary shares, and (b) 123,584,961 preferred shares comprising (i) 45,429,741 Series A preferred shares, (ii) 21,179,336 Series A+ preferred shares, (iii) 25,537,431 Series B preferred shares, (iv) 27,179,512 Series C preferred shares and (v) 4,258,941 Series C+ preferred shares.

As of the date of this prospectus, there were 50,063,141 ordinary shares, 45,429,741 Series A preferred shares, 21,170,459 Series A+ preferred shares, 25,537,431 Series B preferred shares, 25,049,612 Series C preferred shares and 4,258,941 Series C+ preferred shares that are issued and outstanding. All of our issued and outstanding ordinary shares are fully paid, and all of our issued and outstanding preferred shares will be redesignated or converted into ordinary shares on a one-for-one basis.

Upon completion of this offering, we will have Class A ordinary shares and Class B ordinary shares issued and outstanding. All of our ordinary shares issued and outstanding prior to the completion of the offering are and will be fully paid, and all of our Class A ordinary shares to be issued in the offering will be issued as fully paid. Our authorized share capital post-offering will be US$ divided into Class A ordinary shares with a par value of US$0.0001 each, Class B ordinary shares with a par value of US$0.0001 each and preference shares of a par value of US$0.0001 each of such class or classes (however designated) as our board of directors may determine in accordance with the ninth amended and restated memorandum and articles of association.

Our Post-Offering Memorandum and Articles

We will adopt the ninth amended and restated memorandum and articles of association, which will become effective and replace our current eighth amended and restated memorandum and articles of association in its entirety upon completion of this offering. The following are summaries of material provisions of the post-offering memorandum and articles of association and of the Companies Law, insofar as they relate to the material terms of our ordinary shares.

Ordinary Shares

General. Holders of Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. Our ninth amended and restated articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law. Holders of ordinary shares and Class B ordinary shares will be entitled to the same amount of dividends, if declared.

Voting Rights. Holders of Class A ordinary shares and Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by the members. Each Class A ordinary share shall be entitled to one vote on all matters subject to vote at general and special meetings of our company and each Class B ordinary share shall be entitled to six (6) votes on all matters subject to vote at general and special meetings of our company.

Voting at any meeting of shareholders is by show of hands unless a poll is demanded. 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 nominal value of the total issued voting shares of our company present in person or by proxy. 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 ninth amended and restated memorandum and articles of association.

Transfer of Ordinary Shares. Subject to the restrictions contained in our ninth amended and restated articles of association, 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; and
- a fee of such maximum sum as the [NYSE/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 [NYSE/NASDAQ Global Market], be suspended and the register of members 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 of members closed for more than 30 days in any year as our board may determine.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption of Ordinary Shares. The Companies Law and our ninth amended and restated articles of association permit us to purchase our own shares. In accordance with our ninth amended and restated articles of association and provided the necessary shareholders or board approval have been obtained, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. 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.

General Meetings of Shareholders

Shareholders' meetings may be convened by a majority of our board of directors or our chairman. Advance notice of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for and throughout a meeting of shareholders consists of at least one shareholder entitled to vote and present in person or by proxy or (in the case of a shareholder being a corporation) by its duly authorized representative representing not less than one-third of all voting power of our share capital in issue.

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 list of shareholders or our corporate records. However, we will in our articles provide our shareholders with the right to inspect our list of shareholders and to receive annual audited financial statements. See "Where You Can Find Additional Information."

Changes in Capital

We 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;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount; or
- 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 and diminish the amount of our share capital by the amount of the shares so canceled.

We may by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner permitted by law.

Exempted Company

We are an exempted company with limited liability incorporated under the Companies Law. The Companies Law in the Cayman Islands 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 for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;

- an exempted company may issue no par value shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company 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. Upon completion of this offering, we will be subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. [We currently intend to comply with the [NYSE/NASDAQ Global Market] rules in lieu of following home country practice.] The [NYSE/NASDAQ Global Market] rules require that every company listed on the [NYSE/NASDAQ Global Market] hold an annual general meeting of shareholders. In addition, our ninth amended and restated articles of association allow directors to call special meeting of shareholders pursuant to the procedures set forth in our articles.

Differences in Corporate Law

The Companies Law is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Law differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and Similar Arrangements

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by a special resolution of the members of each constituent company.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

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 circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, 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.

When a takeover offer is made and accepted by holders of 90% of the shares 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 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 is thus approved, the 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 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, there are exceptions to the foregoing principle, including when:

- 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 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 ninth amended and restated memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. 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 senior executive officers that will provide such persons with additional indemnification beyond that provided in our ninth 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.

Anti-Takeover Provisions in the Memorandum and Articles of Association

Some provisions of our ninth amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our ninth amended and restated memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

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 act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her 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, a 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 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 or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands 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 or her duties a greater degree of skill than may reasonably be expected from a person of his or her 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 Consent

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. Our ninth amended and restated articles of association provide that shareholders may not 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.

Neither Cayman Islands law nor our ninth amended and restated articles of association allow our shareholders to requisition a shareholders' meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

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 on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our ninth 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 ninth amended and restated articles of association, directors may be removed by an ordinary resolution of shareholders.

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 stock 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 for a proper corporate purpose 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 ninth amended and restated articles of association, our company may be dissolved, liquidated or wound up by the vote of holders of two-thirds of our shares voting at a meeting.

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 ninth 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 only 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. As permitted by Cayman Islands law, our ninth amended and restated memorandum and articles of association may only be amended by a special resolution of shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our eighth 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 ninth amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

History of Securities Issuances

The following is a summary of our securities issuances in the past three years.

Ordinary Shares

On April 19, 2018, we issued 1,637,108 ordinary shares to BRT Bio Tech Limited for a consideration of US$164.

On October 30, 2019, we issued 3,728,680 ordinary shares to certain minority shareholders for an aggregate consideration of US$373.

Preferred Shares

On January 10, 2017, we issued 261,022 Series A+ convertible redeemable preferred shares to BRT Bio Tech Limited, a former offshore holding company of certain of our current shareholders for a consideration of US$0.2 million.

On January 10, 2017, we issued a total of 14,040,117 Series B convertible redeemable preferred shares to SCC Venture VI Holdco, Ltd. and EverGreen SeriesC Limited Partnership, for an aggregate consideration of US$27.8 million. We concurrently issued 8,126,618 Series B convertible redeemable preferred shares to SCC Venture V Holdco I, Ltd., an entity affiliated with Sequoia Capital China, LYFE Capital Stone (Hong Kong)

Limited, Crest Top Developments Limited and Anssence Investment Limited, upon conversion of our Series A+ convertible promissory notes and Series A+ supplementary convertible promissory notes, with aggregated principal and accrued interest of US$16.1 million.

On May 2, 2017, we issued a total of 3,211,698 Series B convertible redeemable preferred shares to EverGreen SeriesC Limited Partnership and BRT Bio Tech Limited for an aggregate consideration of US$6.4 million.

On December 21, 2018, we issued 158,998 Series B convertible redeemable preferred shares to BRT Bio Tech Limited for a consideration of US$0.3 million.

On January 31, 2019, we issued a total of 20,477,648 Series C convertible redeemable preferred shares to Owap Investment Pte Ltd, an affiliate of GIC, BRT Bio Tech Limited, CMBI Private Equity Series SPC on behalf of and for the account of Biotechnology Fund IV SP, LAV Biosciences Fund V, L.P., an affiliate of Lily Asia Ventures, SCC Venture VI Holdco, Ltd., an entity affiliated with Sequoia Capital China, LYFE Capital Stone (Hong Kong) Limited, LYFE Mount Whitney Limited, A5J Ltd and Unique Invest Co., Ltd for an aggregate consideration of US$96.1 million. We concurrently issued 4,066,970 Series C convertible redeemable preferred shares to EverGreen SeriesC Limited Partnership upon conversion of our Series B convertible promissory notes, with aggregated principal and accrued interest of US$19.1 million.

In the fourth quarter of 2019, we issued a total of 504,994 Series C convertible redeemable preferred shares to certain minority shareholders, for an aggregate consideration of US$2.4 million.

On December 30, 2019, we entered into a Series C+ share purchase agreement with Worldwide Healthcare Trust PLC, The Biotech Growth Trust PLC, OrbiMed Genesis Master Fund, L.P., OrbiMed Partners Master Fund Limited, collectively, OrbiMed Entities, Casdin Partners Master Fund, L.P. and LAV Biosciences Fund V, L.P., an affiliate of Lily Asia Ventures, pursuant to which we issued a total of 4,258,941 Series C+ convertible redeemable preferred shares to these investors on January 10, 2020 for an aggregate consideration of US$29.0 million.

Convertible Promissory Notes

On January 10, 2017 and May 2, 2017, we issued two convertible promissory notes to EverGreen SeriesC Limited Partnership in an aggregate principal amount of US$2.0 million and US$15.0 million, respectively. The notes may be converted into our Series C preferred shares at the option of the holder upon completion of the sale of our Series C preferred shares. The number of the Series C preferred shares to be issued will be equal to the entire principal amount of these notes together with any and all accumulated but unpaid interests divided by 95% of the issue price of Series C preferred shares to be issued to other Series C investors.

Warrant

On January 31, 2019, we granted a warrant to Owap Investment Pte Ltd, one of our Series C investors, to purchase 2,129,900 Series C convertible redeemable preferred shares at the exercise price of US$4.70 per share (as may be adjusted from time to time).

Share Incentive Awards

We have granted options to purchase our ordinary shares to certain of our directors, executive officers and employees. See “Management—Share Incentive Awards.”

Shareholders Agreement

We entered into a Fifth Amended and Restated Shareholders Agreement with our shareholders on January 10, 2020. The shareholders agreement provides for certain preferential rights, including, among other things, information right, certain corporate governance rights, prohibition on transfer of shares and right of co-sale. These preferential rights will automatically terminate upon completion of this offering.

Registration Rights

Pursuant to the Fifth Amended and Restated Shareholders Agreement dated January 10, 2020, we have granted certain registration rights to holder of our preferred shares. Such registration rights would terminate upon the earlier of (i) the date that is five (5) years after the closing of an IPO, or (ii) such time at which all registrable securities held by the holders of our preferred shares may be sold without restriction under Rule 144(k) of the Securities Act within a ninety-day period. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Right. At any time after the earlier of (i) the five (5) year after the closing of Series A+ financing (i.e. August 27, 2015) or (ii) the date that is six (6) months following the taking effect of a registration statement of an IPO, holder(s) together holding ten percent (10%) or more of the outstanding registrable securities may request in writing that we file a registration statement under Securities Act covering at least fifteen percent (15%) of the registrable securities. Within twenty (20) days after receipt of such a request, we shall use our best efforts to effect a registration of the registrable securities specified in the request, together with any registrable securities of any holder who requests in writing to join such registration. We are not be obligated to effect more than three (3) such registrations pursuant to the demand registration right, and we are not obligated to register registrable securities if we have, within the six-month period preceding the date of such request, effected a registration under the Securities Act pursuant to the exercise of the holders' demand registration rights or Form F-3 registration right, or in which the holders had an opportunity to participate in a piggyback registration, unless the registrable securities of the holders were excluded from such registration. In addition, we have the right to defer filing of a registration statement for a period up to ninety (90) days after receipt of such request if, in the good faith judgment of our board of directors, the filing of a registration statement would be materially detrimental to us and our shareholders, but we cannot exercise this right more than once in any twelve-month period. Neither can we register any other of our shares during such twelve-month period.

Piggyback Registration Right. If we propose to file a registration statement under the Securities Act for purposes of effecting a public offering of our securities (including registration statements relating to secondary offerings of our securities, but excluding registration statements relating to a demand registration or a piggyback registration, or to any employee benefit plan or a corporate reorganization), we must afford holders of registrable securities an opportunity to include in that registration all or any part of their registrable securities then held.

Registration on Form F-3. Any holder of registrable securities may request us in writing to effect a registration on the Form F-3 (or an equivalent registration in a jurisdiction outside of the U.S.) and any related qualification or compliance with respect to the registrable securities owned by such holder. Upon such request, we shall cause the registrable securities specified in the request, together with any registrable securities of any holder who requests in writing to join such registration, to be registered and effect any related qualification or compliance, provided that (i) Form F-3 is available for such offering by the holder, (ii) the registrable securities proposed to be sold to the public has an aggregate price in an amount of not less than US$500,000, and (iii) in no jurisdiction in which we 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. We are not obligated to register registrable securities if we have, within the six-month period preceding the date of such request, effected a registration under the Securities Act, unless the registrable securities of the holders were excluded from such registration. In addition, we have the right to defer filing of the Form F-3 registration statement no more than once during any twelve-month period and for a period up to sixty (60) days after receipt of such request if, in the good faith judgment of our board of directors, the filing of a registration statement would be materially detrimental to us and our shareholders, provided that we will not register any other of our shares during such sixty-day period.

Expenses of Registration. We will pay all expenses relating to registration, fillings or qualifications, with certain limited exception, and each holder participating in a registration will bear its proportionate share of all selling expenses or other amounts payable to underwriters or brokers, if any, in connection with the offering by such holder.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

, as depositary will issue the ADSs which you will be entitled to receive in this offering. Each ADS will represent an ownership interest in Class A ordinary shares which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Unless specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at .

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Islands law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms apart. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. You may also find the registration statement and the attached deposit agreement on the SEC's website at http://www.sec.gov.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- Cash. The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the U.S. by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. The depositary will hold any cash amounts it is unable to distribute in a non-interest-bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the U.S. *If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.*
- Shares. In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- Rights to Receive Additional Shares. In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not furnish such evidence, the depositary may:
- sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or
- if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

- Other Distributions. In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the U.S. for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of , as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as "deposited securities."

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder's name. An ADR holder can request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary's office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares,
- to give instructions for the exercise of voting rights at a meeting of holders of shares,
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR, or
- to receive any notice or to act in respect of other matters all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the depositary will distribute to the registered ADR holders a notice stating such information as is contained in the voting materials received by the depositary and describing how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs. For instructions to be valid, the depositary must receive them in the manner and on or before the date specified. No voting instructions may be deemed given to the depositary to give a discretionary proxy to a person designated by us if no instructions are received by the depositary from you on or before the response date established by the depositary. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

Under our constituent documents the depositary would be able to provide us with voting instructions without having to personally attend meetings in person or by proxy. Such voting instructions may be provided to us via facsimile, email, mail, courier or other recognized form of delivery and we agree to accept any such delivery so long as it is timely received prior to the meeting. We will endeavor to provide the depositary with written notice of each meeting of shareholders promptly after determining the date of such meeting so as to enable it to solicit and receive voting instructions. In general, the depositary will require that voting instructions be received by the depositary no less than five business days prior to the date of each meeting of shareholders. Under the post-offering memorandum and articles of association that we expect to adopt, the minimum notice period required to convene a general meeting is seven days. The depositary may not have sufficient time to solicit voting instructions, 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.

Notwithstanding the above, we have advised the depositary that under the Cayman Islands law and our constituent documents, each as in effect as of the date of the deposit agreement, voting at any meeting of shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands)

demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will refrain from voting and the voting instructions (or the deemed voting instructions, as set out above) received by the depositary from holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs.

There is no guarantee 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.

Reports and Other Communications

Will ADR holders be able to view our reports?

The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are canceled or reduced for any other reason, US$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, canceled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADRs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US$ per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to US$ per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to US$ per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other

deposited securities, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);

- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares and there would be a fee of five cents per ADS outstanding);
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the ADR program are not known at this time. The depositary collects its fees for issuance and cancellation 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 will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

Payment of Taxes

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, including, without limitation, any PRC Enterprise Income Tax owing if the Circular Guoshuifa [2009] No. 82 issued by the SAT or any other circular, edict, order or ruling, as issued and as from time to time amended, is applied or otherwise, such tax or other governmental charge shall be paid by the holder thereof to the depositary and by holding or having held an ADR the holder and all prior holders thereof, jointly and severally,

agree to indemnify, defend and save harmless each of the depositary and its agents in respect thereof. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

By holding an ADR or an interest therein, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

- amend the form of ADR;
- distribute additional or amended ADRs;
- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received and distribute the proceeds as cash; or
- none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days' notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must give ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 45 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 90th day after our notice of removal was first provided to the depositary. After termination, the depositary's only responsibility will be (i) to deliver deposited securities to ADR holders who surrender their ADRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales (as long as it may lawfully do so), without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash.

Limitations on Obligations and Liability to ADS Holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdrawal shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the U.S., the Cayman Islands, China or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or

future provision of our charter, any act of God, war, terrorism or other circumstance beyond our, the depositary's or our respective agents' control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);

- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or bad faith;
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of . The depositary and the custodian(s) may use third party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the depositary and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the depositary nor any of its agents shall be liable to registered holders of ADRs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADRs) irrevocably waives, to the fullest extent permitted by applicable law,

any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or the company directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary may own and deal in any class of our securities and in ADSs.

Jurisdiction and Arbitration

The laws of the State of New York govern the deposit agreement and the ADSs. We have agreed with the depositary that the federal or state courts in the City of New York shall have exclusive jurisdiction to hear and determine any dispute arising from or in connection with the deposit agreement and that the depositary will have the right to refer any claim or dispute arising from the relationship created by the deposit agreement, including any claims under the U.S. federal securities laws and claims not in connection with this offering, to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. As arbitration provisions in commercial agreements have generally been respected by federal courts and state courts of New York, we believe that the arbitration provision in the deposit agreement is enforceable under federal law and the laws of the State of New York. Although ADS holders, including holders that acquired ADSs in a secondary transaction, beneficial owners of ADSs and holders of interest in the ADSs, are subject to the arbitration provisions of the deposit agreement, the arbitration provisions do not preclude ADS holders from pursuing claims under the U.S. federal securities laws in federal courts. The arbitration provision of the deposit agreement is not intended to be deemed a waiver by any holder or beneficial owner of ADSs of the Company's or the depositary's compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Jury Trial Waiver

The deposit agreement provides that, to the extent permitted by law, each party to the deposit agreement (including each holder, beneficial owner and holder of interest in the ADSs) waives 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 claims under the U.S. federal securities laws and claims not in connection with this offering. If we or the depositary were to oppose a jury trial demand based on such waiver, the court would determine whether the waiver was enforceable based upon the facts and circumstances of that case in accordance with applicable state and federal law, including whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. ADS holders, including holders that acquired ADSs in a secondary transaction, are subject to these provisions of the deposit agreement to the extent permitted by applicable law. The waiver of the right to a jury trial contained in the deposit agreement is not intended to be deemed a waiver by any holder or beneficial owner of ADSs of the Company's or the depositary's compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders

of ADRs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Pre-release of ADSs

In its capacity as depositary, the depositary shall not lend shares or ADSs; provided, however, that the depositary may issue ADSs prior to the receipt of shares (each such transaction a "pre-release"). The depositary may receive ADSs in lieu of shares (which ADSs will promptly be canceled by the depositary upon receipt by the depositary). Each such pre-release will be subject to a written agreement whereby the person or entity (the "applicant") to whom ADSs are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the shares that are to be delivered by the applicant under such pre-release, (b) agrees to indicate the depositary as owner of such shares in its records and to hold such shares in trust for the depositary until such shares are delivered to the depositary or the custodian, (c) unconditionally guarantees to deliver to the depositary or the custodian, as applicable, such shares, and (d) agrees to any additional restrictions or requirements that the depositary deems appropriate. Each such pre-release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the depositary deems appropriate, terminable by the depositary on not more than five (5) business days' notice and subject to such further indemnities and credit regulations as the depositary deems appropriate. The depositary will normally limit the number of ADSs involved in such pre-release at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to pre-released ADSs outstanding), provided, however, that the depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The depositary may also set limits with respect to the number of ADSs involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided in connection with pre-release transactions, but not the earnings thereon, shall be held for the benefit of the registered holders of ADRs (other than the applicant).

Appointment

In the deposit agreement, each registered holder of ADRs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs, and
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

Governing Law

The deposit agreement and the ADRs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf. Notwithstanding the foregoing, any action based on the deposit agreement or the transactions contemplated thereby may be instituted by the depositary and holders in any competent court in the Cayman Islands, Hong Kong, China and/or the U.S. or through the commencement of an English language arbitration either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).]

SHARES 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. 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 our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our ordinary shares or the ADSs. We intend to apply to list the ADSs on the [NYSE/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

We have agreed, for a period of 180 days after the date of this prospectus, not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale, lend or otherwise dispose of, except in this offering, any of our ordinary shares or ADSs or securities that are substantially similar to our ordinary shares or ADSs, including but not limited to any options or warrants to purchase our ordinary shares, ADSs or any securities that are convertible into or exchangeable for, or that represent the right to receive, our ordinary shares, ADSs or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date such lock-up agreement was executed), without the prior written consent of the representatives of the underwriters.

Furthermore, [each of our officers, directors and shareholders [and certain option holders]] 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 that are substantially similar to our ordinary shares or ADSs. [These restrictions also apply to any ADSs acquired by our directors and executive officers in the offering pursuant to the directed share program, if any. These parties collectively own [all of] our outstanding ordinary shares, without giving effect to this offering.]

The restrictions described in the preceding paragraphs will be automatically extended under certain circumstances. See "Underwriting."

Other than this offering, we are not aware of any plans by any significant shareholders to dispose of significant numbers of our ADSs or ordinary shares. However, one or more existing shareholders or owners of securities convertible or exchangeable into or exercisable for our ADSs or ordinary shares may dispose of significant numbers of our ADSs or ordinary shares in the future. We cannot predict what effect, if any, future sales of our ADSs or ordinary shares, or the availability of ADSs or ordinary shares for future sale, will have on the trading price of our ADSs from time to time. Sales of substantial amounts of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the trading price of our ADSs.

Rule 144

All of our ordinary shares that will be outstanding upon completion of this offering, other than those ordinary shares 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 U.S. 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 90 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, represented by ADSs or otherwise, which immediately after this offering will equal 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, represented by 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 stock 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.

Form S-8

We intend to file a registration statement on Form S-8 under the Securities Act covering all ordinary shares which are either subject to outstanding equity incentive awards granted prior to this offering or that may be issued pursuant to equity awards which may be granted in future under our Share Option Plan. We expect to file the registration statement on Form S-8 as soon as practicable after the date of this prospectus. Shares registered on Form S-8 generally may be sold in the open market, except to the extent that the shares are subject to vesting restrictions or lock-up or other contractual restrictions.

TAXATION

The following summary of the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this registration statement, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or Class A ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, China and the U.S.

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. 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. The Cayman Islands is not party to any double tax treaties that 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 ADSs or ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ADSs or ordinary shares, nor will gains derived from the disposal of our ADSs or ordinary shares be subject to Cayman Islands income or corporation tax.

No stamp duty is payable in respect of the issue of our ADSs or ordinary shares or on an instrument of transfer in respect of our ADSs or ordinary shares.

PRC Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside China with a "de facto management body" within China is considered as a resident enterprise. 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 April 2009, the SAT issued the Circular Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, known as 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" test should be applied in determining the tax resident status of all offshore enterprises. According to 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 only 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 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 voting board members or senior executives habitually reside in China. In 2011, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Overseas Incorporated Resident Enterprises (Trial Version), or Bulletin No. 45, which further clarifies certain issues related to the determination of tax resident status and competent tax authorities. It also specifies that when provided with a copy of Recognition of Residential Status from a resident Chinese-controlled offshore-incorporated enterprise, a payer does not need to withhold income tax when paying certain PRC-sourced income such as dividends, interest and royalties to such Chinese-controlled offshore-incorporated enterprise.

We believe that we are not a PRC resident enterprise for PRC tax purposes. We are not controlled by a PRC enterprise or PRC enterprise group and we do not believe that we meet all of the conditions above. We are a company incorporated outside China and our records (including the minutes and resolutions of our board of directors and the resolutions of our shareholders) are maintained outside China. 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% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or Class A ordinary shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that we are treated as a PRC resident enterprise. See "Risk Factors—Risks Relating to Doing Business in the PRC—You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ADSs."

United States Federal Income Tax Considerations

The following is a summary of material U.S. federal income tax considerations that are likely to be relevant to the purchase, ownership and disposition of our Class A ordinary shares or ADSs by a U.S. Holder (as defined below).

This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial interpretations thereof, in force as of the date hereof. Those authorities may be changed at any time, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below.

This summary is not a comprehensive discussion of all of the tax considerations that may be relevant to a particular investor's decision to purchase, hold, or dispose of Class A ordinary shares or ADSs. In particular, this summary is directed only to U.S. Holders that hold Class A ordinary shares or ADSs as capital assets and does not address particular tax consequences that may be applicable to U.S. Holders who may be subject to special tax rules, such as banks, brokers or dealers in securities or currencies, traders in securities electing to mark to market, financial institutions, insurance companies, tax-exempt entities, regulated investment companies, entities or arrangements that are treated as partnerships for U.S. federal income tax purposes (or the partners therein), holders that own or are treated as owning 10% or more of our stock by vote or value, persons holding Class A ordinary shares or ADSs as part of a hedging or conversion transaction or a straddle, or persons whose functional currency is not the U.S. dollar. Moreover, this summary does not address state, local or foreign taxes, the U.S. federal estate and gift taxes, or the Medicare contribution tax applicable to net investment income of certain non-corporate U.S. Holders, or alternative minimum tax consequences of acquiring, holding or disposing of Class A ordinary shares or ADSs.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Class A ordinary shares or ADSs that is a citizen or resident of the U.S. or a U.S. domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of such Class A ordinary shares or ADSs.

You should consult your own tax advisors about the consequences of the acquisition, ownership and disposition of the Class A ordinary shares or ADSs, including the relevance to your particular situation of

the considerations discussed below and any consequences arising under foreign, state, local or other tax laws.

ADSs

[In general, if you are a U.S. Holder of ADSs, you will be treated, for U.S. federal income tax purposes, as the beneficial owner of the underlying Class A ordinary shares that are represented by those ADSs.] References to "shares" below apply to both Class A ordinary shares and ADSs, unless the context indicates otherwise.

Taxation of Dividends

As discussed in "*Dividend Policy*," we do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this offering. Subject to the discussion below under "Passive Foreign Investment Company Rules," the gross amount of any distribution of cash or property with respect to our shares (including amounts, if any, withheld in respect of PRC taxes) that is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be includible in your taxable income as ordinary dividend income on the day on which you receive the dividend, in the case of Class A ordinary shares, or the date the depositary receives the dividends, in the case of ADSs, and will not be eligible for the dividends-received deduction allowed to U.S. corporations under the Code.

We do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles. U.S. Holders therefore should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

Subject to certain exceptions for short-term positions, the U.S. dollar amount of dividends received by a non-corporate U.S. Holder with respect to the shares will be subject to taxation at a preferential rate if the dividends are "qualified dividends." Dividends paid on shares will be treated as qualified dividends if:

- the shares are readily tradable on an established securities market in the U.S. or we are eligible for the benefits of a comprehensive tax treaty with the U.S. that the U.S. Treasury determines is satisfactory for purposes of this provision and that includes an exchange of information program; and
- we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (a "PFIC").

The ADSs will be listed on the [NYSE/NASDAQ Global Market], and will qualify as readily tradable on an established securities market in the U.S. so long as they are so listed. Based on our audited financial statements, the manner in which we conduct our business, relevant market data and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not anticipate being a PFIC for our current taxable year or in the foreseeable future. Holders should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

Because the Class A ordinary shares are not themselves listed on a U.S. exchange, dividends received with respect to shares that are not represented by ADSs may not be treated as qualified dividends. U.S. Holders should consult their own tax advisors regarding the potential availability of the reduced dividend tax rate in respect of shares.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see "Taxation—PRC Taxation"), a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our shares. In that case, we may, however, be eligible for the benefits of the Agreement Between the Government of the United States of America and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the "Treaty"). If we are eligible for such benefits, dividends we pay on shares would be eligible for the reduced rates of taxation described above (assuming we are not a PFIC in the year the dividend is paid or the prior year).

Dividend distributions with respect to our shares generally will be treated as "passive category" income from sources outside the U.S. for purposes of determining a U.S. Holder's U.S. foreign tax credit limitation. Subject to the limitations and conditions provided in the Code and the applicable U.S. Treasury Regulations, a U.S. Holder may be able to claim a foreign tax credit against its U.S. federal income tax liability in respect of any PRC income taxes withheld at the appropriate rate applicable to the U.S. Holder from a dividend paid to such U.S. Holder. Alternatively, the U.S. Holder may deduct such PRC income taxes from its U.S. federal taxable income, provided that the U.S. Holder elects to deduct rather than credit all foreign income taxes for the relevant taxable year. The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

U.S. Holders that receive distributions of additional shares or rights to subscribe for shares as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax in respect of the distributions, unless the U.S. Holder has the right to receive cash or property, in which case the U.S. Holder will be treated as if it received cash equal to the fair market value of the distribution.

Taxation of Dispositions of Shares

Subject to the discussion below under "Passive Foreign Investment Company Rules," upon a sale, exchange or other taxable disposition of the shares, U.S. Holders will realize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in the shares, both as determined in U.S. dollars. Such gain or loss will be capital gain or loss, and will generally be long-term capital gain or loss if the shares have been held for more than one year. Long-term capital gain realized by a non-corporate U.S. Holder is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

Gain, if any, realized by a U.S. Holder on the sale or other disposition of the shares generally will be treated as U.S.- source income for U.S. foreign tax credit purposes. Consequently, if a PRC tax is imposed on the sale or disposition of the shares (see "Taxation—PRC Taxation"), a U.S. Holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of such PRC tax. However, in the event that gain from the disposition of the shares is subject to tax in the PRC, and a U.S. Holder is eligible for the benefits of the Treaty, such U.S. Holder may elect to treat such gain as PRC source gain under the Treaty. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, the shares.

Deposits and withdrawals of Class A ordinary shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

Special U.S. tax rules apply to companies that are considered to be PFICs. We will be classified as a PFIC in a particular taxable year if, either

- 75 percent or more of our gross income for the taxable year is passive income; or
- the average percentage of the value of our assets (based on an average of the quarterly values) that produce or are held for the production of passive income is at least 50 percent (the "asset test").

For this purpose, passive income generally includes dividends, interest, gains from certain commodities transactions, rents, royalties and the excess of gains over losses from the disposition of assets that produce passive income. If we own at least 25% (by value) of the stock of another corporation, for purposes of determining whether we are a PFIC, we will be treated as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income. Although the law in

this regard is not entirely clear, we treat our VIE as being owned by us for U.S. federal income tax purposes because we control its management decisions and are entitled to substantially all of the economic benefits associated with it.

Based on our audited financial statements, the manner in which we conduct our business, relevant market data and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not anticipate being a PFIC for our current taxable year or in the foreseeable future. However, because the PFIC tests must be applied each year, and the composition of our income and assets and the value of our assets may change, and because the treatment of our VIE for U.S. federal income tax purposes is not entirely clear, it is possible that we may be a PFIC in the current or a future taxable year. In particular, because the value of our assets for purposes of the asset test may be determined by reference to the market price of our ADSs, fluctuations in the market price of our ADSs may cause us to become a PFIC for the current or subsequent taxable years. The determination of whether we are a PFIC also may be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. If we do not deploy significant amounts of cash for active purposes, our risk of being a PFIC may increase.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds shares and such U.S. Holder does not make the election described below, such U.S. Holder will be subject to a special tax at ordinary income tax rates on "excess distributions" (generally, any distributions that a U.S. Holder receives in a taxable year that are greater than 125 percent of the average annual distributions that such U.S. Holder has received in the preceding three taxable years, or its holding period, if shorter), as well as any gain that such U.S. Holder recognizes on the sale or other disposition of its shares. Under these rules (a) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the shares, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are a PFIC will be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year.

Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step-up in the basis of shares at death.

If we are a PFIC and we have any direct, and in certain circumstances, indirect subsidiaries that are PFICs (each a "Subsidiary PFIC"), a U.S. Holder will be treated as owning its pro rata share of the stock of each such Subsidiary PFIC and will be subject to the PFIC rules with respect to each such Subsidiary PFIC.

A U.S. Holder may be able to avoid the unfavorable rules described above by electing to mark its ADSs to market, provided the ADSs are considered "marketable." The ADSs will be marketable if they are regularly traded on one of certain qualifying stock exchanges[, including the NYSE/NASDAQ Global Market]. It should be noted that only the ADSs and not the Class A ordinary shares will be listed on [the NYSE/NASDAQ Global Market]. Consequently, a U.S. Holder that holds Class A ordinary shares that are not represented by ADSs may not be eligible to make a mark-to-market election. Shares will be considered to be regularly traded (i) during the current calendar year, if they are traded, other than in *de minimis* quantities, on at least 1/6 of the days remaining in the quarter in which the offering occurs, and on at least 15 days during each remaining quarter of the calendar year; and (ii) during any other calendar year, if they are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter.

If the U.S. Holder makes a mark-to-market election with respect to its ADSs, the holder will be required in any year in which we are a PFIC to include as ordinary income the excess of the fair market value of its ADSs at year-end over the holder's basis in those ADSs. If at the end of the U.S. Holder's taxable year for a year in which we were a PFIC, the holder's basis in the ADSs exceeds their fair market value, the holder will be entitled to

deduct the excess as an ordinary loss, but only to the extent of the holder's net mark-to-market gains from previous years. The holder's adjusted tax basis in the ADSs will be adjusted to reflect any income or loss recognized under these rules. In addition, any gain the U.S. Holder recognizes upon the sale or other disposition of its ADSs in a year in which we were a PFIC will be taxed as ordinary income in the year of sale and any loss will be treated as an ordinary loss to the extent of the U.S. Holder's net mark-to-market gains from previous years. However, a U.S. Holder will not be able to make a mark-to-market election with respect to the stock of any Subsidiary PFIC. Therefore, if we are a PFIC, the mark-to-market election will not be available to mitigate the adverse tax consequences attributable to any Subsidiary PFIC.

Once made, the election cannot be revoked without the consent of the IRS unless the shares cease to be marketable.

The unfavorable rules described above may also be avoided if a U.S. Holder is eligible for and makes a valid qualified electing fund election, or QEF election. If a QEF election is made, such U.S. Holder generally will be required to include in income on a current basis its pro rata share of the PFIC's ordinary income and net capital gains, regardless of whether or not such earnings and gains are actually distributed to such U.S. Holder. We do not intend, however, to prepare or provide the information that would enable U.S. Holders to make QEF elections.

A U.S. Holder that owns an equity interest in a PFIC generally must annually file IRS Form 8621, and may be required to file other IRS forms. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of the holder's taxable years for which such form is required to be filed. As a result, the taxable years with respect to which the U.S. Holder fails to file the form may remain open to assessment by the IRS indefinitely, until the form is filed.

You should consult your own tax advisor regarding the U.S. federal income tax considerations discussed above and the desirability of making a mark-to-market election.

Foreign Financial Asset Reporting

Certain U.S. Holders that own specified foreign financial assets with an aggregate value in excess of U.S.$50,000 on the last day of the taxable year or $75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. Specified foreign financial assets include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. The understatement of income attributable to "specified foreign financial assets" in excess of U.S.$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. Holders who fail to report the required information could be subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

Backup Withholding and Information Reporting

Dividends paid on shares to a U.S. Holder and proceeds from the sale or other disposition of the shares by a U.S. Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

A holder that is not a U.S. Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom BofA Securities, Inc. and Morgan Stanley & Co. LLC are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of ADSs indicated below:

Name	Number of ADSs
Total	

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are offering the ADSs subject to their acceptance of the ADSs from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the ADSs offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated, severally and not jointly, to take and pay for all of the ADSs offered by this prospectus if any such ADSs are taken. However, the underwriters are not required to take or pay for the ADSs covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the ADSs directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers. After the initial offering of the ADSs, the offering price and other selling terms may from time to time be varied by the representatives.

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 public offering price listed on the cover page of this prospectus less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the ADSs offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional ADSs as the number listed next to the underwriter's name in the preceding table bears to the total number of ADSs listed next to the names of all underwriters in the preceding table.

The following table sets forth the per ADS and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional ADSs.

		Total	
	Per ADS	No Exercise	Full Exercise
Public offering price	US$	US$	US$
Underwriting discounts and commissions to be paid by us	US$	US$	US$
Proceeds, before expenses, to us	US$	US$	US$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately US$. We have agreed to reimburse the underwriters for expense relating to clearance of this offering with the Financial Industry Regulatory Authority up to US$.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of ADSs offered by them.

Some of the underwriters are expected to make offers and sales both inside and outside the U.S. through their respective selling agents. Any offers or sales in the U.S. will be conducted by broker-dealers registered with the SEC.

The address of BofA Securities, Inc. is One Bryant Park, New York, NY 10036, United States of America. The address of Morgan Stanley & Co. LLC is 1585 Broadway, New York, NY 10036, United States of America.

We will apply to list our ADSs on the [NYSE / NASDAQ Global Market] under the trading symbol “ .”

We and [all directors and officers and the holders of all of our outstanding shares and share options] have agreed that, without the prior written consent of the representatives, we and they will not, during the period ending 180 days after the date of this prospectus, or the restricted period:

- offer, 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, directly or indirectly, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs;
- file any registration statement with the SEC relating to the offering of any ordinary shares, ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs (other than a registration statement on Form S-8); or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs,

whether any such transaction described above is to be settled by delivery of ordinary shares, ADSs, or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of the representatives on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any ordinary shares, ADSs, or any security convertible into or exercisable or exchangeable for ordinary shares or ADSs.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of shares to the underwriters;
- the issuance by the Company of ordinary shares upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;
- transactions by any person other than us relating to ordinary shares, ADSs or other securities acquired in open market transactions after the completion of the offering of the ADSs; provided that no filing under Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, is required or voluntarily made in connection with subsequent sales of the ordinary shares, ADSs or other securities acquired in such open market transactions; or
- the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of ordinary shares or ADSs, provided that (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 or voluntarily made 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.

The representatives, in their sole discretion, may release the ordinary shares, ADSs and other securities subject to the lock-up agreements described above in whole or in part at any time. Subject to compliance with the notification requirements under FINRA Rule 5131 applicable to lock-up agreements with our directors or officers, if the representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up agreement for an officer or director of us and provides us with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, we agree to announce the

impending release or waiver by issuing a press release through a major news service at least two business days before the effective date of the release or waiver. Currently, there are no agreements, understandings or intentions, tacit or explicit, to release any of the securities from the lock-up agreements prior to the expiration of the corresponding period.

In order to facilitate the offering of the ADSs, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the ADSs. Specifically, the underwriters may sell more ADSs than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of ADSs available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing ADSs in the open market. In determining the source of ADSs to close out a covered short sale, the underwriters will consider, among other things, the open market price of ADSs compared to the price available under the over-allotment option. The underwriters may also sell ADSs in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing 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. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, ADSs in the open market to stabilize the price of the ADSs. These activities may raise or maintain the market price of the ADSs above independent market levels or prevent or retard a decline in the market price of the ADSs. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of ADSs to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In addition, 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 (including bank loans) 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 investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Pricing of the Offering

Prior to this offering, there has been no public market for our ordinary shares or ADSs. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our

sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours, the general condition of the securities markets at the time of this offering, the recent market prices of, and demand for, publicly traded ordinary share of generally comparable companies, and other factors deemed relevant by the representatives and us. Neither we nor the underwriters can assure investors that an active trading market will develop for the ADSs, or that the ADSs will trade in the public market at or above the initial public offering price.

[Directed Share Program

At our request, the underwriters have reserved for sale, at the initial public offering price, up to ADSs offered by this prospectus for sale, at the initial public offering price, to our directors, officers, employees, business associates and related persons. If purchased by these persons, these ADSs will be subject to a 180-day lock-up restriction. The number of ADSs available for sale to the general public will be reduced to the extent such persons purchase such reserved ADSs. Any reserved ADSs that are not so purchased will be offered by the underwriters to the general public on the same basis as the other ADSs offered by this prospectus].

Electronic Offer, Sale and Distribution of ADSs

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of ADSs to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations. In addition, ADSs may be sold by the underwriters to securities dealers who resell ADSs to online brokerage account holders. Other than the prospectus in electronic format, the information on any underwriter's or selling group member's website and any information contained in any other website maintained by any underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Selling Restrictions

No action may be taken in any jurisdiction other than the U.S. that would permit a public offering of the ADSs or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

Australia. This document has not been lodged with the Australian Securities & Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

a) you confirm and warrant that you are either:

i) "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia, or the Corporations Act;

ii) "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the company 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;

iii) person associated with the company under section 708(12) of the Corporations Act; or

iv) "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;

b) you warrant and agree that you will not offer any of the ADSs issued to you pursuant to this document for resale in Australia within 12 months of those 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.

Canada. The ADSs may be sold in Canada only to purchasers resident or located in the Provinces of Ontario, Québec, Alberta and British Columbia, 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 ADSs 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, or 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.

Cayman Islands. This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the ADSs, whether by way of sale or subscription. The underwriters have not offered or sold, and will not offer or sell, directly or indirectly, any ADSs in the Cayman Islands.

Dubai International Financial Centre ("DIFC"). This prospectus relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for this prospectus. The securities to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

In relation to its use in the DIFC, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State unless the prospectus has been approved by the competent authority in such Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that

Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- by the underwriters to fewer than 100 or, if the Relevant Member 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) subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of shares shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision, and your representation below, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

- it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (1) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (2) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or

the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

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:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the relevant member 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;
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;
- 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.

Germany. This prospectus does not constitute a Prospectus Directive-compliant prospectus in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and does therefore not allow any public offering in the Federal Republic of Germany ("Germany") or any other Relevant Member State pursuant to § 17 and § 18 of the German Securities Prospectus Act. No action has been or will be taken in Germany that would permit a public offering of the ADSs, or distribution of a prospectus or any other offering material relating to the ADSs. In particular, no securities prospectus (*Wertpapierprospekt*) within the meaning of the German Securities Prospectus Act or any other applicable laws of Germany, has been or will be published within Germany, nor has this prospectus been filed with or approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) for publication within Germany.

Each underwriter will represent, agree and undertake, (i) that it has not offered, sold or delivered and will not offer, sell or deliver the ADSs within Germany other than in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other applicable laws in Germany governing the issue, sale and offering of ADSs, and (ii) that it will distribute in Germany any offering material relating to the ADSs only under circumstances that will result in compliance with the applicable rules and regulations of Germany.

This prospectus is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

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 (Winding Up and Miscellaneous Provisions) 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 (Winding Up and Miscellaneous Provisions) 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.

Israel. The ADSs offered by this prospectus have not been approved or disapproved by the Israeli Securities Authority (the ISA), nor has it been registered for sale in Israel. The ADSs may not be offered or sold, directly or indirectly, to the public in Israel, absent the publication of a prospectus. The ISA has not issued permits, approvals or licenses in connection with the offering or publishing the prospectus; nor has it authenticated the details included herein, confirmed their reliability or completeness, or rendered an opinion as to the quality of the ADSs being offered. Any resale in Israel, directly or indirectly, to the public of the ADSs offered by this prospectus is subject to restrictions on transferability and must be effected only in compliance with the Israeli securities laws and regulations.

Italy. The offering of ADSs has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no ADSs may be offered, sold or delivered, nor copies of this prospectus or any other documents relating to the ADSs may not be distributed in Italy except:

- to "qualified investors," as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Decree No. 58") and defined in Article 26, paragraph 1, letter d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended ("Regulation No. 16190") pursuant to Article 34-ter, paragraph 1, letter. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("Regulation No. 11971"); or
- in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any offer, sale or delivery of the ADSs or distribution of copies of this prospectus or any other documents relating to the ADSs in the Republic of Italy must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended (the "Banking Law"), Decree No. 58 and Regulation No. 16190 and any other applicable laws and regulations;
- in compliance with Article 129 of the Banking Law, and the implementing guidelines of the Bank of Italy, as amended; and
- in compliance with any other applicable notification requirement or limitation which may be imposed, from time to time, by CONSOB or the Bank of Italy or other competent authority.

Please note that, in accordance with Article 100-bis of Decree No. 58, where no exemption from the rules on public offerings applies, the subsequent distribution of the ADSs on the secondary market in Italy must be made

in compliance with the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971.

Furthermore, ADSs which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are regularly ("sistematicamente") distributed on the secondary market in Italy to non-qualified investors become subject to the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971. Failure to comply with such rules may result in the sale of the ADSs being declared null and void and in the liability of the intermediary transferring the ADSs for any damages suffered by such non-qualified investors.

Japan. The ADSs have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and ADSs will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Korea. The ADSs may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The ADSs have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea and the decrees and regulations thereunder, and the ADSs have been and will be offered in Korea as a private placement under the FSCMA. Furthermore, the purchaser of the ADSs shall comply with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the ADSs. By the purchase of the ADSs, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the ADSs pursuant to the applicable laws and regulations of Korea.

Kuwait. Unless all necessary approvals from the Kuwait Ministry of Commerce and Industry required by Law No. 31/1990 "Regulating the Negotiation of Securities and Establishment of Investment Funds," its Executive Regulations and the various Ministerial Orders issued pursuant thereto or in connection therewith, have been given in relation to the marketing and sale of the ADSs, these may not be marketed, offered for sale, nor sold in the State of Kuwait. Neither this prospectus (including any related document), nor any of the information contained therein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

People's Republic of China. This prospectus has not been and will not be circulated or distributed in the PRC, and ADSs may not be offered or sold, and will not be offered or sold 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.

Qatar. In the State of Qatar, the offer contained herein is made on an exclusive basis to the specifically intended recipient thereof, upon that person's request and initiative, for personal use only and shall in no way be construed as a general offer for the sale of securities to the public or an attempt to do business as a bank, an investment company or otherwise in the State of Qatar. This prospectus and the underlying securities have not been approved or licensed by the Qatar Central Bank or the Qatar Financial Centre Regulatory Authority or any other regulator in the State of Qatar. The information contained in this prospectus shall only be shared with any third parties in Qatar on a need to know basis for the purpose of evaluating the contained offer. Any distribution of this prospectus by the recipient to third parties in Qatar beyond the terms hereof is not permitted and shall be at the liability of such recipient.

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 our ADSs may not be circulated or distributed, nor may our 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 SFA, (2) to a relevant person or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, 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 our ADSs are subscribed or purchased under Section 275 by a relevant person which is: (a) 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 (b) 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 shares 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 under Section 275 of the SFA, except: (1) 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 shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$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; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Switzerland. The ADSs will not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus nor any other offering or marketing material relating to our company or the ADSs have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of the ADSs will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of the ADSs has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (the "CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the ADSs.

Taiwan. The ADSs have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the ADSs in Taiwan.

United Arab Emirates. This prospectus is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates, or the UAE. The ADSs and the underlying shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering, the ADSs, the underlying shares and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the ADSs and the underlying shares may not be offered or sold directly or indirectly to the public in the UAE.

United Kingdom. Each underwriter has represented and agreed that: (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or the FSMA, received by it in connection with the issue or sale of the ADSs in circumstances in which Section 21(1) of the FSMA does not apply to us; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the ADSs in, from or otherwise involving the United Kingdom.

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 stock exchange application and listing fee, all amounts are estimates.

SEC Registration Fee	US$
FINRA Fee	
Stock Exchange Application and Listing Fee	
Printing and Engraving Expenses	
Legal Fees and Expenses	
Accounting Fees and Expenses	
Miscellaneous	
Total	US$

LEGAL MATTERS

We are being represented by Cleary Gottlieb Steen & Hamilton LLP with respect to certain legal matters as to U.S. federal securities and New York State law. The underwriters are being represented by Simpson Thacher & Bartlett LLP with respect to certain legal matters as to U.S. federal securities and New York State law. The validity of the ordinary shares represented by the ADSs offered in this offering will be passed upon for us by Maples and Calder (Hong Kong) LLP. Certain legal matters as to PRC law will be passed upon for us by Shihui Partners and for the underwriters by Jingtian & Gongcheng. Cleary Gottlieb Steen & Hamilton LLP may rely upon Maples and Calder (Hong Kong) LLP with respect to matters governed by Cayman Islands law and Shihui Partners with respect to matters governed by PRC law. Simpson Thacher & Bartlett LLP may rely upon Jingtian & Gongcheng with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements of Burning Rock Biotech Limited as of and for the years ended December 31, 2018 and 2017 and for the nine months ended September 30, 2019, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young Hua Ming LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The office of Ernst & Young Hua Ming LLP is located at 18th Floor, Ernst & Young Tower, 13 Zhujiang East Road, Tianhe District, Guangzhou, Guangdong, People's Republic of China.

This prospectus contains information from a report commissioned by us and prepared by China Insights Consultancy, an independent market research firm, which contains data regarding the market size and competitive landscape of the markets we operate in.

The office of CIC is located at 10F, Block B, Jing'an International Center, 88 Puji Road, Jing'an District, Shanghai 200070, the PRC.

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 Class A 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 our ADSs.

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. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We maintain our website at http://www.brbiotech.com.

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 financial statements prepared in conformity with U.S. GAAP, 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.

BURNING ROCK BIOTECH LIMITED

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Burning Rock Biotech Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Burning Rock Biotech Limited (the "Company") as of December 31, 2017 and 2018, the related consolidated statements of comprehensive loss, shareholders' deficit and cash flows for the years ended December 31, 2017 and 2018, and 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 at December 31, 2017 and 2018, and the results of its operations and its cash flows for the years ended December 31, 2017 and 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company's auditor since 2019.

Guangzhou, the People's Republic of China

November 4, 2019, except for Note 19, as to which the date is December 9, 2019

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Notes	As of December 31, 2017	As of December 31, 2018	
		RMB	RMB	US$
ASSETS				
Current assets:				
Cash and cash equivalents		54,789	93,341	13,059
Restricted cash		—	1,993	279
Short-term investment		130,684	36,787	5,147
Accounts receivable (net of allowances of RMB920 and RMB1,827 (US$256) as of December 31, 2017 and 2018, respectively)	4	39,877	34,807	4,869
Contract assets		1,355	713	100
Amounts due from related parties	16	15,690	16,390	2,293
Inventories	5	16,804	49,055	6,861
Prepayments and other current assets	6	39,731	59,903	8,381
Total current assets		**298,930**	**292,989**	**40,989**
Non-current assets:				
Long-term investment		35,023	—	—
Equity method investment		2,310	1,990	278
Property and equipment, net	7	60,691	69,582	9,735
Intangible assets, net	8	516	482	67
Other non-current assets		2,862	7,631	1,068
Total non-current assets		**101,402**	**79,685**	**11,148**
TOTAL ASSETS		**400,332**	**372,674**	**52,137**
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT				
Current liabilities (including amounts of the consolidated VIE and its subsidiaries without recourse to the primary beneficiary of RMB173,463 and RMB282,271 (US$39,491) as of December 31, 2017 and 2018, respectively):				
Accounts payable		14,255	16,267	2,276
Deferred revenue		28,582	55,846	7,813
Amounts due to a related party	16	3,131	3,289	460
Capital lease obligations, current	7	—	2,668	373
Accrued liabilities and other current liabilities	9	17,210	30,354	4,247
Short-term borrowings	10	10,000	7,000	979
Current portion of long-term borrowings	10	4,877	40,058	5,604
Convertible notes, current	11	—	129,216	18,078
Total current liabilities		**78,055**	**284,698**	**39,830**
Non-current liabilities (including amounts of the consolidated VIE and its subsidiaries without recourse to the primary beneficiary of nil and RMB85,898 (US$12,017) as of December 31, 2017 and 2018, respectively):				
Deferred government grants		—	1,990	278
Capital lease obligations	7	—	5,689	796
Long-term borrowings	10	33,964	87,641	12,261
Convertible notes	11	119,827	—	—
Total non-current liabilities		**153,791**	**95,320**	**13,335**
TOTAL LIABILITIES		**231,846**	**380,018**	**53,165**
Commitments and contingencies	17			

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Notes	As of December 31,			Pro forma shareholders' deficit as of December 31,	
		2017	2018		2018	
		RMB	RMB	US$	RMB (Unaudited)	US$
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT (CONTINUED)						
Mezzanine equity:						
Series A convertible preferred shares (par value of US$0.0001 per share; 66,890,613 and 66,640,644 shares authorized, issued and outstanding as of December 31, 2017 and 2018)	12	157,749	171,494	23,993	—	—
Series B convertible preferred shares (par value of US$0.0001 per share; 25,378,433 and 25,537,431 shares authorized, issued and outstanding as of December 31, 2017 and 2018)	12	382,893	424,624	59,407	—	—
Total mezzanine equity		**540,642**	**596,118**	**83,400**	**—**	**—**
Shareholders' deficit:						
Ordinary shares (par value of US$0.0001 per share; 407,730,954 and 407,821,925 shares authorized; 44,759,845 and 46,334,461 shares issued and outstanding as of December 31, 2017 and 2018)		28	29	4	—	—
Class A ordinary shares (par value of US$0.0001 per share; 95,860,798 issued and outstanding, pro forma)		—	—	—	61	9
Class B ordinary shares (par value of US$0.0001 per share; 42,651,738 issued and outstanding, pro forma)		—	—	—	27	4
Additional paid-in capital		18,216	23,311	3,261	619,370	86,652
Accumulated deficits		(379,524)	(611,997)	(85,622)	(611,997)	(85,622)
Accumulated other comprehensive loss		(10,876)	(14,805)	(2,071)	(14,805)	(2,071)
Total shareholders' deficit		**(372,156)**	**(603,462)**	**(84,428)**	**(7,344)**	**(1,028)**
TOTAL LIABILITIES, MEZZANIE EQUITY AND SHAREHOLDERS' DEFICIT		**400,332**	**372,674**	**52,137**		

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Notes	For the years ended December 31,		
		2017	2018	
		RMB	RMB	US$
Revenues:				
Revenues from services		106,751	180,187	25,209
Revenues from sales of products		4,415	28,680	4,012
Total revenues	3	**111,166**	**208,867**	**29,221**
Cost of revenues:				
Cost of services		(37,616)	(60,688)	(8,491)
Cost of goods sold		(1,854)	(13,120)	(1,836)
Total cost of revenues		**(39,470)**	**(73,808)**	**(10,327)**
Gross profit		**71,696**	**135,059**	**18,894**
Operating expenses:				
Research and development expenses		(49,022)	(105,299)	(14,732)
Selling and marketing expenses (including related party amounts of RMB1,214 and RMB1,225 (US$171) for the years ended December 31, 2017 and 2018, respectively)	16	(67,505)	(102,857)	(14,390)
General and administrative expenses		(76,036)	(88,299)	(12,353)
Total operating expenses		**(192,563)**	**(296,455)**	**(41,475)**
Loss from operations		**(120,867)**	**(161,396)**	**(22,581)**
Interest expense, net		(9,861)	(16,612)	(2,324)
Other expense, net		(32)	(488)	(68)
Foreign exchange (loss) gain, net		(515)	999	140
Loss before income tax		**(131,275)**	**(177,497)**	**(24,833)**
Income tax expenses	14	—	—	—
Net loss		**(131,275)**	**(177,497)**	**(24,833)**
Net loss attributable to Burning Rock Biotech Limited's shareholders		**(131,275)**	**(177,497)**	**(24,833)**
Accretion of convertible preferred shares		(53,276)	(54,849)	(7,674)
Net loss attributable to ordinary shareholders		**(184,551)**	**(232,346)**	**(32,507)**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Notes	For the years ended December 31,		
		2017	2018	
		RMB	RMB	US$
Loss per share:	15			
Basic and diluted		(5.10)	(5.19)	(0.73)
Weighted average shares outstanding used in loss per share computation:	15			
Basic and diluted		36,178,203	44,757,750	44,757,750
Pro forma loss per share (unaudited):	15			
Basic and diluted			(1.30)	(0.18)
Weighted average shares outstanding used in pro forma loss per share computation (unaudited):	15			
Basic and diluted			136,935,825	136,935,825
Other comprehensive loss, net of tax of nil:				
Foreign currency translation adjustments		(3,652)	(3,929)	(550)
Total comprehensive loss		**(134,927)**	**(181,426)**	**(25,383)**
Total comprehensive loss attributable to Burning Rock Biotech Limited's shareholders		**(134,927)**	**(181,426)**	**(25,383)**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Ordinary shares		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' deficit
	Number of shares	Amount				
		RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2017	**47,189,062**	**30**	**14,163**	**(185,910)**	**(7,224)**	**(178,941)**
Net loss	—	—	—	(131,275)	—	(131,275)
Other comprehensive loss	—	—	—	—	(3,652)	(3,652)
Accretion of convertible preferred shares	—	—	—	(53,276)	—	(53,276)
Repurchase of ordinary shares (note 16)	(2,429,217)	(2)	—	(9,063)	—	(9,065)
Share-based compensation	—	—	4,053	—	—	4,053
Balance as of December 31, 2017	**44,759,845**	**28**	**18,216**	**(379,524)**	**(10,876)**	**(372,156)**
Net loss	—	—	—	(177,497)	—	(177,497)
Other comprehensive loss	—	—	—	—	(3,929)	(3,929)
Repurchase of convertible preferred shares (note 12)	—	—	—	(127)	—	(127)
Accretion of convertible preferred shares	—	—	—	(54,849)	—	(54,849)
Exercise of share options (note 13)	1,637,108	1	—	—	—	1
Repurchase of ordinary shares (note 16)	(62,492)	—	—	—	—	—
Share-based compensation	—	—	5,095	—	—	5,095
Balance as of December 31, 2018	**46,334,461**	**29**	**23,311**	**(611,997)**	**(14,805)**	**(603,462)**
Balance as of December 31, 2018 (US$)	**46,334,461**	**4**	**3,261**	**(85,622)**	**(2,071)**	**(84,428)**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	For the years ended December 31,		
	2017	2018	
	RMB	RMB	US$
Cash flows from operating activities:			
Net loss	(131,275)	(177,497)	(24,833)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	21,313	24,679	3,453
Allowance for doubtful accounts	767	907	127
Inventory write down	331	—	—
Loss on disposal of equipment	—	37	5
Share of loss from equity method investee	63	422	59
Share-based compensation	4,053	5,095	713
Accrued interest	5,838	3,738	523
Changes in operating assets and liabilities:			
Inventories	(489)	(32,251)	(4,512)
Accounts receivable	(31,163)	4,163	582
Contract assets	(1,355)	642	90
Prepayments and other current assets	(16,994)	(20,172)	(2,822)
Amount due from related parties	(15,540)	(31)	(4)
Other non-current assets	78	(3,112)	(435)
Accounts payable	9,570	2,202	308
Deferred revenue	22,774	27,264	3,814
Amount due to a related party	3,132	—	—
Accrued liabilities and other current liabilities	(4,804)	13,144	1,839
Deferred government grants	—	1,990	278
Net cash used in operating activities	**(133,701)**	**(148,780)**	**(20,815)**
Cash flows from investing activities:			
Proceeds from maturity of short-term investment	—	130,684	18,283
Proceeds from disposal of equipment	17	122	17
Prepayment of property and equipment	—	(1,381)	(193)
Purchase of property and equipment	(22,440)	(23,187)	(3,244)
Purchase of intangible assets	(574)	(147)	(21)
Purchase of long-term investment	(35,023)	—	—
Purchase of short-term investment	(130,684)	—	—
Purchase of investment in equity method investee	(2,373)	—	—
Net cash (used in) generated from investing activities	**(191,077)**	**106,091**	**14,842**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	For the years ended December 31,		
	2017	2018	
	RMB	RMB	US$
Cash flows from financing activities:			
Proceeds from long-term borrowings	30,000	96,606	13,516
Capital lease obligations payments	—	(2,545)	(356)
Proceeds from issuance of convertible preferred shares	234,554	2,000	280
Proceeds from issuance of convertible notes	117,225	—	—
Repurchase of ordinary shares	(9,063)	—	—
Repayment of short-term borrowings	—	(3,000)	(420)
Repayment of convertible notes	(13,778)	—	—
Repayment of long-term borrowings	(4,772)	(8,168)	(1,143)
Repurchase of convertible preferred shares	—	(1,500)	(210)
Net cash generated from financing activities	**354,166**	**83,393**	**11,667**
Effect of exchange rate on cash, cash equivalents and restricted cash	(11,406)	(159)	(21)
Net increase cash, cash equivalents and restricted cash	**17,982**	**40,545**	**5,673**
Cash, cash equivalents and restricted cash at the beginning of year	36,807	54,789	7,665
Cash, cash equivalents and restricted cash at the end of year	**54,789**	**95,334**	**13,338**
Supplemental disclosures of cash flow information:			
Interest expense paid	7,627	13,830	1,935
Supplemental disclosures of non-cash information:			
Purchase of property and equipment included in accounts payable	(787)	(190)	(27)
Purchase of property and equipment included in capital lease obligations	—	7,573	1,060
Conversion of convertible notes into Series B convertible preferred shares	110,485	—	—
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	54,789	93,341	13,059
Restricted cash	—	1,993	279
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	**54,789**	**95,334**	**13,338**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

1 ORGANIZATION AND BASIS OF PRESENTATION

Burning Rock Biotech Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on March 10, 2014. The Company does not conduct any substantive operations on its own but instead conducts its business operations through its subsidiaries, variable interest entity ("VIE") and subsidiaries of the VIE. The Company, together with its subsidiaries, VIE and VIE's subsidiaries (collectively, the "Group") are principally engaged in the developing and providing cancer therapy selection test in the People's Republic of China (the "PRC").

As of December 31, 2018, the Company's principal subsidiaries, VIE and VIE's subsidiaries are as follows:

Entity	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
Subsidiaries				
BR Hong Kong Limited	April 1, 2014	Hong Kong	100%	Holding Company
Beijing Burning Rock Biotech Co., Ltd. (the "WFOE")	June 13, 2014	PRC	100%	Trading Company
Burning Rock Biotechnology (Shanghai) Co., Ltd.	July 4, 2016	PRC	100%	Research and development
VIE				
Burning Rock (Beijing) Biotechnology Co., Ltd.	January 7, 2014	PRC	Nil	Holding Company
VIE's subsidiaries				
Guangzhou Burning Rock Dx Co., Ltd.	March 18, 2014	PRC	Nil	Cancer therapy selection test and sales of reagent kits
Guangzhou Burning Rock Medical Equipment Co., Ltd.	January 6, 2015	PRC	Nil	Facilitation of laboratory equipment sales
Guangzhou Burning Rock Biotechnology Co.,Ltd.	January 23, 2018	PRC	Nil	Cancer therapy selection test and sales of reagent kits

To comply with PRC laws and regulations which prohibit and restrict foreign ownership of business involving the development and application of genomic diagnosis and treatment technology, the Group conducts its business in the PRC principally through the VIE and the VIE's subsidiaries. The equity interests of the VIE are legally held by PRC shareholders (the "Nominee Shareholders").

Despite the lack of technical majority ownership, the Company through the wholly foreign owned entity ("the WFOE") has effective control of the VIE through a series of contractual arrangements (the "VIE agreements") and a parent-subsidiary relationship exists between the WFOE and the VIE since 2014. Through the VIE agreements, the Nominee Shareholders of the VIE effectively assigned all of their voting rights underlying their equity interests in the VIE to the WFOE, and therefore, the WFOE has the power to direct the activities of the VIE that most significantly impact its economic performance. The WFOE also has the right to receive economic benefits that potentially could be significant to the VIE. Therefore, the WFOE is considered the primary

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

beneficiary of the VIE and consolidates the VIE in accordance with Accounting Standards Codification ("ASC") Topic 810-10 ("ASC 810-10"), *Consolidation: Overall.*

The following is a summary of the VIE agreements:

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement entered into amongst the WFOE and the VIE on June 20, 2014, the WFOE provides exclusive business support, technology services and consulting services in return for service fees, which is adjustable at the sole discretion of the WFOE. Without the WFOE's consent, the VIE cannot procure services from any third party or enter into similar service arrangements with any other third party, except for the ones appointed by the WFOE. The agreement was effective for 20 years from June 20, 2014 and automatically renew for 10 years if all parties have no objection.

Power of Attorney

The Nominee Shareholders signed Power of Attorney on June 20, 2014 to irrevocably appoint the WFOE, or its designated party, as the attorney-in-fact to exercise rights on the Nominee Shareholders' behalf any and all rights that such shareholder has in respect of its equity interest in the VIE such as the right to appoint or remove directors, supervisors and officers, as well as the right to sell, transfer, pledge or dispose of all or any portion of the equity interests held by such shareholder, or of the assets held by the VIE. This agreement will remain effective until it is terminated by the WFOE.

Exclusive Option Agreement

Pursuant to the exclusive option agreements entered into amongst the VIE, the Nominee Shareholders and the WFOE on June 20, 2014, the Nominee Shareholders irrevocably granted the WFOE an exclusive option to request the Nominee Shareholders to transfer or sell any part or all of its equity interests in the VIE to the WFOE, or its designees. The purchase price of the equity interests in the VIE is equal to the minimum price required by PRC law. Any proceeds received by the Nominee Shareholders from the exercise of the right shall be remitted to the WFOE, to the extent permitted under the PRC laws. Without the WFOE's prior written consent, the VIE and the Nominee Shareholders may not amend its articles of association, increase or decrease the registered capital, sell or otherwise dispose of its assets or beneficial interest, create or allow any encumbrance on its assets or other beneficial interests, provide any loans or guarantees and request any dividends or other form of assets. This agreement is not terminated until all of the equity interest of the VIE has been transferred to the WFOE or the person(s) designated by the WFOE.

Equity Interest Pledge Agreement

Pursuant to the equity interest pledge agreements entered into amongst the WFOE, the VIE and the Nominee Shareholders on June 20, 2014, the Nominee Shareholders pledged all of their equity interests in the VIE to the WFOE as collateral to secure their obligations under the exclusive business cooperation agreement. The WFOE is entitled to all dividends during the effective period of the share pledge except as it agrees otherwise in writing. If the VIE or any of the Nominee Shareholders breaches its contractual obligations, the WFOE is entitled to

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Equity Interest Pledge Agreement (Continued)

certain rights regarding the pledged equity interests, including the right to receive proceeds from the auction or sale of all or part of the pledged equity interests of VIE in accordance with PRC law. The Nominee Shareholders agree not to create any encumbrance on or otherwise transfer or dispose of their respective equity interests in the VIE, without the prior consent of the WFOE.

The Power of Attorney, Exclusive Option Agreement and Equity Interest Pledge Agreement were amended and restated on August 27, 2015, July 1, 2016, April 19, 2018 and January 4, 2019 to reflect the new nominee shareholders appointed by the Series A, Series B and Series C preferred shareholders and the resulting equity ratio adjustments from the preferred shareholders' investment.

On October 21, 2019, the VIE Agreements were supplemented by the following terms:

(1) Exclusive option agreement

- The VIE irrevocably grants the WFOE an exclusive asset purchase option whereby the WFOE has the right to purchase or designate another party to purchase part or all of the assets of the VIE as permitted under the PRC laws. The purchase price of the VIE's assets is equal to the book value of the assets or the minimum price as permitted by applicable PRC law, whichever is higher; and
- The WFOE has the right to unilaterally amendment, supplement and termination of this agreement.

(2) Exclusive Business Cooperation Agreement

- In exchange for these services, the VIE will pay a service fee, equal to the VIE's profit before tax, after recovering any accumulated losses of the VIE and its subsidiaries from the preceding fiscal year, and deducting working capital, expenses, tax and a reasonable amount of operating profit according to applicable tax law principles and tax practice; and
- The agreement will be in effect for 10 years unless the WFOE unilaterally terminates the agreement by giving written notification at least thirty days prior to the expiration of the agreement. The WFOE may at its sole discretion unilaterally extend the term of this agreement prior to its expiration upon notice to the VIE.

(3) Equity Interest Pledge Agreement

- The Nominee Shareholders pledged all of their respective equity interests in the VIE to the WFOE as continuing first priority security interest to guarantee the performance of these Nominee Shareholders and the VIE's obligations under the power of attorney, the exclusive option agreement and the exclusive business cooperation agreement; and
- This agreement will remain effective until all the contractual obligations have been satisfied in full under all the agreements mentioned above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(4) Financial support undertaking letter

- Pursuant to the financial support undertaking letter, the Company is obligated and hereby undertakes to provide unlimited financial support to the VIE, to the extent permissible under the applicable PRC laws and regulations, whether or not any such operational loss is actually incurred. The Company will not request repayment of the loans or borrowings if the VIE or its Nominee Shareholders do not have sufficient funds or are unable to repay.

(5) Voting proxy agreement

- Pursuant to the voting proxy agreement, the WFOE irrevocably and unconditionally commits to execute its rights under the power of attorney in accordance with the instructions from the Company.

As a result of the amended agreements on October 21, 2019, the power and the rights pursuant to the power of attorney have since been effectively reassigned to the Company which has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. The Company is also obligated to absorb the expected losses of the VIE through the financial support as described above. The Company and the WFOE, as a group of related parties, hold all of the variable interests of the VIE. The Company has been determined to be most closely associated with the VIE within the group of related parties and has replaced the WFOE as the primary beneficiary of the VIE since October 2019. As the VIE was subject to indirect control by the Company through the WFOE immediately before and direct control immediately after the VIE Agreements were supplemented, the change of the primary beneficiary of the VIE was accounted for as a common control transaction based on the carrying amount of the net assets transferred.

In the opinion of the Company's legal counsel, (i) the ownership structure of the WFOE and its VIE is in compliance with PRC laws and regulations; (ii) the contractual arrangements with the VIE and their shareholders are valid and binding, and not in violation of current PRC laws or regulations; (iii) the voting proxy agreement between the Company and the WFOE is valid in accordance with the articles of association of the Company and Cayman Islands Law.

However, uncertainties in the PRC legal system could cause the relevant regulatory authorities to find the current VIE Agreements and businesses to be in violation of any existing or future PRC laws or regulations and could limit the Company's ability to enforce its rights under these contractual arrangements. Furthermore, the nominee shareholders of the VIE may have interests that are different from those of the Company, which could potentially increase the risk that they would seek to act contrary to the terms of the contractual agreements with the VIE.

In addition, if the current structure or any of the contractual arrangements were found to be in violation of any existing or future PRC laws or regulations, the Company may be subject to penalties, including but not be limited to, revocation of business and operating licenses, discontinuing or restricting business operations, restricting the Company's right to collect revenues, temporary or permanent blocking of the Company's internet platforms, restructuring of the Company's operations, imposition of additional conditions or requirements with which the Company may not be able to comply, or other regulatory or enforcement actions against the Company that could be harmful to its business. The imposition of any of these or other penalties could have a material adverse effect on the Company's ability to conduct its business.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

The following table set forth the assets and liabilities of the VIE and subsidiaries of the VIE included in the Group's consolidated balance sheets:

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Cash and cash equivalents	31,416	56,623	7,922
Restricted cash	—	1,993	279
Accounts receivable (net of allowances of RMB914 and RMB1,750 (US$245) as of December 31, 2017 and 2018, respectively)	16,822	30,735	4,300
Contract assets	1,355	713	100
Amounts due from related parties	2,014	2,044	286
Inter-company receivables*	5,105	6,587	922
Inventories	12,672	45,928	6,426
Prepayments and other current assets	14,698	32,785	4,587
Total current assets	**84,082**	**177,408**	**24,822**
Property and equipment, net	13,540	24,103	2,955
Intangible assets, net	409	455	64
Other non-current assets	851	4,726	1,078
Total non-current assets	**14,800**	**29,284**	**4,097**
TOTAL ASSETS	**98,882**	**206,692**	**28,919**
Accounts payable	2,608	12,608	1,764
Deferred revenue	28,582	55,846	7,813
Inter-company payables*	143,456	202,087	28,273
Capital lease obligations, current	—	2,668	373
Accrued liabilities and other current liabilities	13,068	25,856	3,617
Short-term borrowings	10,000	7,000	979
Current portion of long-term borrowings	—	457	64
Total current liabilities	**197,714**	**306,522**	**42,883**
Deferred government grant	—	1,990	278
Capital lease obligations	—	5,689	796
Long-term borrowings	—	78,219	10,943
Total non-current liabilities	**—**	**85,898**	**12,017**
TOTAL LIABILITIES	**197,714**	**392,420**	**54,900**

* Inter-company receivables/payables represent balances of VIE and subsidiaries of the VIE due from/to the Company and the Group's consolidated subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

The table sets forth the results of operations of the VIE and subsidiaries of the VIE included in the Group's consolidated statements of comprehensive loss:

	For the years ended December 31,		
	2017	2018	
	RMB	RMB	US$
Revenues	108,820	204,310	28,584
Net loss	(83,427)	(93,455)	(13,075)

The table sets forth the cash flows of the VIE and subsidiaries of the VIE included in the Group's consolidated statements of cash flows:

	For the years ended December 31,		
	2017	2018	
	RMB	RMB	US$
Net cash generated from (used in) operating activities	(25,459)	(44,153)	(6,177)
Net cash used in investing activities	(3,204)	(7,908)	(1,106)
Net cash generated from financing activities	54,303	79,261	11,089

As of December 31, 2017 and 2018, there were no pledges or collateralization of the assets of the VIE and its subsidiaries. The amount of the net liabilities of the VIE and the VIE's subsidiaries was RMB98,832 and RMB185,728 (US$25,981) as of December 31, 2017 and 2018, respectively. The creditors of the VIE and subsidiaries of the VIE's third-party liabilities did not have recourse to the general credit of the primary beneficiary in the normal course of business. The VIE holds certain assets, including detection equipment and related equipment for use in their operations. The Company did not provide nor intend to provide additional financial or other support not previously contractually required to the VIE and subsidiaries of the VIE during the periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompany consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements of the Group include the financial statements of the Company, its subsidiaries, the VIE and the VIE's subsidiaries for which the Company is the primary beneficiary of the VIE. All significant intercompany balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of the 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates (Continued)

contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in the Group's consolidated financial statements include, but are not limited to, allowance for doubtful accounts for accounts receivable and contract assets, inventory provision, standalone selling prices of performance obligations, and the useful lives and impairment of long-lived assets. 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 functional currency of the Company and BR Hong Kong Limited is US$. The functional currency of the Company's PRC subsidiaries, VIE and VIE's subsidiaries is RMB. The determination of the respective functional currency is based on the criteria stated in ASC 830, *Foreign Currency Matters*. The Company uses RMB as its reporting currency. The financial statements of the Company and the Company's subsidiary outside PRC are translated from the functional currency to the reporting currency.

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates quoted by the People's Bank of China (the "PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical costs in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of comprehensive loss.

Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as accumulated comprehensive income (loss) and are shown as a separate component of other comprehensive loss in the consolidated statements of comprehensive loss.

Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader have been calculated at the exchange rate of RMB7.1477 per US$1.00 on September 30, 2019, as published on the website of the United States Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at such rate or at any other rate.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted cash

Restricted cash primarily represent deposits restricted in designated bank accounts for specific uses in relation to certain government grants received.

In November 2016, the FASB issued Accounting Standard Update ("ASU") No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires entities to present the aggregate changes in cash, cash equivalents and restricted cash in the statement of cash flows. As a result, the statement of cash flows will be required to present restricted cash and restricted cash equivalents as a part of the beginning and ending balances of cash and cash equivalents. The Group early adopted the updated guidance retrospectively and presented restricted cash within the ending cash, cash equivalents and restricted cash balance on the Group's consolidated statements of cash flows for the years ended December 31, 2017 and 2018.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when collection of the amount is no longer probable. In evaluating the collectability of receivable balances, the Group considers specific evidence including the aging of the receivable, the customer's payment history, its current credit-worthiness and other factors. Accounts receivable are written off after all collection efforts have ceased.

Short-term investment

All highly liquid investments with maturities of greater than three months, but less than twelve months, are classified as short-term investments. Short-term investment held by the Group represented time deposit of remaining maturities of greater than three months but less than twelve months.

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements (continued)

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 amount of cash and cash equivalents, short-term investment, accounts receivable, amounts due from and due to related parties, accounts payable and short-term borrowings approximate their fair values because of their generally short maturities. The carrying amounts of long-term borrowings and long-term investment approximate their fair values since they bear interest rates which approximate market interest rates.

The fair value of the convertible notes was RMB115,209 and RMB139,652 (US$19,538) as of December 31, 2017 and 2018, respectively. The Group used the discounted cash flow method to calculate fair value and classified as Level 3 within the fair value hierarchy due to the lack of observable market data and activity.

The Group had no financial assets and liabilities measured and recorded at fair value on a recurring or nonrecurring basis as of December 31, 2017 and 2018.

Inventories

Inventories consist of raw materials, work in progress and finished goods which are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for decreases in sales price, obsolescence, or similar reductions in the estimated net realizable value; and are recorded in cost of sales.

Long-term investment

The Group's long-term investments consist of time deposits with maturity over one year. Long-term investment held by the Group represented a two-year time deposit which was pledged to guarantee a banking facility provided to the VIE.

Equity method investment

Equity method investments represent investments in entities in which the Group can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC Subtopic 323-10, *Investments-Equity Method and Joint Ventures: Overall*. Under the equity method, the Group initially records its investment at cost and prospectively recognizes its proportionate share of each equity investee's net profit or loss into its consolidated statements of operations. The difference between the cost of the equity investee and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill included in equity method investments on the consolidated balance sheets. The Group evaluates its equity method investments for impairment under ASC 323-10. An impairment loss on the equity method investments is recognized in the consolidated statements of comprehensive loss when the decline in value is determined to be other-than-temporary.

In January 2017, the Group acquired for 20.29% equity interest in EaSuMed Holding Ltd. with an amount of US$363. The Group exercised significant influence over the investee with its one seat on the board of directors

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity method investment (continued)

and accounted for its investment under the equity method. The Group recognized loss from equity method investment of RMB63 and RMB422 (US$59) for the years ended December 31, 2017 and 2018, respectively. No impairment loss was recognized for the periods presented.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation. Depreciation 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	6 years
Furniture and tools	5 years
Electronic equipment	3 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 and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

Direct costs that are related to the construction of property and equipment, and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment, and the depreciation of these assets commences when the assets are ready for their intended use.

Intangible assets, net

Intangible assets are carried at cost less accumulated amortization and any recorded impairment. Intangible assets with finite useful lives are amortized using a straight-line method of amortization that reflects the estimated pattern in which the economic benefits of the intangible asset are to be consumed. The estimated useful life for the intangible assets is as follows:

Category	Estimated Useful Life
Computer software	3 years

The Group does not have any indefinite-lived intangible assets.

Impairment of long-lived assets

The Group evaluates the recoverability of its long-lived assets, including fixed assets and intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets (continued)

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, 2017 and 2018.

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 evaluates segment performance based on revenues and gross profit by the operating segments of central laboratory business, in-hospital business and pharma research and development services. No geographical segments are presented as substantially all of the Group's long-lived assets are located in the PRC and substantially all of the Group's revenues are derived from within the PRC.

Revenue recognition

Effective January 1, 2017, the Group adopted ASU 2014-09, *Revenue from contracts with Customers (Topic 606)* using the full retrospective method. The Group derives revenues from its central laboratory business, in-hospital business and pharma research and development services. The Group recognizes revenue to depict the transfer of promised products or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those products or services. The impact of adopting the new revenue standard was not material to the Group's consolidated financial statements.

Revenue from central laboratory business

Revenue from central laboratory business is primarily generated through the sales of the Group's cancer therapy selection test to individual patient customers. The individual patient prepays the consideration in full and the transaction price for each contract is fixed at contract inception. The patient can choose to purchase a single cancer therapy selection test or a package which consists of multiple cancer therapy selection tests of the same type or a combination of different types of cancer therapy selection tests. Each cancer therapy selection test represents a single performance obligation. Revenue is allocated to each performance obligation based on the relative standalone selling price method. The Group records revenue at a point in time, when each cancer therapy selection testing report is delivered to the patient.

The Group's cancer therapy selection packages with multiple cancer therapy selection tests of the same type ("Monitoring Packages") were launched in 2017. The Monitoring Packages expire two years from the date of

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from central laboratory business (Continued)

purchase. Based on historical usage rates, a portion of the cancer therapy selection tests within the Monitoring Packages are not expected to be used by the patient prior to expiration, referred to as a "breakage". If the Group is expected to be entitled to a breakage amount, the expected breakage amount is recognized as revenue in proportion to the total number of tests performed for patients prior to the expiration date. If the Group is not expected to be entitled to a breakage amount due to the lack of historical experience, the expected breakage amount is recognized as revenue when the package expires. The Group evaluates its breakage estimates periodically based upon its historical experience with each type of Monitoring Packages and other factors, such as recent usage pattern prior to the expiration period. For the years ended December 31, 2017 and 2018, the Group did not recognized breakage revenue due to the lack of historical experience. The historical usage rates may not be reflective of the actual usage rates due to changes in patients' behavior and medical advancements. The determination of whether the Group has accumulated sufficient historical experience to determine breakage amount, and changes in the actual patients' usage rates may significantly impact on the amount of breakage revenue recognized for the period.

Revenue from in-hospital business

Revenue from in-hospital business is primarily generated through the sales of reagent kits and the provision of the facilitation services for the laboratory equipment sales to hospitals. For the sale of reagent kits, the Group manufactures the reagent kits and sells to the hospitals when the hospitals make a purchase order. Each reagent kit represents a single performance obligation. The Group does not provide rights of return for the reagent kits sold other than returns of defective products. Revenue is allocated to each performance obligation based on a relative standalone selling price basis. The Group records revenue on the sales of reagent kits at a point in time when the reagent kits are delivered to the hospital.

For the facilitation services, the Group purchases the laboratory equipment from third-party suppliers when the hospital makes a purchase request and resells the laboratory equipment to the hospital. The Group acts as an agent in facilitating the sales of laboratory equipment arrangements as it does not control the laboratory equipment prior to its delivery to the hospitals and does not have inventory risks. The facilitation services for each piece of laboratory equipment represents a single performance obligation. The Group records revenue on a net basis at the point in time when the Group has completed its facilitation services.

Revenue from pharma research and development services

The Group provides pharma research and development services to the pharmaceutical companies for their development of new drugs for targeted therapies and immunotherapies on various types of cancers. The pharma research and development services include a range of cancer therapy selection testing services, analytical validation services and project management services. The Group will deliver an analysis report upon the completion of services. The testing services, analytical validation services and project management services are not distinct within the context of the contract because the Group is using these services as inputs to produce the analysis report. The Group recognizes services revenue over the period in which these services are provided because the Group does not create an asset with alternative use to the Group and the Group has an enforceable

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from pharma research and development services (Continued)

right to payment for the performance completed to date. The Group recognizes revenue using an output method to measure progress that utilizes cancer therapy selection testing performed to-date as its measure of progress.

Pharmaceutical companies may also separately engage the Group to perform multiple cancer therapy selection tests without an analysis of the test results. Each therapy selection test is capable of being distinct and separately identifiable from other promises in the contracts and therefore, represent distinct performance obligations. Revenue is allocated to each cancer therapy selection test using a relative standalone selling price basis. The Group records revenue at a point in time, when each cancer therapy selection test result is delivered to the pharmaceutical companies.

Contract assets and liabilities

When the Group satisfies its performance obligations by providing products or services to a customer before the customer pays consideration or before payment is due, the Group recognizes its rights to consideration as a contract asset, which is presented as "contract assets" on the consolidated balance sheets. The contract assets are transferred to the receivables when the rights become unconditional. When a customer pays consideration before the Group provides products or services, the Group records its obligation as a contract liability, which is presented as "deferred revenue" on the consolidated balance sheets.

Deferred revenue increased by RMB27,264 (US$3,814), due to the increase in consideration received from the Group's customers. The Group receives payments from customers based on a billing schedule as established in contracts. Revenue recognized that was included in deferred revenue balance at the beginning of the year was RMB5,808 and RMB26,587 (US$3,720) for the years ended December 31, 2017 and 2018, respectively. For both periods presented, there was no impairment of the Group's contract assets.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially satisfied) as of December 31, 2017 and 2018 were RMB36,538 and RMB66,141 (US$9,253), respectively. The Group expects to recognize the related revenue within one year.

Value added taxes and related surcharges

The Group is subject to value added tax (the "VAT") that is imposed on and concurrent with the revenues earned for services provided in the PRC. The Group's applicable value added tax rate is 6% or 17%. Pursuant to further VAT reform implemented from May 1, 2018, all industries that were previously subject to VAT at a rate of 17% were adjusted to 16% and further adjusted to 13% beginning April 2019.

The Group excludes VAT from the measurement of transaction price because the Group is collecting the VAT on behalf of tax authorities. The Group is also subject to surcharges on VAT payments in accordance with PRC law, which is recorded as cost of revenue. Surcharges are recorded when incurred because they are not imposed on and concurrent with a specific revenue arrangement and were immaterial for the years ended December 31, 2017 and 2018, respectively.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenses

Research and development expenses primarily consist of salaries and benefits for research and development personnel and the cost of materials for research and development projects and products, and depreciation expense of detection equipment. The Group expenses research and development costs as they are incurred.

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 local governments. The government subsidies with certain operating conditions are recorded as liabilities when received and will be recorded as a reduction of the related expense when the conditions are met. The government subsidies with no further conditions to be met are recorded as other income when received. Where the grant relates to an asset, it is recognized as deferred government grant and released to the consolidated statements of comprehensive loss in equal amounts over the expected useful life of the related asset as a reduction of the related expense.

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 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.

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 and network equipment 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 related to the Group and its overseas subsidiaries, whose functional currency is US$.

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

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.

Share-based compensation

The Group applies ASC 718, *Compensation — Stock Compensation* ("ASC 718"), to account for its employee share-based payments awards granted to certain directors, executives and employees. Share options granted are classified as equity awards and are measured based on the grant date fair value of the equity instrument issued, and recognized as compensation costs using the straight-line method over the requisite service period, which is generally the vesting period of the options, with a corresponding impact reflected in additional paid-in capital. The Group early adopted ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting* ("ASU 2016-09") and accounts for forfeitures as they occur.

Loss per share

In accordance with ASC 260, *Earnings Per Share*, basic 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 preferred shares are participating securities because they are entitled to receive dividends or distributions on an as converted basis. Diluted 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 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 loss per share using the two-class method is not applicable as the Company is in a net loss position and the participating securities do not have contractual rights and obligations to share in the losses of the Company.

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(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pro forma information (unaudited)

Upon completion of the initial public offering of Company's securities on an internationally recognized securities exchange (the "Qualified IPO"), the outstanding convertible preferred shares will automatically be converted into Class A ordinary shares on a 1:1 basis. The ordinary shares owned by Mr. Yusheng Han will be converted into Class B ordinary shares. Unaudited pro forma shareholders' deficit as of December 31, 2018, as adjusted for the assumed conversion of the convertible preference shares, is set forth on the consolidated balance sheets. Unaudited pro forma loss per share is computed using the weighted-average number of ordinary shares outstanding as of December 31, 2018, and assumes the automatic conversion of all of the Company's convertible preferred shares into weighted-average shares of ordinary stock upon the closing of the Company's Qualified IPO, as if it had occurred on January 1, 2018.

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 RMB14,252 and RMB20,566 (US$2,877) for the years ended December 31, 2017 and 2018, respectively.

Modification of redeemable convertible preferred shares

The Group assesses whether an amendment to the terms of its redeemable convertible preferred shares is an extinguishment or a modification using the fair value model. If the fair value of the redeemable convertible preferred shares immediately after the amendment changes by more than ten percent from the fair value of the redeemable convertible preferred shares immediately before the amendment, the amendment is considered an extinguishment. An amendment that does not meet this criterion is a modification. When redeemable convertible preferred shares are extinguished, the difference between the fair value of the consideration transferred to the redeemable convertible preferred shareholders and the carrying amount of the redeemable convertible preferred shares (net of issuance costs) is treated as a deemed dividend to the redeemable convertible preferred shareholders. When redeemable convertible preferred shares are modified, the increase of the fair value immediately after the amendment is treated as a deemed dividend to the redeemable convertible preferred shareholders. Modifications that result in a decrease in the fair value of the redeemable convertible preferred shares are not recognized.

Concentration of risks

Concentration of credit risk

As of December 31, 2017 and 2018, the aggregate amount of cash and cash equivalents, restricted cash, short-term investment and long-term investment of RMB207,081 and RMB127,276 (US$17,807), respectively, were held at major financial institutions located in the PRC, and US$2,053 and US$706 (RMB4,845), respectively,

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risks (continued)

Concentration of credit risk (Continued)

were deposited with major financial institutions located outside the PRC. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

Accounts receivables are typically unsecured and denominated in RMB and are derived from revenues earned from reputable customers. As of December 31, 2017, the Group had one customer with a receivable balance exceeding 10% of the total accounts receivable balance. No customer accounted for more than 10% of the Group's total accounts receivable balance as of December 31, 2018. The Group manages credit risk of accounts receivable through ongoing monitoring of the outstanding balances.

Concentration of suppliers

A significant portion of the Group's equipment and raw materials were purchased from its two suppliers, who collectively accounted for 53% and 52% of the Group's total equipment and raw materials purchases for the years ended December 31, 2017 and 2018, respectively.

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.

Currency convertibility risk

Substantially all of the Group's businesses are transacted in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by 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.

Foreign currency exchange rate risk

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 depreciation of approximately 6.3% and appreciation of approximately 5.7%, in the years ended December 31, 2017 and 2018. It is difficult to predict

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risks (continued)

Foreign currency exchange rate risk (Continued)

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.

The functional currency and the reporting currency of the Company are the US$ and the RMB, respectively. Most of the revenues and costs of the Group are denominated in RMB, while a portion of cash and cash equivalents are denominated in US$. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the US$ in the future. Any significant fluctuation of the valuation of RMB may materially affect the Group's cash flows, revenues, earnings and financial position, and the value of any dividends payable on the ADS in US$.

Recently issued accounting pronouncements

The Group is an emerging growth company ("EGC") as defined by the Jumpstart Our Business Startups Act ("JOBS Act"). The JOBS Act provides that an EGC can take advantage of extended transition periods for complying with new or revised accounting standards. This allows an EGC to delay adoption of certain accounting standards until those standards would otherwise apply to private companies. The Group elected to take advantage of the extended transition periods. However, this election will not apply should the Group cease to be classified as an EGC.

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). The updated guidance is effective for the Group for annual reporting periods beginning January 1, 2020 and interim periods within annual periods beginning January 1, 2021. Early adoption is permitted. The Group does not plan to early adopt the new lease standards and the Group expects that applying the ASU 2016-02 would materially increase the assets and liabilities due to the recognition of right-of-use assets and lease liabilities on its consolidated balance sheets, with an immaterial impact on its consolidated statements of comprehensive loss and consolidated statements of cash flows.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, *Statement of Cash Flows* ("ASC 230"), including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. ASU 2016-15 is effective for the Group for annual reporting

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting pronouncements (continued)

periods beginning January 1, 2019 and interim periods within annual periods beginning January 1, 2020. Early adoption is permitted. The Group does not plan to early adopt ASU 2016-15 and is currently in the process of evaluating the effect that the adoption of the standard will have on the consolidated financial statements and related disclosures.

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. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2020, including interim periods within fiscal years beginning after December 15, 2021. The Group is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, *Other income—Gains and Losses from the Derecognition of Nonfinancial Assets* ("ASU 2017-05"), which clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. The amendments in this update also clarify that nonfinancial assets within the scope of Subtopic 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty. This standard is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Group is 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 is in the process of evaluating the impact of adoption of this guidance on its 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 will be effective for the Group beginning after January 1, 2020 including interim periods within the year. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU No. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 SEGMENT REPORTING

For the years ended December 31, 2017 and 2018, the Group had three operating segments, including central laboratory business, in-hospital business and pharma research and development services. The operating segments also represented the reporting segments. The Group's CODM assess the performance of the operating segments based on the measures of revenues, cost of revenues and gross profit by central laboratory business, in-hospital business and pharma research and development services. Other than the information provided below, the CODM do not use any other measures by segments.

Summarized information by segments for the years ended December 31, 2017 and 2018 is as follows:

	For the year ended December 31, 2017			
	Central laboratory business	In-hospital business	Pharma research and development services	Total
	RMB	RMB	RMB	RMB
Revenues:				
Revenues from services	88,035	6,318	12,398	106,751
Revenues from sales of products	—	4,415	—	4,415
Total revenues	**88,035**	**10,733**	**12,398**	**111,166**
Cost of revenues	**(31,160)**	**(1,854)**	**(6,456)**	**(39,470)**
Gross profit	**56,875**	**8,879**	**5,942**	**71,696**

	For the year ended December 31, 2018				
	Central laboratory business	In-hospital business	Pharma research and development services	Total	
	RMB	RMB	RMB	RMB	US$
Revenues:					
Revenues from services	161,458	4,506	14,223	180,187	25,209
Revenues from sales of products	—	28,680	—	28,680	4,012
Total revenues	**161,458**	**33,186**	**14,223**	**208,867**	**29,221**
Cost of revenues	**(56,241)**	**(13,120)**	**(4,447)**	**(73,808)**	**(10,327)**
Gross profit	**105,217**	**20,066**	**9,776**	**135,059**	**18,894**

4 ACCOUNTS RECEIVABLE, NET

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Accounts receivable	40,797	36,634	5,125
Allowance for doubtful accounts	(920)	(1,827)	(256)
	39,877	**34,807**	**4,869**

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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4 ACCOUNTS RECEIVABLE, NET (CONTINUED)

The following table presents the movement in the allowance for doubtful accounts:

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Balance at the beginning of the year	153	920	129
Provisions	767	907	127
Balance at the end of the year	**920**	**1,827**	**256**

5 INVENTORIES

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Raw materials	10,822	31,085	4,348
Work in progress	4,150	10,103	1,412
Finished goods	1,832	7,867	1,101
	16,804	49,055	6,861

6 PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Deductible input VAT	20,600	29,231	4,090
Prepaid expenses	12,720	21,774	3,046
Deposits	4,522	6,124	857
Interests receivables	1,235	1,315	184
Others	654	1,459	204
	39,731	59,903	8,381

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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7 PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Machinery and laboratory equipment	59,464	84,788	11,861
Vehicles	1,365	2,234	313
Furniture and tools	6,153	6,374	892
Electronic equipment	13,517	17,488	2,447
Leasehold improvements	19,317	19,315	2,702
Construction in progress	17	2,842	398
	99,833	133,041	18,613
Accumulated depreciation	(39,142)	(63,459)	(8,878)
	60,691	69,582	9,735

Depreciation expenses recognized for the years ended December 31, 2017 and 2018 were RMB21,030 and RMB24,498 (US$3,428), respectively.

The Group entered into capital leases for certain laboratory equipment and electronic equipment during the year ended December 31, 2018. All capital leases include a bargain purchase option that allows the Group to purchase the equipment at the end of the lease term. The gross amount of laboratory equipment and electronic equipment were RMB9,451 (US$1,322) and RMB1,101 (US$154), respectively, as of December 31, 2018. The accumulated depreciation on the assets under capital lease were RMB416 (US$58) as of December 31, 2018.

As of December 31, 2018, future minimum capital lease payments were as follows:

	RMB	US$
2019	3,472	486
2020	3,487	488
2021	2,841	397
2022	—	—
2023	—	—
Total minimum capital lease payments	9,800	1,371
Less: interest component	(1,443)	(202)
Present value of minimum capital lease payments	8,357	1,169

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8 INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Computer software	1,095	1,242	173
Accumulated amortization	(579)	(760)	(106)
	516	482	67

Amortization expenses recognized for the years ended December 31, 2017 and 2018 were RMB283 and RMB181 (US$25), respectively. As of December 31, 2018, estimated amortization expenses of the existing intangible assets for each of the next five years is RMB258, RMB201, RMB23, nil and nil, respectively.

9 ACCRUED LIABILITIES AND OTHER CURRENT LIABILITIES

Accrued liabilities and other current liabilities consist of the following:

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Accrued payroll and welfare	10,154	16,447	2,302
Customer deposits	975	2,140	300
Interests payable	1,532	2,225	311
Accrued reimbursement expenses	1,546	3,970	555
Professional service fees	426	1,195	167
Other taxes and surcharge	881	1,246	174
Others	1,696	3,131	438
	17,210	30,354	4,247

10 BORROWINGS

Short-term borrowings

The short-term borrowings of the Group are RMB denominated borrowings obtained from two third-party individuals with interest rate of 5% per annum. These borrowings are unsecured and repayable on demand.

Long-term borrowings

In April 2017, the Group entered into a two-year loan agreement with China Merchants Bank, pursuant to which the Group is entitled to borrow up to RMB50,000 with a fixed annual interest rate of 4.28%. In April 2017, the Group drew down RMB30,000 and the maturity date is April 2019. The loan was intended for general working capital purposes. During the year ended December 31, 2018, total amount of RMB30,000 repayable within twelve months was classified as "Current portion of long-term borrowing".

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10 BORROWINGS (CONTINUED)

Long-term borrowings (Continued)

In July 2018, the Group entered into a banking facility agreement with SPD Silicon Valley Bank, pursuant to which the Group was entitled to borrow up to RMB80,000 at varying rates. The first RMB10,000 of the facility had an annual interest rate of 6.5% and secured by accounts receivable of RMB34,807. The remaining RMB70,000 of the facility had an annual interest rate of 7.0%. The loan was intended for general working capital purposes. In 2018, the Group drew down RMB77,455 which is due in July 2020.

In September 2016, the Group entered into a 3-year financing arrangement with Zhongguancun Technology Leasing Co., Ltd. bearing an interest rate of 6.1%, secured by certain machinery and laboratory equipment with original cost of RMB23,181.

In May 2018, the Group entered into two 3-year financing arrangements with Zhongguancun Technology Leasing Co., Ltd. bearing an interest rate of 5.8%, secured by certain machinery and laboratory equipment with original cost of RMB32,405.

Future maturities of long-term borrowings

As of December 31, 2018, aggregate future maturities of the Group's long-term borrowings were as follows:

	RMB	US$
2019	41,446	5,799
2020	84,767	11,859
2021	3,659	512
2022	—	—
2023	—	—
Total	129,872	18,170

11 CONVERTIBLE NOTES

Series A+ convertible notes

In August 2015 the Group issued four convertible notes for an aggregate principal amount of US$7,900. In March 2016 the Group issued an additional convertible note for an aggregate principal amount of US$100 (collectively, the "Series A+ Notes"). The key features of the Series A+ Notes are as follows:

Interest

The Series A+ Notes bear a simple interest rate of 15% annually on any unpaid principal.

Conversion Features and Rates

The Series A+ Notes are convertible into the Company's Series B convertible preferred shares ("Series B Preferred Shares") at the option of the holders upon completion of the sale of the Company's Series B Preferred

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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11 CONVERTIBLE NOTES (CONTINUED)

Conversion Features and Rates (Continued)

Shares (the "Series B Financing"). The number of the Series B Preferred Shares to be issued upon such conversion is equal to the principal and all accumulated but unpaid interest divided by the price per share of the equity securities equal to 95% of the price per share applicable to other investors participating in the Series B Financing.

Redemption

The outstanding principal and any accrued but unpaid interest will become due and payable in full at the earlier of i) the first anniversary of the issuance date or ii) upon the occurrence of any of events of default. The redemption date will be automatically extended by six months if the Group does not complete its Series B Financing by the first anniversary of the issuance date.

Series A+ supplementary convertible note

In August 2016, the Group issued a convertible note ("Series A+ Supplementary Note") for a principal amount of US$8,000. The key features of the Series A+ Supplementary Note were identical to the Series A+ Notes, except the Series A Supplementary Notes accrued interest at 20% per annum and there was no discount on the per share conversion price.

Series B Convertible Note

In January 2017 and May 2017, the Group issued two convertible notes ("Series B Notes") for an aggregate principal amount of US$17,000. The key features of the Series B Notes are as follows:

Interest

The Series B convertible notes bear simple interest at 9% annually on any unpaid principal.

Conversion Features and Rates

The Series B Notes is convertible into the Group's Series C convertible preferred shares ("Series C Preferred Shares") at the option of the holders upon completion of the sale of the Group's Series C Preferred Shares (the "Series C Financing"). The number of the Series C Preferred Shares to be issued upon such conversion is equal to the principal and all accumulated but unpaid interest divided by the price per share of the equity securities equal to 95% of the price per share applicable to other investors participating in the Series C Financing.

Redemption

The outstanding principal and any accrued but unpaid interest will become due and payable in full at the earlier of i) the second anniversary of the issuance date or ii) upon the occurrence of any of events of default. The redemption date will be automatically extended by six months if the Group does not complete its Series C Financing by the second anniversary of the issuance date.

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11 CONVERTIBLE NOTES (CONTINUED)

Accounting for the Series A+, Series A+ Supplementary and Series B Notes

The Series A+, Series A+ Supplementary and Series B Notes (collectively, the "Convertible Notes") were recorded as liabilities carried at amortized cost. As the Convertible Notes will be share settled by a number of shares with a fair value equal to a fixed settlement amount, the settlement is not viewed as a conversion feature but as a redemption feature because the settlement amount does not vary with the share price. The in-substance redemption feature did not require bifurcation because it is clearly and closely related to the debt host. Since there is no embedded conversion feature, no beneficial conversion feature ("BCF") was recorded. There were no other embedded derivatives that are required to be bifurcated.

Conversion

In January 2017, certain holders converted the Series A+ Notes and the Series A+ Supplementary Note with aggregate principal and accrued interest of RMB110,485 into 8,126,168 Series B Preferred Shares. No gain or loss was recognized from the conversion.

Repayment

In May 2017, the Group repaid the remaining Series A+ Note with the aggregate principal and unpaid interest of US$2,502.

12 CONVERTIBLE PREFERRED SHARES

In June 2014, the Group issued 45,429,741 Series A redeemable convertible preferred shares ("Series A Preferred Shares") to certain investors at US$0.12 per share for a total cash consideration of US$5,459.

In August 2015 and August 2016, the Group issued 21,199,850 Series A+ redeemable convertible preferred shares ("Series A+ Preferred Shares") in aggregate to certain investors at US$0.63 per share for a total consideration of US$13,356. In January 2017, the Group issued additional 261,022 Series A+ Preferred Shares to an existing Series A+ Preferred Share holder at US$0.83 per share for total consideration of US$217.

In January 2017, the Group issued 14,040,117 Series B redeemable convertible preferred shares ("Series B Preferred Shares") to certain investors at US$1.98 per share for a total consideration of US$27,812. Concurrently the Group issued 8,126,618 Series B Preferred Shares to certain investors upon conversion of the Group's Series A+ convertible notes (note 11).

In May 2017 and December 2018, the Group issued 3,370,696 Series B Preferred Shares in aggregate at US$1.98 per share for a total consideration of US$6,677.

The key features of the Series A, Series A+ and Series B Preferred Shares (collectively the "Preferred Shares") are as follows:

Dividends

Each holder of the Preferred Shares (collectively, the "Preferred Shareholders") will be entitled to receive on a pari-passu basis, non-cumulative dividends when declared by the Board of Directors prior and in preference to

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12 CONVERTIBLE PREFERRED SHARES (CONTINUED)

Dividends (Continued)

ordinary shareholders. After the dividends to the relating to the Preferred Shares have been paid in full, each ordinary shareholder will be entitled to receive dividends payable in cash out of any remaining funds that are legally available when declared by the Board of Directors. No dividend or other distribution will be made or declared on the Company's ordinary shares or any future series of preferred shares, unless and until an equivalent dividend is declared or paid on each outstanding Preferred Shares on an as-if converted basis.

No dividend was declared during the periods presented.

Voting

Each Preferred Shareholder is entitled to the number of votes equal to the number of common shares into which such Preferred Shares could be converted at the voting date. Preferred shareholders will vote together with common shareholders, and not as a separate class of series, on all matters put before the shareholders.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company or any deemed liquidation event defined as the liquidation, dissolution, acquisition, change of control or winding-up of the Company, the assets or surplus funds of the Company available for distribution will be distributed as follows:

The Series B preferred shareholders are entitled to receive an amount equal to 150% of the Series B Issue Price, plus all accrued but unpaid dividends, in preference to any distribution to the holders of the Series A preferred shares and the common shareholders of the Company.

After the payment to the holders of Series B preferred shares, the Series A+ and Series A preferred shareholders are entitled to receive an amount equal to 150% of the Series A+ and Series A Issue Price on pari-passu basis, plus all accrued but unpaid dividend, in preference to any distribution to the holders of the common shareholders of the Company.

After payment has been made to the Preferred Shareholders in accordance with the above, the remaining assets of the Company available for distribution to shareholders will be distributed to on pari-passu basis among the holders of common shares and holders of Preferred Shares on as converted basis.

The liquidation preference amounts for Series A and Series B Preferred Shares were RMB178,715 (US$25,003) and RMB520,559 (US$72,829), respectively, as of December 31, 2018.

Conversion

Each Preferred Shareholder has the right, at the sole discretion of the holder, to convert at any time and from time to time, all or any portion of the Preferred Shares into common shares based on the then-effective conversion price. The initial conversion ratio shall be on a one for one basis, subject to certain anti-dilution adjustments.

All Preferred Shares are converted automatically converted into ordinary shares at the then effective applicable conversion price in the event of a qualified IPO.

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12 CONVERTIBLE PREFERRED SHARES (CONTINUED)

Redemption

The Series A Preferred Shares are redeemable at the holders' option at any time beginning on the sixth anniversary of the original Series A issue date at the redemption price equal to 200% of the original issue price plus all accrued but unpaid dividends.

The Series A+ Preferred Shares are redeemable at the holders' option at any time beginning on the sixth anniversary of the original Series A+ issue date at the redemption price equal to the original issue price plus 12% annual interest, and all accrued but unpaid dividends. The redemption price of the Series A Preferred Shares were modified to be the same as that of Series A+ Preferred Shares upon the issuance of Series A+ Preferred Shares.

The Series B Preferred Shares are redeemable at the holders' option at any time beginning on the fifth anniversary of the original Series B issue date at the redemption price equal to the original issue price plus 12% annual interest, and all accrued but unpaid dividends. The redemption date of the Series A and A+ Preferred Shares were modified to be the same as that of Series B Preferred Shares upon the issuance of Series B Preferred Shares.

Initial measurement and subsequent accounting for Preferred Shares

The Preferred Shares are initially classified as mezzanine equity in the consolidated balance sheets as these Preferred Shares may be redeemed at the option of the holders on or after an agreed upon date outside the sole control of the Group or upon a deemed liquidation event. All the Preferred Shares are initially measured at fair value. The holders of the Preferred Shares have the ability to convert the instrument into the Company's ordinary shares. The Group evaluated the embedded conversion option in the Preferred Shares to determine if there were any embedded derivatives requiring bifurcation and to determine if there were any beneficial conversion features ("BCF"). There were no embedded derivatives that are required to be bifurcated. The conversion option of the Preferred Shares is not bifurcated because the conversion option is clearly and closely related to the host equity instrument. The contingent redemption options of the Preferred Shares are not bifurcated because the underlying ordinary shares are not net settable since the Preferred Shares were neither publicly traded nor readily convertible into cash.

No BCF was recognized for the Preferred Shares as the fair value per ordinary share at the commitment date was less than the respective most favorable conversion price. The Group determined the fair value of common shares with the assistance of an independent third-party valuation firm.

The amendment to the redemption price for the Series A Preferred Shares upon the issuance of the Series A+ Preferred Shares, and the amendment to the redemption date of the Series A and A+ Preferred Shares upon the issuance of the Series B Preferred Shares are accounted for as modifications as the fair values of Series A and A+ Preferred Shares immediately after the amendments were not significantly different from their respective fair values immediately before the amendment. The incremental fair value of Series A and A+ Preferred Shares as a result of the modifications was immaterial.

The Group concluded that the Preferred Shares are not currently redeemable, but are probable to become redeemable. The Group elected to recognize the changes in redemption value as they occur and adjust the

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12 CONVERTIBLE PREFERRED SHARES (CONTINUED)

Initial measurement and subsequent accounting for Preferred Shares (Continued)

carrying amount of the Preferred Shares to equal the redemption value at each reporting period. Accretion charges were recorded as an increase to the net loss attributable to ordinary shareholders for the years presented. The change in the carrying value of the Preferred Shares and the corresponding accretion in the periods presented are as follows:

Mezzanine equity	Series A RMB	Series A+ RMB	Series B RMB	Total RMB
Balance as of December 31, 2016	44,560	96,267	—	140,827
Issuance of Series A+ preferred shares	—	1,500	—	1,500
Issuance of Series B preferred shares	—	—	345,039	345,039
Accretion of Preferred Shares	4,425	10,997	37,854	53,276
Balance as of December 31, 2017	48,985	108,764	382,893	540,642
Issuance of Series B preferred shares	—	—	2,000	2,000
Accretion of Preferred Shares	4,346	10,772	39,731	54,849
Repurchase of Preferred Shares	—	(1,373)	—	(1,373)
Balance as of December 31, 2018	53,331	118,163	424,624	596,118
Balance as of December 31, 2018 (US$)	7,461	16,532	59,407	83,400

Repurchase of preferred shares

In December 2018, the Group repurchased the 249,969 Series A+ Preferred Shares at a consideration of RMB1,500. The Group accounted for the difference of RMB127 between the fair value of the consideration paid and the carrying value of the Series A+ Preferred Shares of RMB1,373 as a dividend return to the preferred shareholders in the statements of shareholders' deficit.

13 SHARE-BASED COMPENSATION

Share options

On June 20, 2014, the shareholders and Board of Directors (the "Board") of the Company approved a resolution to reserve a total of 6,002,729 ordinary shares of the Company for the purpose of issuing share options awards to its eligible employees, officers or directors of the Group. On August 20, 2016, the shareholders and the Board approved a resolution to increase share option pool to 7,381,197. On April 19, 2018, the shareholders and the Board further approved a resolution to increase share option pool up to 10,580,468.

The exercise price, vesting and other conditions of individual awards are determined by the Board and are subject to multiple service vesting periods. The options granted are vested over various vesting schedules with no more than three years. The Group recognized share-based compensation expenses using the straight-line method over the requisite service period, which is generally the vesting period of the options. The share option awards are exercisable up to ten years from the grant date.

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13 SHARE-BASED COMPENSATION (CONTINUED)

Share options (continued)

The following table summarizes the share options activity for the years ended December 31, 2017 and 2018:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
		US$ per option	US$ per option	Years	US$
Outstanding, January 1, 2017	6,077,496	0.0001	0.15	8.05	3,274
Granted	697,237	0.0001	0.65	—	—
Forfeited	(278,338)	0.0001	0.39	—	—
Outstanding, January 1, 2018	6,496,395	0.0001	0.19	7.24	6,739
Granted	1,305,418	0.0001	1.39	—	—
Exercised	(1,637,108)	0.0001	0.31	—	—
Forfeited	(64,422)	0.0001	0.28	—	—
Outstanding, December 31, 2018	6,100,283	0.0001	0.48	7.14	9,744
Vested and expected to vest at December 31, 2018	6,100,283	0.0001	0.48	7.14	9,744
Exercisable at December 31, 2018	3,417,664	0.0001	0.13	6.00	5,459

The aggregate intrinsic value in the table above represents the difference between the exercise price of the awards and the fair value of the underlying ordinary shares at each reporting date, for those awards that had exercise price below the estimated fair value of the relevant ordinary shares.

The aggregate fair value of the equity awards vested during the years ended December 31, 2017 and 2018 were RMB1,420 and RMB3,869 (US$541), respectively. As of December 31, 2018, there was RMB11,110 (US$1,554) of total unrecognized employee share-based compensation expense related to unvested options, may be adjusted for actual forfeitures occurring in the future. Total unrecognized compensation cost which recognized over a weighted-average period of 1.61 years.

Fair value of 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 Bonds in effect at the time of grant. The dividend yield is based on our expected dividend policy over the contractual life of the options. The

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13 SHARE-BASED COMPENSATION (CONTINUED)

Fair value of options (continued)

estimated fair value of the ordinary shares, at the option grant dates, was determined with the assistance from an independent third-party appraiser. The Company's management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

The assumptions used to estimate the fair value of the share options granted are as follows:

	For the year ended December 31	
	2017	2018
Risk-free interest rate	2.31% - 2.40%	2.69% - 3.05%
Dividend yield	0%	0%
Expected volatility range	48.1% - 49.4%	46.0% - 47.8%
Exercise multiple	2.20	2.20
Contractual life	10 years	10 years
Fair market value per ordinary share as at valuation dates	US$0.55 - US$1.04	US$1.16 - US$1.60

Restricted shares

Upon the issuance of the Series A Preferred Shares, two founders ("the Founders") entered into an arrangement with the Series A preferred shareholders, whereby all of the Founders' ordinary shares became subject to service and transfer restriction. Such shares are subject to repurchase by the Company at the price equal to the original purchase price paid by the Founders upon early termination of the Founders' requisite period of employment. The restricted shares are subject to a four-year service condition with 25% of the total shares shall be vested one year from the issuance of the Series A Preferred Shares and the remaining 75% of the total shares will be vested monthly in equal installment over the remaining requisite service period of 3 years. This arrangement is accounted for as a grant of restricted share awards subject to service vesting conditions.

The following table summarizes the restricted shares activities during the years ended December 31, 2017 and 2018:

	Number of shares	Weighted average grant date fair value
		US$ per share
Outstanding as of January 1, 2017	12,866,542	0.05
Vested	(8,577,695)	0.05
Outstanding as of December 31, 2017	4,288,847	0.05
Vested	(4,288,847)	0.05
Outstanding as of December 31, 2018	—	—

The Group used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the restricted shares as of the dates of issuance. The aggregate fair value of the restricted shares was RMB12,229. For the years ended December 31, 2017 and 2018, the Group recorded share-based compensation expenses for the restricted shares of RMB2,633 and RMB1,226 (US$172), respectively.

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13 SHARE-BASED COMPENSATION (CONTINUED)

Restricted shares (continued)

Total share-based compensation expenses recognized for the years ended December 31, 2017 and 2018 were as follows:

	For the year ended December 31,		
	2017	2018	
	RMB	RMB	US$
Cost of revenues	93	322	45
Research and development expenses	680	2,096	293
Selling and marketing expenses	299	547	77
General and administrative expenses	2,981	2,130	298
Total share-based compensation expenses	4,053	5,095	713

14 INCOME TAXES

China

Effective from January 1, 2008, the PRC's statutory, Enterprise Income Tax ("EIT") rate is 25%. In accordance with the implementation rules of EIT Law, a qualified "High and New Technology Enterprise" ("HNTE") is eligible for a preferential tax rate of 15%. The HNTE certificate is effective for a period of three years. An entity must file required supporting documents with the tax authority and ensure fulfillment of the relevant HNTE criteria before using the preferential rate. An entity could re-apply for the HNTE certificate when the prior certificate expires.

Guangzhou Burning Rock Dx Co., Ltd. in the PRC was recognized as a qualified HNTE under the EIT Law by relevant government authorities in 2016. It was entitled to the preferential rate of 15% from 2016 to 2018. The other operating entities in the PRC are subject to the 25% EIT rate.

Cayman Islands

Under the current tax laws of Cayman Islands, the Company is not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Under the Hong Kong tax laws, the subsidiary in Hong Kong are subject to the Hong Kong profits tax rate at 16.5% and it may be exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

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14 INCOME TAXES (CONTINUED)

Hong Kong (Continued)

The Group's loss before income tax consists of:

	For the years ended December 31,		
	2017	2018	
	RMB	RMB	US$
China	(122,788)	(157,740)	(22,069)
Cayman Islands	(9,782)	(20,683)	(2,894)
Hong Kong	1,295	926	130
Total loss before income tax	(131,275)	(177,497)	(24,833)

For the years ended December 31, 2017 and 2018, the income generated by the subsidiary in Hong Kong was interest income derived from the bank that is exempted from Hong Kong profit tax. The Group did not recognize any current or deferred tax expense for the periods presented.

Reconciliation between the income tax expenses 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,		
	2017	2018	
	RMB	RMB	US$
Loss before income tax	(131,275)	(177,497)	(24,833)
Income tax benefits computed at PRC statutory tax rate (25%)	(32,819)	(44,374)	(6,208)
Effect of tax rate differential	2,418	5,052	707
Research and development super-deduction	(926)	(1,821)	(255)
Non-deductible expenses	9,231	5,394	755
Non-taxable income	(296)	(212)	(30)
Changes in valuation allowance	22,392	35,961	5,031
Income tax expenses	—	—	—

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14 INCOME TAXES (CONTINUED)

Deferred tax assets and liabilities

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, 2017 and 2018 are as follows:

	For the years ended December 31,		
	2017	2018	
	RMB	RMB	US$
Deferred tax assets:			
Accruals and reserves	1,314	1,365	191
Net operating loss carry forward	28,631	38,580	5,398
Government grants	—	497	70
Depreciation and amortization	488	564	79
Excessive education fee	253	577	81
Timing difference of research and development expenses recognition	15,568	29,430	4,117
Timing difference of revenue recognition	8,327	19,029	2,662
Excessive donation expense carried forward	250	750	105
Gross deferred tax assets	**54,831**	**90,792**	**12,703**
Less: valuation allowance	(54,831)	(90,792)	(12,703)
Total deferred tax assets, net	—	—	—

As of December 31, 2017 and 2018, the Group had net operating losses of RMB114,525 and RMB154,319 (US$21,590) mainly deriving from entities in the PRC. The tax losses in PRC can be carried forward for five years to offset future taxable profit, and the period was extended to ten years for entities that qualify as HNTE in 2018 and thereafter. The tax losses of entities in the PRC will begin to expire in 2020, if not utilized.

Valuation allowances have been provided on the net deferred tax assets where, based on all available evidence, it was considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Realization of the net deferred tax assets is dependent on factors including future reversals of existing taxable temporary differences and adequate future income, exclusive of reversing deductible temporary differences, tax planning and tax loss or credit carry forwards. The Group evaluates the potential realization of deferred tax assets on an entity-by-entity basis. As of December 31, 2017 and 2018, valuation allowances were provided against deferred tax assets in entities where it was determined it was more likely than not that the benefits of the deferred tax assets will not be realized.

Unrecognized tax benefits

As of December 31, 2017 and 2018 and for the years ended December 31, 2017 and 2018, there was no significant impact from tax uncertainties on the Group's consolidated financial position and result of operations. The Group did not record any interest and penalties related to an uncertain tax position for each of the years ended December 31, 2017 and 2018. The Group does not expect the amount of unrecognized tax benefits would increase significantly in the next 12 months.

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14 INCOME TAXES (CONTINUED)

Unrecognized tax benefits (Continued)

In general, the PRC tax authorities have up to five years to conduct examinations of the tax filings of the Company's PRC subsidiaries, the VIE and the VIE's subsidiaries. Accordingly, the PRC tax filings from 2014 through 2018 remain open to examination by the respective tax authorities. The Group may also be subject to the examinations of the tax filings in other jurisdictions, which are not material to the consolidated financial statements.

15 LOSS PER SHARE

Basic and diluted loss per share for the years ended December 31, 2017 and 2018 are calculated as follows:

	For the year ended December 31,		
	2017	2018	
	RMB	RMB	US$
Numerator:			
Net loss attributable to Burning Rock Biotech Limited's shareholder	**(131,275)**	**(177,497)**	**(24,833)**
Accretion of convertible preferred shares	(53,276)	(54,849)	(7,674)
Net loss attributable to ordinary shareholders	**(184,551)**	**(232,346)**	**(32,507)**
Denominator:			
Weighted-average number of ordinary shares outstanding—basic and diluted	**36,178,203**	**44,757,750**	**44,757,750**
Loss per share—basic and diluted	**(5.10)**	**(5.19)**	**(0.73)**

For the periods presented herein, the computation of basic 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. The effects of all outstanding Preferred Shares, convertible notes and share options were excluded from the computation of diluted loss per share for the years ended December 31, 2017 and 2018 as their effects would be anti-dilutive.

The unaudited pro forma loss per share is computed using the weighted-average number of ordinary shares outstanding and assumes the automatic conversion of all the Group's convertible preferred shares into Class A and Class B ordinary shares upon the closing of an IPO as if it had occurred on January 1, 2018.

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15 LOSS PER SHARE (CONTINUED)

The unaudited basic and diluted pro forma loss per share is calculated as follows:

	For the year ended December 31, 2018			
	Class A		Class B	
	RMB (Unaudited)	US$ (Unaudited)	RMB (Unaudited)	US$ (Unaudited)
Numerator:				
Net loss attributable to ordinary shareholders	(159,977)	(22,382)	(72,369)	(10,125)
Deduct: Accretion of convertible preferred shares	(37,765)	(5,284)	(17,084)	(2,390)
Net loss used in computing pro forma loss per share—basic and diluted	(122,212)	(17,098)	(55,285)	(7,735)
Denominator:				
Weighted-average number of ordinary shares outstanding—basic and diluted	9,520,073	9,520,073	35,237,677	35,237,677
Add: adjustment to reflect assumed effect of automatic conversion of Preferred Shares	84,764,014	84,764,014	7,414,061	7,414,061
Pro Forma weighted average number of shares outstanding—basic and diluted	94,284,087	94,284,087	42,651,738	42,651,738
Pro Forma loss per share—basic and diluted	**(1.30)**	**(0.18)**	**(1.30)**	**(0.18)**

16 RELATED PARTY TRANSACTIONS

a) Related Parties

Name of related parties	Relationship
Yusheng Han	Chief Executive Officer, director
Nannan Zhou	Management of the Group
Dan Zhou	Shareholder of BRT Bio Tech Limited, management of the Group
Liang Shao	Shareholder of BRT Bio Tech Limited
Zhigang Wu	Shareholder of BRT Bio Tech Limited, management of the Group
BRT Bio Tech Limited	Controlling shareholder of the Company
EaSuMed Holding Ltd.	Equity method investee

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16 RELATED PARTY TRANSACTIONS (CONTINUED)

b) The Group had the following related party balances at the end of the year:

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Yusheng Han	15,291	15,961	2,233
Nannan Zhou	227	227	32
Dan Zhou	61	91	13
Liang Shao	79	79	11
Zhigang Wu	32	32	4
Total amounts due from related parties	15,690	16,390	2,293

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
BRT Bio Tech Limited	3,131	3,289	460
Total amounts due to a related party	3,131	3,289	460

All the balances with related parties as of December 31, 2017 and 2018 were unsecured. All outstanding balances are also repayable on demand unless otherwise disclosed. No allowance for doubtful accounts was recognized for the amount due from related parties for the years ended December 31, 2017 and 2018.

c) The Group had the following related party transactions:

	For the year ended December 31,		
	2017	2018	
	RMB	RMB	US$
Consulting service received from:			
EaSuMed Holding Ltd.	1,214	1,225	171
Borrowings provided to:			
Dan Zhou	—	30	4
Yusheng Han	15,291	—	—
	15,291	30	4
Share repurchase from:			
BRT Bio Tech Limited*	33,316	1,500	210

* On January 10, 2017, the Group repurchased 2,429,217 ordinary shares held by BRT Bio Tech Limited for a consideration of RMB33,316. The fair value of the Company's ordinary shares as of January 10, 2017 was US$0.54 per share. The amount exceeding the fair value of ordinary shares of RMB24,251 was recognized as compensation expenses relating to the employee shareholders of BRT Bio Tech Limited for the year ended December 31, 2017. On April 19, 2018, the Group repurchased 62,492 ordinary shares held by BRT Bio Tech Limited with nil consideration. On December 21, 2018, the Group repurchased the 249,969 Series A+ Preferred Shares held by BRT Bio Tech Limited for a consideration of RMB1,500.

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17 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, 2018:

	RMB	US$
2019	6,998	979
2020	2,597	363
2021	1,669	234
2022	1,753	245
2023	1,521	213
Total	14,538	2,034

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, 2017 and 2018, total rental related expenses for all operating leases amounted to RMB5,622 and RMB8,689 (US$1,216), respectively.

Capital expenditure commitments

The Group has capital expenditure commitments for the laboratory leasehold improvements of RMB1,371 (US$192) at December 31, 2018, which are scheduled to be paid within one year.

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.

18 RESTRICTED NET ASSETS

In accordance with the Regulations on Enterprises with Foreign Investment of China and its Articles of Association, the Company's PRC subsidiaries, the VIE and the VIE's subsidiaries located in the PRC, being a foreign invested enterprise established in the PRC, are required to provide certain statutory reserves, namely the general reserve fund, enterprise expansion fund and staff welfare and bonus fund, all of which are appropriated from net profit as reported in its PRC statutory accounts. The Company's PRC subsidiaries are required to allocate at least 10% of its annual after tax profit to the general reserve fund until such fund has reached 50% of its registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the Board of Directors of the PRC subsidiaries. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances, or cash dividends.

In accordance with the PRC Company Laws, the Company's PRC subsidiaries and VIE must make appropriations from their annual after tax profits as reported in their PRC statutory accounts to non distributable reserve funds, namely statutory surplus fund, statutory public welfare fund and discretionary surplus fund. The

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18 RESTRICTED NET ASSETS (CONTINUED)

VIE is required to allocate at least 10% of their after tax profits to the statutory surplus fund until such fund has reached 50% of their respective registered capital. Appropriation to discretionary surplus is made at the discretion of the Board of Directors of the VIE. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances, or cash dividends. No appropriations were made to statutory reserves by the Company's PRC subsidiaries, the VIE and the VIE's subsidiaries during all periods presented due to losses incurred.

As a result of these PRC laws and regulations, the PRC entities are restricted from transferring a portion of their net assets to the Company. Amounts restricted include paid-in capital and the statutory reserves of the Company's PRC subsidiaries, the VIE and the VIE's subsidiaries, as determined pursuant to PRC GAAP, were RMB58,492 (US$8,183) as of December 31, 2018.

19 SUBSEQUENT EVENTS

The Group evaluated subsequent events through December 9, 2019, the date on which these consolidated financial statements were issued.

Issuance of Series C Preferred Shares

On January 31, 2019, the Group entered into a share purchase agreement with several investors to issue 20,477,648 shares of Series C Preferred Shares in aggregate for a total consideration of US$96,144 at US$4.70 per share. Concurrently, the Group's Series B Notes with aggregate principal and accrued interest of US$19,095 were converted into 4,066,970 Series C Preferred Shares. The Group also issued a warrant to one of the Series C Preferred Shares investors at nil consideration to purchase 2,129,900 Series C Preferred Shares at US$4.70 per share. On October 30, 2019, the Group issued 462,396 Series C Preferred Shares to several investors for a total consideration of US$2,171 at US$4.70 per share.

20 CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

Basis of presentation

For the presentation of the parent company only condensed financial information, the Company records its investments in subsidiaries and VIE under the equity method of accounting as prescribed in ASC 323, *Investments—Equity Method and Joint Ventures*. Such investments are presented on the condensed balance sheets as "Equity method investment" and their respective losses as "Share of losses in subsidiaries, the VIE and the VIE's subsidiaries" on the condensed statements of comprehensive loss. Under the equity method of accounting, the Company's carrying amount of its investments in subsidiaries of its share of the subsidiaries and VIE was reduced to nil for the years ended December 31, 2017 and 2018 and the carrying amount of "Inter-company payables" was further adjusted as the Company committed to provide financial support to its VIE as disclosed in Note 1.

The subsidiaries did not pay any dividends to the Company for the periods presented. The Company does not have significant commitments or long-term obligations as of the period end other than those presented. The parent company only financial statements should be read in conjunction with the Company's consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

20 CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Condensed Balance Sheets

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
ASSETS:			
Current assets:			
Cash and cash equivalents	12,268	3,650	511
Accounts receivable, net of allowances of nil and RMB6 (US$1) as of December 31, 2017 and 2018, respectively	11,882	3,696	517
Amounts due from related parties	13,297	13,966	1,954
Inter-company receivables	464,415	487,799	68,246
Prepayments and other current assets	4,280	105	14
Total current assets	**506,142**	**509,216**	**71,242**
Non-current assets:			
Equity method investment	2,310	1,990	278
Total non-current assets	**2,310**	**1,990**	**278**
Total assets	**508,452**	**511,206**	**71,520**
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS DEFICIT			
Current liabilities:			
Accounts payable	5,650	—	—
Amounts due to a related party	3,131	3,289	460
Inter-company payables	211,354	386,041	54,009
Accrued liabilities and other current liabilities	4	4	1
Convertible notes, current	—	129,216	18,078
Total current liabilities	**220,139**	**518,550**	**72,548**
Non-current liabilities:			
Convertible notes	119,827	—	—
Total non-current liabilities	**119,827**	**—**	**—**
Total liabilities	**339,966**	**518,550**	**72,548**

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

20 CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Condensed Balance Sheets (continued)

	As of December 31,		
	2017	2018	
	RMB	RMB	US$
Mezzanine equity			
Series A convertible preferred shares (par value of US$0.0001 per share; 66,890,613 and 66,640,644 shares authorized, issued and outstanding as of December 31, 2017 and 2018)	157,749	171,494	23,993
Series B convertible preferred shares (par value of US$0.0001 per share; 25,378,433 and 25,537,431 shares authorized, issued and outstanding as of December 31, 2017 and 2018)	382,893	424,624	59,407
Total mezzanine equity	**540,642**	**596,118**	**83,400**
Shareholders' deficit			
Ordinary shares (par value of US$0.0001 per share; 407,730,954 and 407,821,925 shares authorized; 44,759,845 and 46,334,461 shares issued and outstanding as of December 31, 2017 and 2018)	28	29	4
Additional paid-in capital	18,216	23,311	3,261
Accumulated deficit	(379,524)	(611,997)	(85,622)
Accumulated other comprehensive loss	(10,876)	(14,805)	(2,071)
Total shareholders' deficit	**(372,156)**	**(603,462)**	**(84,428)**
Total liabilities, mezzanine equity and shareholders' deficit	**508,452**	**511,206**	**71,520**

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

20 CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Condensed Statements of Comprehensive Loss

	For the years ended December 31,		
	2017	2018	
	RMB	RMB	US$
Revenues	2,461	1,932	270
Cost of revenues	—	—	—
Gross profit	**2,461**	**1,932**	**270**
Operating expenses			
Selling and marketing expenses	(60)	(56)	(8)
General and administrative expenses	(4,037)	(8,744)	(1,223)
Share of losses in subsidiaries, the VIE and the VIE's subsidiaries	(121,493)	(156,814)	(21,939)
Total operating expenses	**(125,590)**	**(165,614)**	**(23,170)**
Loss from operations	**(123,129)**	**(163,682)**	**(22,900)**
Interest expense, net	(9,168)	(13,393)	(1,874)
Other expense, net	(62)	(422)	(59)
Foreign exchange gain, net	1,084	—	—
Loss before income tax	**(131,275)**	**(177,497)**	**(24,833)**
Income tax expenses	—	—	—
Net Loss	**(131,275)**	**(177,497)**	**(24,833)**
Net loss attributable to Burning Rock Biotech Limited's shareholders	**(131,275)**	**(177,497)**	**(24,833)**
Accretion of convertible preferred shares	(53,276)	(54,849)	(7,674)
Net loss attributable to ordinary shareholders	**(184,551)**	**(232,346)**	**(32,507)**
Other comprehensive loss, net of tax of nil:			
Foreign currency translation adjustments	(3,652)	(3,929)	(550)
Total comprehensive loss	**(134,927)**	**(181,426)**	**(25,383)**
Condensed Statements of Cash Flows			
Net cash used in operating activities	(29,450)	(9,272)	(1,297)
Net cash used in investing activities	(262,399)	—	—
Net cash generated from financing activities	328,938	—	—
Effect of exchange rate changes	(27,809)	654	92
Net increase (decrease) in cash and cash equivalents	**9,280**	**(8,618)**	**(1,205)**
Cash and cash equivalents at the beginning of year	2,988	12,268	1,716
Cash and cash equivalents at the end of year	**12,268**	**3,650**	**511**

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Burning Rock Biotech Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Burning Rock Biotech Limited (the "Company") as of September 30, 2019, the related consolidated statements of comprehensive loss, shareholders' deficit and cash flow for the nine months ended September 30, 2019, and 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 at September 30, 2019, and the results of its operations and its cash flows for the nine months ended September 30, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company's auditor since 2019.

Guangzhou, the People's Republic of China

December 9, 2019, except for Note 19, as to which the date is January 10, 2020

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Notes	As of December 31, 2018 RMB	As of September 30, 2019 RMB	As of September 30, 2019 US$
ASSETS				
Current assets:				
Cash and cash equivalents		93,341	123,808	17,321
Restricted cash		1,993	1,476	206
Short-term investment		36,787	389,051	54,430
Accounts receivable (net of allowances of RMB1,827 and RMB10,902 (US$1,525) as of December 31, 2018 and September 30, 2019, respectively)	4	34,807	85,471	11,958
Contract assets		713	1,183	166
Amounts due from related parties	16	16,390	71,870	10,055
Inventories	5	49,055	55,014	7,697
Prepayments and other current assets	6	59,903	72,041	10,079
Total current assets		**292,989**	**799,914**	**111,912**
Non-current assets:				
Equity method investment		1,990	1,629	228
Property and equipment, net	7	69,582	91,541	12,807
Intangible assets, net	8	482	435	61
Other non-current assets		7,631	5,104	714
Total non-current assets		**79,685**	**98,709**	**13,810**
TOTAL ASSETS		**372,674**	**898,623**	**125,722**
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT				
Current liabilities (including amounts of the consolidated VIE and its subsidiaries without recourse to the primary beneficiary of RMB282,271 and RMB346,481 (US$48,474) as of December 31, 2018 and September 30, 2019, respectively):				
Accounts payable		16,267	10,717	1,499
Deferred revenue		55,846	43,143	6,036
Amounts due to a related party	16	3,289	3,389	474
Capital lease obligations, current	7	2,668	4,766	667
Accrued liabilities and other current liabilities	9	30,354	34,296	4,798
Short-term borrowings	10	7,000	2,370	332
Current portion of long-term borrowings	10	40,058	48,683	6,811
Convertible notes, current	11	129,216	—	—
Total current liabilities		**284,698**	**147,364**	**20,617**
Non-current liabilities (including amounts of the consolidated VIE and its subsidiaries without recourse to the primary beneficiary of RMB85,898 and RMB15,002 (US$2,099) as of December 31, 2018 and September 30, 2019, respectively):				
Deferred government grants		1,990	1,469	206
Capital lease obligations		5,689	6,088	852
Other non-current liabilities		—	7,050	986
Long-term borrowings	10	87,641	5,260	736
Warrant liability	12	—	22,656	3,170
Total non-current liabilities		**95,320**	**42,523**	**5,950**
TOTAL LIABILITIES		**380,018**	**189,887**	**26,567**
Commitments and contingencies	17			

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Notes	As of December 31, 2018	As of September 30, 2019		Pro forma shareholders' deficit as of September 30, 2019	
		RMB	RMB	US$	RMB	US$
					(Unaudited)	
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT (CONTINUED)						
Mezzanine equity:						
Series A convertible preferred shares (par value of US$0.0001 per share; 66,640,644 and 66,609,077 shares authorized, issued and outstanding as of December 31, 2018 and September 30, 2019)	12	171,494	182,951	25,596	—	—
Series B convertible preferred shares (par value of US$0.0001 per share; 25,537,431 and 25,537,431 shares authorized, issued and outstanding as of December 31, 2018 and September 30, 2019)	12	424,624	455,738	63,760	—	—
Series C convertible preferred shares (par value of US$0.0001 per share; nil and 24,544,618 shares authorized, issued and outstanding as of December 31, 2018 and September 30, 2019)		—	835,977	116,957	—	—
Total mezzanine equity		**596,118**	**1,474,666**	**206,313**	—	—
Shareholders' deficit:						
Ordinary shares (par value of US$0.0001 per share; 407,821,925 and 381,178,974 shares authorized; 46,334,461 and 46,334,461 shares issued and outstanding as of December 31, 2018 and September 30, 2019)		29	29	4	—	—
Class A ordinary shares (par value of US$0.0001 per share; 119,104,849 shares issued and outstanding on a pro forma)		—	—	—	77	11
Class B ordinary shares (par value of US$0.0001 per share; 43,920,738 shares issued and outstanding, pro forma)		—	—	—	27	4
Additional paid-in capital		23,311	30,208	4,226	1,504,799	210,528
Accumulated deficits		(611,997)	(812,113)	(113,619)	(812,113)	(113,619)
Accumulated other comprehensive (loss) income		(14,805)	15,946	2,231	15,946	2,231
Total shareholders' deficit		**(603,462)**	**(765,930)**	**(107,158)**	**708,736**	**99,155**
TOTAL LIABILITIES, MEZZANIE EQUITY AND SHAREHOLDERS' DEFICIT		**372,674**	**898,623**	**125,722**		

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Notes	For the nine months ended September 30,		
		2018	2019	
		RMB (Unaudited)	RMB	US$
Revenues:				
Revenues from services		122,319	216,878	30,342
Revenues from sales of products		21,274	76,124	10,650
Total revenues	3	**143,593**	**293,002**	**40,992**
Cost of revenues:				
Cost of services		(42,134)	(58,907)	(8,241)
Cost of goods sold		(11,182)	(15,737)	(2,202)
Total cost of revenues		**(53,316)**	**(74,644)**	**(10,443)**
Gross profit		**90,277**	**218,358**	**30,549**
Operating expenses:				
Research and development expenses		(72,972)	(104,697)	(14,648)
Selling and marketing expenses (including related party amounts of RMB958 and RMB806 (US$113) for the nine months ended September 30, 2018 (unaudited) and 2019, respectively)	16	(66,814)	(104,225)	(14,582)
General and administrative expenses		(63,646)	(83,045)	(11,618)
Total operating expenses		**(203,432)**	**(291,967)**	**(40,848)**
Loss from operations		**(113,155)**	**(73,609)**	**(10,299)**
Interest expense, net		(11,203)	(66)	(9)
Other expense, net		(266)	(542)	(76)
Foreign exchange gain, net		1,068	1,841	258
Change in fair value of warrant liability		—	(1,686)	(236)
Loss before income tax		**(123,556)**	**(74,062)**	**(10,362)**
Income tax expenses	14	—	—	—
Net loss		**(123,556)**	**(74,062)**	**(10,362)**
Net loss attributable to Burning Rock Biotech Limited's shareholders		**(123,556)**	**(74,062)**	**(10,362)**
Accretion of convertible preferred shares		(40,669)	(125,838)	(17,605)
Net loss attributable to ordinary shareholders		**(164,225)**	**(199,900)**	**(27,967)**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019 (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Notes	For the nine months ended September 30,		
		2018	2019	
		RMB (Unaudited)	RMB	US$
Loss per share:	15			
Basic and diluted		(3.71)	(4.31)	(0.60)
Weighted average shares outstanding used in loss per share computation:	15			
Basic and diluted		44,240,210	46,334,461	46,334,461
Pro forma loss per share (unaudited):	15			
Basic and diluted			(0.45)	(0.06)
Weighted average shares outstanding used in pro forma loss per share computation (unaudited):	15			
Basic and diluted			163,025,587	163,025,587
Other comprehensive (loss) gain, net of tax of nil:				
Foreign currency translation adjustments		(4,173)	30,751	4,302
Total comprehensive loss		**(127,729)**	**(43,311)**	**(6,060)**
Total comprehensive loss attributable to Burning Rock Biotech Limited's shareholders		**(127,729)**	**(43,311)**	**(6,060)**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	Ordinary shares		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive (loss) income	Total shareholders' deficit
	Number of shares	Amount				
		RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2018	**44,759,845**	**28**	**18,216**	**(379,524)**	**(10,876)**	**(372,156)**
Net loss	—	—	—	(123,556)	—	(123,556)
Other comprehensive loss	—	—	—	—	(4,173)	(4,173)
Accretion of convertible preferred shares	—	—	—	(40,669)	—	(40,669)
Exercise of options (note 13)	1,637,108	1	—	—	—	1
Repurchase of ordinary shares (note 16)	(62,492)	—	—	—	—	—
Share-based compensation	—	—	3,639	—	—	3,639
Balance as of September 30, 2018 (unaudited)	**46,334,461**	**29**	**21,855**	**(543,749)**	**(15,049)**	**(536,914)**
Balance as of January 1, 2019	**46,334,461**	**29**	**23,311**	**(611,997)**	**(14,805)**	**(603,462)**
Net loss	—	—	—	(74,062)	—	(74,062)
Other comprehensive income	—	—	—	—	30,751	30,751
Repurchase of convertible preferred shares (note 16)	—	—	—	(216)	—	(216)
Accretion of convertible preferred shares	—	—	—	(125,838)	—	(125,838)
Share-based compensation	—	—	6,897	—	—	6,897
Balance as of September 30, 2019	**46,334,461**	**29**	**30,208**	**(812,113)**	**15,946**	**(765,930)**
Balance as of September 30, 2019 (US$)	**46,334,461**	**4**	**4,226**	**(113,619)**	**2,231**	**(107,158)**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	For the nine months ended September 30,		
	2018	2019	
	RMB (Unaudited)	RMB	US$
Cash flows from operating activities:			
Net loss	(123,556)	(74,062)	(10,362)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,064	22,523	3,151
Allowance for doubtful accounts	514	9,075	1,269
Inventory write down	—	387	54
Loss on disposal of equipment	34	184	26
Share of loss from equity method investee	261	408	57
Share-based compensation	3,639	6,897	965
Accrued interest	1,452	2,026	283
Change in fair value of warrant liability	—	1,686	236
Changes in operating assets and liabilities:			
Inventories	(24,584)	(6,346)	(888)
Accounts receivable	(2,344)	(59,739)	(8,358)
Contract assets	1,355	(470)	(66)
Prepayments and other current assets	(37,873)	(13,518)	(1,891)
Amount due from related parties	3,268	(53,850)	(7,534)
Other non-current assets	(845)	870	122
Accounts payable	5,538	(4,694)	(657)
Deferred revenue	28,268	(12,703)	(1,777)
Accrued liabilities and other current liabilities	4,589	3,942	552
Deferred government grants	2,990	(521)	(73)
Net cash used in operating activities	**(118,230)**	**(177,905)**	**(24,891)**
Cash flows from investing activities:			
Proceeds from maturity of short-term investment	130,684	38,586	5,398
Proceeds from disposal of equipment	120	106	15
Prepayment of property and equipment	(700)	—	—
Purchase of property and equipment	(17,858)	(37,314)	(5,220)
Purchase of intangible assets	(147)	(383)	(54)
Purchase of short-term investment	—	(369,917)	(51,753)
Net cash generated from (used in) investing activities	**112,099**	**(368,922)**	**(51,614)**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019 (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

	For the nine months ended September 30,		
	2018	2019	
	RMB (Unaudited)	RMB	US$
Cash flows from financing activities:			
Proceeds from long-term borrowings	68,865	—	—
Proceeds received from capital injection	—	7,050	986
Capital lease obligations payments	(361)	(3,392)	(475)
Advanced receipt of convertible preferred shares	2,000	—	—
Proceeds from issuance of convertible preferred shares and warrant	—	644,722	90,200
Repayment of short-term borrowings	(3,000)	(4,630)	(648)
Repayment of long-term borrowings	(4,034)	(72,718)	(10,174)
Repurchase of convertible preferred shares	—	(389)	(54)
Net cash generated from financing activities	**63,470**	**570,643**	**79,835**
Effect of exchange rate on cash, cash equivalents and restricted cash	(1,729)	6,134	859
Net increase cash, cash equivalents and restricted cash	**55,610**	**29,950**	**4,189**
Cash, cash equivalents and restricted cash at the beginning of period	54,789	95,334	13,338
Cash, cash equivalents and restricted cash at the end of period	**110,399**	**125,284**	**17,527**
Supplemental disclosures of cash flow information:			
Interest expense paid	10,996	7,710	1,079
Supplemental disclosures of non-cash information:			
Purchase of property and equipment included in accounts payable	(1,046)	(856)	(120)
Purchase of property and equipment included in capital lease obligations	629	7,694	1,076
Conversion of convertible notes into Series C convertible preferred shares	—	127,982	17,905
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	107,408	123,808	17,321
Restricted cash	2,991	1,476	206
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	**110,399**	**125,284**	**17,527**

The accompanying notes are an integral part of these consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

1 ORGANIZATION AND BASIS OF PRESENTATION

Burning Rock Biotech Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on March 10, 2014. The Company does not conduct any substantive operations on its own but instead conducts its business operations through its subsidiaries, variable interest entity ("VIE") and subsidiaries of the VIE. The Company, together with its subsidiaries, VIE and VIE's subsidiaries (collectively, the "Group") are principally engaged in the developing and providing cancer therapy selection test in the People's Republic of China (the "PRC").

As of September 30, 2019, the Company's principal subsidiaries, VIE and VIE's subsidiaries are as follows:

Entity	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
Subsidiaries				
BR Hong Kong Limited	April 1, 2014	Hong Kong	100%	Holding Company
Beijing Burning Rock Biotech Co., Ltd. (the "WFOE")	June 13, 2014	PRC	100%	Trading Company
Burning Rock Biotechnology (Shanghai) Co., Ltd.	July 4, 2016	PRC	100%	Research and development
VIE				
Burning Rock (Beijing) Biotechnology Co., Ltd.	January 7, 2014	PRC	Nil	Holding Company
VIE's subsidiaries				
Guangzhou Burning Rock Dx Co., Ltd.	March 18, 2014	PRC	Nil	Cancer therapy selection test and sales of reagent kits
Guangzhou Burning Rock Medical Equipment Co., Ltd.	January 6, 2015	PRC	Nil	Facilitation of laboratory equipment sales
Guangzhou Burning Rock Biotechnology Co.,Ltd.	January 23, 2018	PRC	Nil	Cancer therapy selection test and sales of reagent kits

To comply with PRC laws and regulations which prohibit and restrict foreign ownership of business involving the development and application of genomic diagnosis and treatment technology, the Group conducts its business in the PRC principally through the VIE and the VIE's subsidiaries. The equity interests of the VIE are legally held by PRC shareholders (the "Nominee Shareholders").

Despite the lack of technical majority ownership, the Company through the wholly foreign owned entity ("the WFOE") has effective control of the VIE through a series of contractual arrangements (the "VIE agreements") and a parent-subsidiary relationship exists between the WFOE and the VIE since 2014. Through the VIE agreements, the Nominee Shareholders of the VIE effectively assigned all of their voting rights underlying their equity interests in the VIE to the WFOE, and therefore, the WFOE has the power to direct the activities of the VIE that most significantly impact its economic performance. The WFOE also has the right to receive economic

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1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

benefits that potentially could be significant to the VIE. Therefore, the WFOE is considered the primary beneficiary of the VIE and consolidates the VIE in accordance with Accounting Standards Codification ("ASC") Topic 810-10 ("ASC 810-10"), *Consolidation: Overall.*

The following is a summary of the VIE agreements:

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement entered into amongst the WFOE and the VIE on June 20, 2014, the WFOE provides exclusive business support, technology services and consulting services in return for service fees, which is adjustable at the sole discretion of the WFOE. Without the WFOE's consent, the VIE cannot procure services from any third party or enter into similar service arrangements with any other third party, except for the ones appointed by the WFOE. The agreement was effective for 20 years from June 20, 2014 and automatically renew for 10 years if all parties have no objection.

Power of Attorney

The Nominee Shareholders signed Power of Attorney on June 20, 2014 to irrevocably appoint the WFOE, or its designated party, as the attorney-in-fact to exercise rights on the Nominee Shareholders' behalf any and all rights that such shareholder has in respect of its equity interest in the VIE such as the right to appoint or remove directors, supervisors and officers, as well as the right to sell, transfer, pledge or dispose of all or any portion of the equity interests held by such shareholder, or of the assets held by the VIE. This agreement will remain effective until it is terminated by the WFOE.

Exclusive Option Agreement

Pursuant to the exclusive option agreements entered into amongst the VIE, the Nominee Shareholders and the WFOE on June 20, 2014, the Nominee Shareholders irrevocably granted the WFOE an exclusive option to request the Nominee Shareholders to transfer or sell any part or all of its equity interests in the VIE to the WFOE, or its designees. The purchase price of the equity interests in the VIE is equal to the minimum price required by PRC law. Any proceeds received by the Nominee Shareholders from the exercise of the right shall be remitted to the WFOE, to the extent permitted under the PRC laws. Without the WFOE's prior written consent, the VIE and the Nominee Shareholders may not amend its articles of association, increase or decrease the registered capital, sell or otherwise dispose of its assets or beneficial interest, create or allow any encumbrance on its assets or other beneficial interests, provide any loans or guarantees and request any dividends or other form of assets. This agreement is not terminated until all of the equity interest of the VIE has been transferred to the WFOE or the person(s) designated by the WFOE.

Equity Interest Pledge Agreement

Pursuant to the equity interest pledge agreements entered into amongst the WFOE, the VIE and the Nominee Shareholders on June 20, 2014, the Nominee Shareholders pledged all of their equity interests in the VIE to the WFOE as collateral to secure their obligations under the exclusive business cooperation agreement. The WFOE

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1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Equity Interest Pledge Agreement (Continued)

is entitled to all dividends during the effective period of the share pledge except as it agrees otherwise in writing. If the VIE or any of the Nominee Shareholders breaches its contractual obligations, the WFOE is entitled to certain rights regarding the pledged equity interests, including the right to receive proceeds from the auction or sale of all or part of the pledged equity interests of VIE in accordance with PRC law. The Nominee Shareholders agree not to create any encumbrance on or otherwise transfer or dispose of their respective equity interests in the VIE, without the prior consent of the WFOE.

The Power of Attorney, Exclusive Option Agreement and Equity Interest Pledge Agreement were amended and restated on August 27, 2015, July 1, 2016, April 19, 2018 and January 4, 2019 to reflect the new nominee shareholders appointed by the Series A, Series B and Series C preferred shareholders and the resulting equity ratio adjustments from the preferred shareholders' investment.

On October 21, 2019, the VIE Agreements were supplemented by the following terms:

(1) Exclusive option agreement

- The VIE irrevocably grants the WFOE an exclusive asset purchase option whereby the WFOE has the right to purchase or designate another party to purchase part or all of the assets of the VIE as permitted under the PRC laws. The purchase price of the VIE's assets is equal to the book value of the assets or the minimum price as permitted by applicable PRC law, whichever is higher; and
- The WFOE has the right to unilaterally amendment, supplement and termination of this agreement.

(2) Exclusive Business Cooperation Agreement

- In exchange for these services, the VIE will pay a service fee, equal to the VIE's profit before tax, after recovering any accumulated losses of the VIE and its subsidiaries from the preceding fiscal year, and deducting working capital, expenses, tax and a reasonable amount of operating profit according to applicable tax law principles and tax practice; and
- The agreement will be in effect for 10 years unless the WFOE unilaterally terminates the agreement by giving written notification at least thirty days prior to the expiration of the agreement. The WFOE may at its sole discretion unilaterally extend the term of this agreement prior to its expiration upon notice to the VIE.

(3) Equity Interest Pledge Agreement

- The Nominee Shareholders pledged all of their respective equity interests in the VIE to the WFOE as continuing first priority security interest to guarantee the performance of these Nominee Shareholders and the VIE's obligations under the power of attorney, the exclusive option agreement and the exclusive business cooperation agreement; and
- This agreement will remain effective until all the contractual obligations have been satisfied in full under all the agreements mentioned above.

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1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

(4) Financial support undertaking letter

- Pursuant to the financial support undertaking letter, the Company is obligated and hereby undertakes to provide unlimited financial support to the VIE, to the extent permissible under the applicable PRC laws and regulations, whether or not any such operational loss is actually incurred. The Company will not request repayment of the loans or borrowings if the VIE or its Nominee Shareholders do not have sufficient funds or are unable to repay.

(5) Voting proxy agreement

- Pursuant to the voting proxy agreement, the WFOE irrevocably and unconditionally commits to execute its rights under the power of attorney in accordance with the instructions from the Company.

As a result of the amended agreements on October 21, 2019, the power and the rights pursuant to the power of attorney have since been effectively reassigned to the Company which has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. The Company is also obligated to absorb the expected losses of the VIE through the financial support as described above. The Company and the WFOE, as a group of related parties, hold all of the variable interests of the VIE. The Company has been determined to be most closely associated with the VIE within the group of related parties and has replaced the WFOE as the primary beneficiary of the VIE since October 2019. As the VIE was subject to indirect control by the Company through the WFOE immediately before and direct control immediately after the VIE Agreements were supplemented, the change of the primary beneficiary of the VIE was accounted for as a common control transaction based on the carrying amount of the net assets transferred.

In the opinion of the Company's legal counsel, (i) the ownership structure of the WFOE and its VIE is in compliance with PRC laws and regulations; (ii) the contractual arrangements with the VIE and their shareholders are valid and binding, and not in violation of current PRC laws or regulations; (iii) the voting proxy agreement between the Company and the WFOE is valid in accordance with the articles of association of the Company and Cayman Islands Law.

However, uncertainties in the PRC legal system could cause the relevant regulatory authorities to find the current VIE Agreements and businesses to be in violation of any existing or future PRC laws or regulations and could limit the Company's ability to enforce its rights under these contractual arrangements. Furthermore, the nominee shareholders of the VIE may have interests that are different from those of the Company, which could potentially increase the risk that they would seek to act contrary to the terms of the contractual agreements with the VIE.

In addition, if the current structure or any of the contractual arrangements were found to be in violation of any existing or future PRC laws or regulations, the Company may be subject to penalties, including but not be limited to, revocation of business and operating licenses, discontinuing or restricting business operations, restricting the Company's right to collect revenues, temporary or permanent blocking of the Company's internet platforms, restructuring of the Company's operations, imposition of additional conditions or requirements with which the Company may not be able to comply, or other regulatory or enforcement actions against the Company that could be harmful to its business. The imposition of any of these or other penalties could have a material adverse effect on the Company's ability to conduct its business.

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1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

The following table set forth the assets and liabilities of the VIE and subsidiaries of the VIE included in the Group's consolidated balance sheets:

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Cash and cash equivalents	56,623	41,475	5,803
Restricted cash	1,993	1,476	206
Accounts receivable (net of allowances of RMB1,750 and RMB10,747 (US$1,504) As of December 31, 2018 and September 30, 2019, respectively)	30,735	84,909	11,879
Contract assets	713	1,183	166
Amounts due from related parities	2,044	514	72
Inter-company receivables*	6,587	2,532	354
Inventories	45,928	45,291	6,336
Prepayments and other current assets	32,785	23,634	3,307
Total current assets	**177,408**	**201,014**	**28,123**
Property and equipment, net	24,103	34,419	4,815
Intangible assets, net	455	164	23
Other non-current assets	4,726	2,801	392
Total non-current assets	**29,284**	**37,384**	**5,230**
TOTAL ASSETS	**206,692**	**238,398**	**33,353**
Accounts payable	12,608	7,844	1,097
Deferred revenue	55,846	43,143	6,036
Inter-company payables*	202,087	238,959	33,432
Capital lease obligations, current	2,668	4,766	667
Accrued liabilities and other current liabilities	25,856	31,589	4,419
Short-term borrowings	7,000	2,370	332
Current portion of long-term borrowings	457	42,672	5,970
Total current liabilities	**306,522**	**371,343**	**51,953**
Deferred government grant	1,990	1,469	206
Capital lease obligations	5,689	6,088	852
Other non-current liabilities	—	7,050	986
Long-term borrowings	78,219	395	55
Total non-current liabilities	**85,898**	**15,002**	**2,099**
TOTAL LIABILITIES	**392,420**	**386,345**	**54,052**

* Inter-company receivables/payables represent balances of VIE and subsidiaries of the VIE due from/to the Company and the Group's consolidated subsidiaries.

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1 ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

The table sets forth the results of operations of the VIE and subsidiaries of the VIE included in the Group's consolidated statements of comprehensive loss:

	For the nine months ended September 30,		
	2018	2019	
	RMB (Unaudited)	RMB	US$
Revenues	140,138	292,813	40,966
Net loss	(62,660)	(16,010)	(2,239)

The table sets forth the cash flows of the VIE and subsidiaries of the VIE included in the Group's consolidated statements of cash flows:

	For the nine months ended September 30,		
	2018	2019	
	RMB (Unaudited)	RMB	US$
Net cash used in operating activities	(28,447)	(13,031)	(1,823)
Net cash used in investing activities	(3,227)	(48,037)	(6,721)
Net cash generated from financing activities	53,821	45,403	6,352

As of December 31, 2018, and September 30, 2019, there were no pledges or collateralization of the assets of the VIE and the VIE's subsidiaries. The amount of the net liabilities of the VIE and subsidiaries of VIE was RMB185,728 and RMB147,947 (US$20,699) as of December 31, 2018, and September 30, 2019, respectively. The creditors of the VIE and subsidiaries of the VIE's third-party liabilities did not have recourse to the general credit of the primary beneficiary in the normal course of business. The VIE holds certain assets, including detection equipment and related equipment for use in their operations. The Company did not provide nor intend to provide additional financial or other support not previously contractually required to the VIE and subsidiaries of the VIE during the periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompany consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements of the Group include the financial statements of the Company, its subsidiaries, the VIE and the VIE's subsidiaries for which the Company is the primary beneficiary of the VIE. All significant intercompany balances and transactions have been eliminated upon consolidation. The interim

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

financial information for the nine months ended September 30, 2018 is unaudited. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for a full year or any period. The Group believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of the management, the accompanying unaudited consolidated financial statements for the nine months ended September 30, 2018 reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair representation of financial results for the interim periods presented.

The financial information as of December 31, 2018 presented in the consolidated financial statements is derived from the Company's audited consolidated financial statements for the year ended December 31, 2018.

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 revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in the Group's consolidated financial statements include, but are not limited to, allowance for doubtful accounts for accounts receivable and contract assets, inventory provision, standalone selling prices of performance obligations, and the useful lives and impairment of long-lived assets and the fair value of warrant liability. 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 functional currency of the Company and BR Hong Kong Limited is US$. The functional currency of the Company's PRC subsidiaries, VIE and VIE's subsidiaries is RMB. The determination of the respective functional currency is based on the criteria stated in ASC 830, *Foreign Currency Matters*. The Company uses RMB as its reporting currency. The financial statements of the Company and the Company's subsidiary outside PRC are translated from the functional currency to the reporting currency.

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates quoted by the People's Bank of China (the "PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical costs in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of comprehensive loss.

Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

year. Translation adjustments are reported as accumulated comprehensive income (loss) and are shown as a separate component of other comprehensive loss in the consolidated statements of comprehensive loss.

Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader have been calculated at the exchange rate of RMB7.1477 per US$1.00 on September 30, 2019, as published on the website of the United States Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at such rate or at any other rate.

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.

Restricted cash

Restricted cash primarily represent deposits restricted in designated bank accounts for specific uses in relation to certain government grants received.

In November 2016, the FASB issued Accounting Standard Update ("ASU") No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires entities to present the aggregate changes in cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, the statement of cash flows will be required to present restricted cash and restricted cash equivalents as a part of the beginning and ending balances of cash and cash equivalents. The Group early adopted the updated guidance retrospectively and presented restricted cash within the ending cash, cash equivalents and restricted cash balance on the Group's consolidated statements of cash flows for the nine months ended September 30, 2018 and 2019.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when collection of the amount is no longer probable. In evaluating the collectability of receivable balances, the Group considers specific evidence including the aging of the receivable, the customer's payment history, its current credit-worthiness and other factors. Accounts receivable are written off after all collection efforts have ceased.

Short-term investment

All highly liquid investments with maturities of greater than three months, but less than twelve months, are classified as short-term investments. Short-term investment held by the Group represented time deposit of remaining maturities of greater than three months but less than twelve months.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The carrying amounts of cash and cash equivalent, short-term investment, accounts receivable, amounts due from and due to related parties, accounts payable and short-term borrowings approximate their fair values because of their generally short maturities. The carrying amount of long-term borrowings and long-term investment approximate their fair values since they bear interest rates which approximate market interest rates.

The Group measured the fair value of its warrant liability on a recurring basis using significant unobservable (Level 3) inputs as of September 30, 2019. The valuation technique, inputs and corresponding impact to the fair value are as follows:

Financial instrument	Valuation technique	Unobservable input	Estimation
Warrant liability	Black-Scholes option pricing model	Volatility for Black-Scholes option pricing model	42%
		Market value of the underlying Series C Preferred Shares	US$5.09

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements (Continued)

The following table presents a reconciliation of all financial instruments measured at fair value on a recurring basis using Level 3 unobservable inputs:

	Warrant liability RMB
Balance as of December 31, 2018	—
Recognized during the nine months ended September 30, 2019	19,821
Fair value change	1,686
Foreign exchange translation	1,149
Balance as of September 30, 2019	22,656
The amount of total loss for the nine months ended September 30, 2019 included in losses	1,686

The Group did not transfer any assets or liabilities in or out of Level 3 during the nine months ended September 30, 2019.

The Group had no financial assets and liabilities measured and recorded at fair value on a nonrecurring basis as of December 31, 2018 and September 30, 2019.

Inventories

Inventories consist of raw materials, work in progress and finished goods which are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for decreases in sales price, obsolescence, or similar reductions in the estimated net realizable value; and are recorded in cost of sales.

Equity method investment

Equity method investments represent investments in entities in which the Group can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC Subtopic 323-10, *Investments-Equity Method and Joint Ventures: Overall*. Under the equity method, the Group initially records its investment at cost and prospectively recognizes its proportionate share of each equity investee's net profit or loss into its consolidated statements of operations. The difference between the cost of the equity investee and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill included in equity method investments on the consolidated balance sheets. The Group evaluates its equity method investments for impairment under ASC 323-10. An impairment loss on the equity method investments is recognized in the consolidated statements of comprehensive loss when the decline in value is determined to be other-than-temporary.

In January 2017, the Group acquired for 20.29% equity interest in EaSuMed Holding Ltd. with an amount of US$363. The Group exercised significant influence over the investee with its one seat on the board of directors

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity method investment (Continued)

and accounted for its investment under the equity method. The Group recognized loss from equity method investment of RMB261 and RMB408 (US$57) for the nine months ended September 30, 2018 and 2019, respectively. No impairment loss was recognized for the periods presented.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation. Depreciation 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	6 years
Furniture and tools	5 years
Electronic equipment	3 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 and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

Direct costs that are related to the construction of property and equipment, and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment, and the depreciation of these assets commences when the assets are ready for their intended use.

Intangible assets, net

Intangible assets are carried at cost less accumulated amortization and any recorded impairment. Intangible assets with finite useful lives are amortized using a straight-line method of amortization that reflects the estimated pattern in which the economic benefits of the intangible asset are to be consumed. The estimated useful life for the intangible assets is as follows:

Category	Estimated Useful Life
Computer software	3 years

The Group does not have any indefinite-lived intangible assets.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

The Group evaluates the recoverability of its long-lived assets, including fixed assets and intangible assets with finite lives, 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 nine months ended September 30, 2018 (unaudited) and 2019.

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 evaluates segment performance based on revenues and gross profit by the operating segments of central laboratory business, in-hospital business and pharma research and development services. No geographical segments are presented as substantially all of the Group's long-lived assets are located in the PRC and substantially all of the Group's revenues are derived from within the PRC.

Revenue recognition

Effective January 1, 2017, the Group adopted ASU 2014-09, *Revenue from contracts with Customers (Topic 606)* using the full retrospective method. The Group derives revenues from its central laboratory business, in-hospital business and pharma research and development services. The Group recognizes revenue to depict the transfer of promised products or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those products or services. The impact of adopting the new revenue standard was not material to the Group's consolidated financial statements.

Revenue from central laboratory business

Revenue from central laboratory business is primarily generated through the sales of the Group's cancer therapy selection test, to individual patient customers. The individual patient prepays the consideration in full and the transaction price for each contract is fixed at contract inception. The patient can choose to purchase a single cancer therapy selection test or a package which consists of multiple cancer therapy selection tests of the same type or a combination of different types of cancer therapy selection tests. Each cancer therapy selection test represents a single performance obligation. Revenue is allocated to each performance obligation based on the relative standalone selling price method. The Group records revenue at a point in time, when each cancer therapy selection testing report is delivered to the patient.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from central laboratory business (Continued)

The Group's cancer therapy selection packages with multiple cancer therapy selection tests of the same type ("Monitoring Packages") were launched in 2017. The Monitoring Packages expire two years from the date of purchase. Based on historical usage rates, a portion of the cancer therapy selection tests within the Monitoring Packages are not expected to be used by the patient prior to expiration, referred to as a "breakage". If the Group is expected to be entitled to a breakage amount, the expected breakage amount is recognized as revenue in proportion to the total number of tests performed for patients prior to the expiration date. If the Group is not expected to be entitled to a breakage amount due to the lack of historical experience, the expected breakage amount is recognized as revenue when the package expires. The Group evaluates its breakage estimates periodically based upon its historical experience with each type of Monitoring Packages and other factors, such as recent usage pattern prior to the expiration period. The historical usage rates may not be reflective of the actual usage rates due to changes in patients' behavior and medical advancements. The determination of whether the Group has accumulated sufficient historical experience to determine breakage amount, and changes in the actual patients' usage rates may significantly impact on the amount of breakage revenue recognized for the period. In 2019, the Group changed its estimates of the entitlement of breakage amount as the Group determined that it has accumulated sufficient historical experience to estimate breakage. The expected breakage amount is recognized as revenue over time in proportion to the usage of the test in each Monitoring Package. For the nine months ended September 30, 2018 (unaudited) and 2019, the Group recognized breakage income of nil and RMB13,574 (US$1,899), respectively. The change in estimate increased 2019 revenues from central laboratory business and reduce 2019 net loss by RMB13,574 (US$1,899), and reduce 2019 basic and diluted loss per share by RMB0.29 (US$0.04).

Revenue from in-hospital business

Revenue from in-hospital business is primarily generated through the sales of reagent kits and the provision of the facilitation services for the laboratory equipment sales to hospitals. For the sale of reagent kits, the Group manufactures the reagent kits and sells to the hospitals when the hospitals make a purchase order. Each reagent kit represents a single performance obligation. The Group does not provide rights of return for the reagent kits sold other than returns of defective products. Revenue is allocated to each performance obligation based on a relative standalone selling price basis. The Group records revenue on the sales of reagent kits at a point in time when the reagent kits are delivered to the hospital.

For the facilitation services, the Group purchases the laboratory equipment from third-party suppliers when the hospital makes a purchase request and resells the laboratory equipment to the hospital. The Group acts as an agent in facilitating the sales of laboratory equipment arrangements as it does not control the laboratory equipment prior to its delivery to the hospitals and does not have inventory risks. The facilitation services for each piece of laboratory equipment represents a single performance obligation. The Group records revenue on a net basis at the point in time when the Group has completed its facilitation services.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from pharma research and development services

The Group provides pharma research and development services to the pharmaceutical companies for their development of new drugs for targeted therapies and immunotherapies on various types of cancers. The pharma research and development services include a range of cancer therapy selection testing services, analytical validation services and project management services. The Group will deliver an analysis report upon the completion of services. The testing services, analytical validation services and project management services are not distinct within the context of the contract because the Group is using these services as inputs to produce the analysis report. The Group recognizes services revenue over the period in which these services are provided because the Group does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for the performance completed to date. The Group recognizes revenue using an output method to measure progress that utilizes cancer therapy selection testing performed to-date as its measure of progress.

Pharmaceutical companies may also separately engage the Group to perform multiple cancer therapy selection tests without an analysis of the test results. Each therapy selection test is capable of being distinct and separately identifiable from other promises in the contracts and therefore, represent distinct performance obligations. Revenue is allocated to each cancer therapy selection test using a relative standalone selling price basis. The Group records revenue at a point in time, when each cancer therapy selection test result is delivered to the pharmaceutical companies.

Contract assets and liabilities

When the Group satisfies its performance obligations by providing products or services to a customer before the customer pays consideration or before payment is due, the Group recognizes its rights to consideration as a contract asset, which is presented as "contract assets" on the consolidated balance sheets. The contract assets are transferred to the receivables when the rights become unconditional. When a customer pays consideration before the Group provides products or services, the Group records its obligation as a contract liability, which is presented as "deferred revenue" on the consolidated balance sheets.

Deferred revenue decreased by RMB12,703 (US$1,777), due to the acceleration in revenue recognition caused by the changes in accounting estimates for the revenue recognition of the monitoring package. The Group receives payments from customers based on a billing schedule as established in contracts. Revenue recognized that was included in deferred revenue balance at the beginning of the year was RMB23,928 and RMB37,110 (US$5,192) for the nine months ended September 30, 2018 (unaudited) and September 2019, respectively. For both periods presented, there was no impairment of the Group's contract assets.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially satisfied) as of December 31, 2018 and September 30, 2019 were RMB66,141 and RMB50,043 (US$7,001), respectively. The Group expects to recognize the related revenue within one year.

Value added taxes and related surcharges

The Group is subject to value added tax (the "VAT") that is imposed on and concurrent with the revenues earned for services provided in the PRC. The Group's applicable value added tax rate is 6% or 17%. Pursuant to further

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Value added taxes and related surcharges (Continued)

VAT reform implemented from May 1, 2018, all industries that were previously subject to VAT at a rate of 17% were adjusted to 16% and further adjusted to 13% beginning April 2019.

The Group excludes VAT from the measurement of transaction price because the Group is collecting the VAT on behalf of tax authorities. The Group is also subject to surcharges on VAT payments in accordance with PRC law, which is recorded as cost of revenue. Surcharges are recorded when incurred because they are not imposed on and concurrent with a specific revenue arrangement and were immaterial for the nine months ended September 30, 2018 (unaudited) and 2019, respectively.

Research and development expenses

Research and development expenses primarily consist of salaries and benefits for research and development personnel and the cost of materials for research and development projects and products. The Group expenses research and development costs as they are incurred.

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 local governments. The government subsidies with certain operating conditions are recorded as liabilities when received and will be recorded as a reduction of the related expense when the conditions are met. The government subsidies with no further conditions to be met are recorded as other income when received. Where the grant relates to an asset, it is recognized as deferred government grant and released to the consolidated statements of comprehensive loss in equal amounts over the expected useful life of the related asset as a reduction of the related expense.

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 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.

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 and network equipment 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 related to the Group and its overseas subsidiaries, whose functional currency is US$.

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.

Share-based compensation

The Group applies ASC 718, *Compensation—Stock Compensation* ("ASC 718"), to account for its employee share-based payments awards granted to certain directors, executives and employees. Share options granted are classified as equity awards and are measured based on the grant date fair value of the equity instrument issued, and recognized as compensation costs using the straight-line method over the requisite service period, which is generally the vesting period of the options, with a corresponding impact reflected in additional paid-in capital. The Group early adopted ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting* ("ASU 2016-09") and accounts for forfeitures as they occur.

Loss per share

In accordance with ASC 260, *Earnings Per Share*, basic 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 preferred shares are participating securities because they are entitled to receive dividends or

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per share (continued)

distributions on an as converted basis. Diluted 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 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 loss per share using the two-class method is not applicable as the Company is in a net loss position and the participating securities do not have contractual rights and obligations to share in the losses of the Company.

Pro forma information (unaudited)

Upon the completion of the Qualified IPO, the outstanding preferred shares will automatically be converted into Class A ordinary shares on a 1:1 basis. The ordinary shares owned by Mr. Yusheng Han will be converted into Class B ordinary shares. Unaudited pro forma shareholders' deficit as of September 30, 2019, as adjusted for the assumed conversion of the convertible preference shares, is set forth on the consolidated balance sheets. Unaudited pro forma loss per share is computed using the weighted-average number of ordinary shares outstanding as of September 30, 2019, and assumes the automatic conversion of all of the Company's convertible preferred shares into weighted-average shares of ordinary stock upon the closing of the Company's Qualified IPO, as if it had occurred on January 1, 2019.

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 RMB14,330 and RMB21,518 (US$3,010) for the nine months ended September 30, 2018 (unaudited) and 2019, respectively.

Modification of redeemable convertible preferred shares

The Group assesses whether an amendment to the terms of its redeemable convertible preferred shares is an extinguishment or a modification using the fair value model. If the fair value of the redeemable convertible preferred shares immediately after the amendment changes by more than ten percent from the fair value of the redeemable convertible preferred shares immediately before the amendment, the amendment is considered an extinguishment. An amendment that does not meet this criterion is a modification. When redeemable convertible preferred shares are extinguished, the difference between the fair value of the consideration transferred to the

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modification of redeemable convertible preferred shares (continued)

redeemable convertible preferred shareholders and the carrying amount of the redeemable convertible preferred shares (net of issuance costs) is treated as a deemed dividend to the redeemable convertible preferred shareholders. When redeemable convertible preferred shares are modified, the increase of the fair value immediately after the amendment is treated as a deemed dividend to the redeemable convertible preferred shareholders. Modifications that result in a decrease in the fair value of the redeemable convertible preferred shares are not recognized.

Concentration of risks

Concentration of credit risk

As of December 31, 2018 and September 30, 2019, the aggregate amount of cash and cash equivalents, restricted cash and short-term investment of RMB127,276 and RMB477,724 (US$66,835), respectively, were held at major financial institutions located in the PRC, and USD$706 and USD$5,122 (RMB36,611), respectively, were deposited with major financial institutions located outside the PRC. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

Accounts receivables are typically unsecured and denominated in RMB and are derived from revenues earned from reputable customers. No customer accounted for more than 10% of the Group's total accounts receivable balance as of December 31, 2018. As of September 30, 2019, the Group had three customers with a receivable balance exceeding 10% of the total accounts receivable balance. The Group manages credit risk of accounts receivable through ongoing monitoring of the outstanding balances.

Concentration of suppliers

A significant portion of the Group's equipment and raw materials were purchased from its two suppliers, who collectively accounted for 29% and 67% of the Group's total equipment and raw materials purchases for the nine months ended September 30, 2018 (unaudited) and 2019, respectively.

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.

Currency convertibility risk

Substantially all of the Group's businesses are transacted in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risks (continued)

Currency convertibility risk (Continued)

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.

Foreign currency exchange rate risk

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 depreciation of approximately 5.7% and 4.0%, in the year ended December 31, 2018 and nine months ended September 30, 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.

The functional currency and the reporting currency of the Company are the US$ and the RMB, respectively. Most of the revenues and costs of the Group are denominated in RMB, while a portion of cash and cash equivalents are denominated in US$. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the US$ in the future. Any significant fluctuation of the valuation of RMB may materially affect the Group's cash flows, revenues, earnings and financial position, and the value of any dividends payable on the ADS in US$.

Recently issued accounting pronouncements

The Group is an emerging growth company ("EGC") as defined by the Jumpstart Our Business Startups Act ("JOBS Act"). The JOBS Act provides that an EGC can take advantage of extended transition periods for complying with new or revised accounting standards. This allows an EGC to delay adoption of certain accounting standards until those standards would otherwise apply to private companies. The Group elected to take advantage of the extended transition periods. However, this election will not apply should the Group cease to be classified as an EGC.

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting pronouncements (continued)

statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, Leases). The updated guidance is effective for the Group for annual reporting periods beginning January 1, 2020 and interim periods within annual periods beginning January 1, 2021. Early adoption is permitted. The Group does not plan to early adopt the new lease standards and the Group expects that applying the ASU 2016-02 would materially increase the assets and liabilities due to the recognition of right-of-use assets and lease liabilities on its consolidated balance sheets, with an immaterial impact on its consolidated statements of comprehensive loss and consolidated statements of cash flows.

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. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2020, including interim periods within fiscal years beginning after December 15, 2021. The Group is 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 is in the process of evaluating the impact of adoption of this guidance on its 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 will be effective for the Group beginning after January 1, 2020 including interim periods within the year. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU No. 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.

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3 SEGMENT REPORTING

For the nine months ended September 30, 2018 (unaudited) and 2019, the Group had three operating segments, including central laboratory business, in-hospital business and pharma research and development services. The operating segments also represented the reporting segments. The Group's CODM assess the performance of the operating segments based on the measures of revenues, cost of revenue and gross profit by central laboratory business, in-hospital business and pharma research and development services. Other than the information provided below, the CODM do not use any other measures by segments.

Summarized information by segments for the nine months ended September 30, 2018 (unaudited) and 2019 is as follows:

	For the nine months ended September 30, 2018 (unaudited)			
	Central laboratory business	In-hospital business	Pharma research and development services	Total
	RMB	RMB	RMB	RMB
Revenues:				
Revenues from services	111,070	3,242	8,007	122,319
Revenues from sales of products	—	21,274	—	21,274
Total revenues	**111,070**	**24,516**	**8,007**	**143,593**
Cost of revenues:	**(39,377)**	**(11,182)**	**(2,757)**	**(53,316)**
Gross profit	**71,693**	**13,334**	**5,250**	**90,277**

	For the nine months ended September 30, 2019				
	Central laboratory business	In-hospital business	Pharma research and development services	Total	
	RMB	RMB	RMB	RMB	US$
Revenues:					
Revenues from services	205,505	(2,534)	13,907	216,878	30,342
Revenues from sales of products	—	76,124	—	76,124	10,650
Total revenues	**205,505**	**73,590**	**13,907**	**293,002**	**40,992**
Cost of revenues:	**(54,360)**	**(15,737)**	**(4,547)**	**(74,644)**	**(10,443)**
Gross profit	**151,145**	**57,853**	**9,360**	**218,358**	**30,549**

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4 ACCOUNTS RECEIVABLE, NET

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Accounts receivable	36,634	96,373	13,483
Allowance for doubtful accounts	(1,827)	(10,902)	(1,525)
	34,807	**85,471**	**11,958**

The following table presents the movement in the allowance for doubtful accounts:

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Balance at the beginning of the period	920	1,827	256
Provisions	907	9,075	1,269
Balance at the end of the period	**1,827**	**10,902**	**1,525**

5 INVENTORIES

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Raw materials	31,085	29,158	4,079
Work in progress	10,103	14,658	2,051
Finished goods	7,867	11,198	1,567
	49,055	55,014	7,697

6 PREPAYMENT AND OTHER CURRENT ASSETS

Prepayment and other current assets consist of the following:

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Deductible input VAT	29,231	38,444	5,379
Prepaid expenses	21,774	20,042	2,804
Deposits	6,124	3,035	425
Interests receivables	1,315	7,293	1,020
Others	1,459	3,227	451
	59,903	72,041	10,079

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7 PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Machinery and laboratory equipment	84,788	116,130	16,248
Vehicles	2,234	2,234	313
Furniture and tools	6,374	7,450	1,042
Electronic equipment	17,488	26,327	3,683
Leasehold improvements	19,315	23,595	3,301
Construction in progress	2,842	674	94
	133,041	176,410	24,681
Accumulated depreciation	(63,459)	(84,869)	(11,874)
	69,582	91,541	12,807

Depreciation expenses recognized for the nine months ended September 30, 2018 (unaudited) and 2019 were RMB18,803 and RMB22,093 (US$3,091), respectively.

The Group entered into capital leases for certain laboratory equipment, electronic equipment and furniture and tools during the nine months ended September 30, 2019. The gross amount of laboratory equipment, electronic equipment and furniture and tools were RMB14,794 (US$2,070), RMB3,048 (US$426) and RMB402 (US$56), respectively, as of September 30, 2019. The accumulated depreciation on the assets under capital lease were RMB2,312 (US$323) as of September 30, 2019.

As of September 30, 2019, future minimum capital lease payments were as follows:

	RMB	US$
For the three months ending December 31, 2019	1,436	201
For the years ending December 31, 2020	5,744	804
2021	5,111	715
2022	—	—
2023	—	—
Total minimum capital lease payments	12,291	1,720
Less: interest component	(1,437)	(201)
Present value of minimum capital lease payments	10,854	1,519

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8 INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Computer software	1,242	1,625	227
Accumulated amortization	(760)	(1,190)	(166)
	482	435	61

Amortization expense recognized for the nine months ended September 30, 2018 (unaudited) and 2019 were RMB261 and RMB430 (US$60), respectively. As of September 30, 2019, estimated amortization expense of the existing intangible assets for the three months ending December 31, 2019 and for the years ending December 31, 2020, 2021, 2022 and 2023 is RMB100, RMB168, RMB130, RMB37 and nil, respectively.

9 ACCRUED LIABILITIES AND OTHER CURRENT LIABILITIES

Accrued liabilities and other current liabilities consist of the following:

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Accrued payroll and welfare	16,447	15,568	2,178
Customer deposits	2,140	3,209	449
Interests payable	2,225	563	79
Accrued reimbursement expenses	3,970	4,533	634
Professional service fees	1,195	15	2
Other taxes and surcharge	1,246	7,451	1,042
Others	3,131	2,957	414
	30,354	34,296	4,798

10 BORROWINGS

Short-term borrowings

The short-term borrowings of the Group are RMB denominated borrowings obtained from two third-party individuals with interest rate of 5% per annum. These borrowings are unsecured and repayable on demand.

Long-term borrowings

In April 2017, the Group entered into a two-year loan agreement with China Merchants Bank, pursuant to which the Group is entitled to borrow up to RMB50,000 with a fixed annual interest rate of 4.28%. In April 2017, the

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10 BORROWINGS (CONTINUED)

Long-term borrowings (Continued)

Group drew down RMB30,000 and the maturity date is April 2019. The loan was intended for general working capital purposes.

In July 2018, the Group entered into a banking facility agreement with SPD Silicon Valley Bank, pursuant to which the Group was entitled to borrow up to RMB80,000 at varying rates. The first RMB 10,000 of the facility had an annual interest rate of 6.5% and secured by accounts receivable of RMB34,807. The remaining RMB70,000 of the facility had an annual interest rate of 7.0%. The loan was intended for general working capital purposes. In 2018, the Group drew down RMB77,455 which is due in July 2020.

In September 2016, the Group entered into a 3-year financing arrangement with Zhongguancun Technology Leasing Co., Ltd. bearing an interest rate of 6.1%, secured by certain machinery and laboratory equipment with original cost of RMB23,181.

In May 2018, the Group entered into two 3-year financing arrangements with Zhongguancun Technology Leasing Co., Ltd. bearing an interest rate of 5.8%, secured by certain machinery and laboratory equipment with original cost of RMB32,405.

Future maturities of long-term borrowing

As of September 30, 2019, aggregate future maturities of the Group's long-term borrowing were as follows:

	RMB	US$
For the three months ending December 31, 2019	1,828	256
For the years ending December 31, 2020	49,496	6,925
2021	3,659	512
2022	—	—
2023	—	—
Total	54,983	7,693

11 CONVERTIBLE NOTES

Series A+ convertible notes

In August 2015, the Group issued four convertible notes for an aggregate principal amount of US$7,900. In March 2016, the Group issued an additional convertible note for an aggregate principal amount of US$ 100 (collectively, the "Series A+ Notes"). The key features of the Series A+ Notes are as follows:

Interest

The Series A+ Notes bear a simple interest a rate of 15% annually on any unpaid principal.

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11 CONVERTIBLE NOTES (CONTINUED)

Conversion Features and Rates

The Series A+ Notes are convertible into the Company's Series B convertible preferred shares ("Series B Preferred Shares") at the option of the holders upon completion of the sale of the Company's Series B Preferred Shares (the "Series B Financing"). The number of the Series B Preferred Shares to be issued upon such conversion is equal to the principal and all accumulated but unpaid interest divided by the price per share of the equity securities equal to 95% of the price per share applicable to other investors participating in the Series B Financing.

Redemption

The outstanding principal and any accrued but unpaid interest will become due and payable in full at the earlier of i) the first anniversary of the issuance date or ii) upon the occurrence of any of events of default. The redemption date will be automatically extended by six months if the Group does not complete its Series B Financing by the first anniversary of the issuance date.

Series A+ supplementary convertible note

In August 2016, the Group issued a convertible note ("Series A+ Supplementary Note") for a principal amount of US$8,000. The key features of the Series A+ Supplementary Note were identical to the Series A+ Notes, except the Series A Supplementary Notes accrued interest at 20% per annum and there was no discount on the per share conversion price.

Series B Convertible Note

In January 2017 and May 2017, the Group issued two convertible notes ("Series B Notes") for an aggregate principal amount of US$17,000. The key features of the Series B Notes are as follows:

Interest

The Series B convertible notes bears simple interest at 9% on any unpaid principal.

Conversion Features and Rates

The Series B Notes is convertible into the Group's Series C convertible preferred shares ("Series C Preferred Shares") at the option of the holders upon completion of the sale of the Group's Series C Preferred Shares (the "Series C Financing"). The number of the Series C Preferred Shares to be issued upon such conversion is equal to the principal and all accumulated but unpaid interest divided by the price per share of the equity securities equal to 95% of the price per share applicable to other investors participating in the Series C Financing.

Redemption

The outstanding principal and any accrued but unpaid interest will become due and payable in full at the earlier of i) the second anniversary of the issuance date or ii) upon the occurrence of any of events of default. The

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11 CONVERTIBLE NOTES (CONTINUED)

Redemption (Continued)

redemption date will be automatically extended by six months if the Group does not complete its Series C Financing by the second anniversary of the issuance date.

Accounting for the Series A+, Series A+ Supplementary and Series B Notes

The Series A+, Series A+ Supplementary and Series B Notes (collectively, the "Convertible Notes") were recorded as liabilities carried at amortized cost. As the Convertible Notes will be share settled by a number of shares with a fair value equal to a fixed settlement amount, the settlement is not viewed as a conversion feature but as a redemption feature because the settlement amount does not vary with the share price. The in-substance redemption feature did not require bifurcation because it is clearly and closely related to the debt host. Since there is no embedded conversion feature, no beneficial conversion feature ("BCF") was recorded. There were no other embedded derivatives that are required to be bifurcated.

Conversion

In January 2017, certain holders converted the Series A+ Notes and the Series A+ Supplementary Note with aggregate principal and accrued interest of RMB110,485 into 8,126,168 Series B Preferred Shares. No gain or loss was recognized from the conversion.

In January 2019, the holder converted the Series B Notes with aggregate principal and accrued interest of RMB127,982 into 4,066,970 Series C Preferred Shares. No gain or loss was recognized from the conversion.

Repayment

In January 2017, the Group repaid the remaining Series A+ Note with the aggregate principal and unpaid interest of US$2,502.

12 CONVERTIBLE PREFERRED SHARES AND WARRANT

In June 2014, the Group issued 45,429,371 Series A redeemable convertible preferred shares ("Series A Preferred Shares") to certain investors at US$0.12 per share for a total cash consideration of US$5,459.

In August 2015 and August 2016, the Group issued 21,199,850 Series A+ redeemable convertible preferred shares ("Series A+ Preferred Shares") in aggregate to certain investors at US$0.63 per share for a total consideration of US$13,356. In January 2017, the Group issued additional 261,022 Series A+ Preferred Shares to an existing Series A+ Preferred Share holder at US$0.83 per share for total consideration of US$217.

In January 2017, the Group issued 14,040,117 Series B redeemable convertible preferred shares ("Series B Preferred Shares") to certain investors at US$1.98 per share for a total consideration of US$27,812. Concurrently the Group issued 8,126,618 Series B Preferred Shares to certain investors upon conversion of the Group's Series A+ convertible notes (note 11).

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12 CONVERTIBLE PREFERRED SHARES AND WARRANT (CONTINUED)

In May 2017 and December 2018, the Group issued 3,370,696 Series B Preferred Shares in aggregate at US$1.98 per share for a total consideration of US$6,677.

In January 2019, the Group issued 20,477,648 Series C redeemable convertible preferred shares ("Series C Preferred Shares") to certain investors at US$4.70 per share for a total consideration of US$96,144. Concurrently, the Group issued 4,066,970 Series C Preferred Shares to certain investors upon conversion of the Group's Series B convertible notes (note 11).

The key features of the Series A, Series A+, Series B and Series C Preferred Shares (collectively the "Preferred Shares") are as follows:

Dividends

Each holder of the Preferred Shares (collectively, the "Preferred Shareholders") will be entitled to receive on a pari-passu basis, non-cumulative dividends when declared by the Board of Directors prior and in preference to ordinary shareholders. After the dividends to the relating to the Preferred Shares have been paid in full, each ordinary shareholder will be entitled to receive dividends payable in cash out of any remaining funds that are legally available when declared by the Board of Directors. No dividend or other distribution will be made or declared on the Company's ordinary shares or any future series of preferred shares, unless and until an equivalent dividend is declared or paid on each outstanding Preferred Shares on an as-if converted basis.

No dividend was declared during the periods presented.

Voting

Each Preferred Shareholder is entitled to the number of votes equal to the number of common shares into which such Preferred Shares could be converted at the voting date. Preferred shareholders will vote together with common shareholders, and not as a separate class of series, on all matters put before the shareholders.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company or any deemed liquidation event defined as the liquidation, dissolution, acquisition, change of control or winding-up of the Company, the assets or surplus funds of the Company available for distribution will be distributed as follows:

The Series C preferred shareholders are entitled to receive an amount equal to 120% of the Series C Issue Price, plus all accrued but unpaid dividends, in preference to any distribution to the holders of the Series A, Series A+ and Series B preferred shares and the common shareholders of the Company.

After the payment to the holders of Series C preferred shares, the Series B preferred shareholders are entitled to receive an amount equal to 150% of the Series B Issue Price, plus all accrued but unpaid dividends, in preference to any distribution to the holders of the Series A, Series A+ preferred shares and the common shareholders of the Company.

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12 CONVERTIBLE PREFERRED SHARES AND WARRANT (CONTINUED)

Liquidation preference (Continued)

After the payment to the holders of Series C and Series B preferred shares, the Series A+ and Series A preferred shareholders are entitled to receive an amount equal to 150% of the Series A+ and Series A Issue Price on pari-passu basis, respectively, plus all accrued but unpaid dividend, in preference to any distribution to the holders of the common shareholders of the Company.

After payment has been made to the Preferred Shareholders in accordance with the above, the remaining assets of the Company available for distribution to shareholders will be distributed to on pari-passu basis among the holders of common shares and holders of Preferred Shares on as converted basis.

The liquidation preference amounts for Series A, Series A+, Series B and Series C Preferred Shares were RMB50,305 (US$7,038), RMB128,209 (US$17,937), RMB520,559 (US$72,829) and RMB927,245 (US$129,726), respectively, as of September 30, 2019.

Conversion

Each Preferred Shareholder has the right, at the sole discretion of the holder, to convert at any time and from time to time, all or any portion of the Preferred Shares into common shares based on the then-effective conversion price. The initial conversion ratio shall be on a one for one basis, subject to certain anti-dilution adjustments.

All Preferred Shares are converted automatically into ordinary shares at the then effective applicable conversion price in the event of a qualified IPO.

Redemption

The Series A Preferred Shares are redeemable at the holders' option at any time beginning on the sixth anniversary of the original Series A issue date at the redemption price equal to 200% of the original issue price plus all accrued but unpaid dividends.

The Series A+ Preferred Shares are redeemable at the holders' option at any time beginning on the sixth anniversary of the original Series A+ issue date at the redemption price equal to the original issue price plus 12% annual interest, and all accrued but unpaid dividends. The redemption price of the Series A Preferred Shares were modified to be the same as that of Series A+ Preferred Shares upon the issuance of Series A+ Preferred Shares.

The Series B Preferred Shares are redeemable at the holders' option at any time beginning on the fifth anniversary of the original Series B issue date at the redemption price equal to the original issue price plus 12% annual interest, and all accrued but unpaid dividends. The redemption date of the Series A and A+ Preferred Shares were modified to be the same as that of Series B Preferred Shares upon the issuance of Series B Preferred Shares.

The Series C Preferred Shares are redeemable at the holders' option at any time beginning on the third anniversary of the original Series C issue date at the redemption price equal to the original issue price plus 12% annual interest, and all accrued but unpaid dividends.

12 CONVERTIBLE PREFERRED SHARES AND WARRANT (CONTINUED)

Series C Warrant

Concurrent with the Series C Financing the Group issued a warrant to one of the Series C investors at nil consideration. The warrant allows the holder to purchase 2,129,900 Series C convertible redeemable preferred shares at the exercise price of US$4.70 per share. The warrant is exercisable at any time from the issuance date and will expire at the earlier of i) the closing of the Company's Qualified IPO; or ii) when the Group's cumulative revenue attributed to its early detection business reaches RMB100,000 and the Group performed cumulatively 10,000 independent tests in its early detection business starting from January 1, 2019 to December 31, 2021.

Initial measurement and subsequent accounting for Preferred Shares

The Preferred Shares are initially classified as mezzanine equity in the consolidated balance sheets as these Preferred Shares may be redeemed at the option of the holders on or after an agreed upon date outside the sole control of the Group or upon a deemed liquidation event. All the Preferred Shares are initially measured at fair value. The holders of the Preferred Shares have the ability to convert the instrument into the Company's ordinary shares. The Group evaluated the embedded conversion option in the Preferred Shares to determine if there were any embedded derivatives requiring bifurcation and to determine if there were any beneficial conversion features ("BCF"). There were no embedded derivatives that are required to be bifurcated. The conversion option of the Preferred Shares is not bifurcated because the conversion option is clearly and closely related to the host equity instrument. The contingent redemption options of the Preferred Shares are not bifurcated because the underlying ordinary shares are not net settable since the Preferred Shares were neither publicly traded nor readily convertible into cash.

No BCF was recognized for the Preferred Shares as the fair value per ordinary share at the commitment date was less than the respective most favorable conversion price. The Group determined the fair value of common shares with the assistance of an independent third-party appraiser.

The amendment to the redemption price for the Series A Preferred Shares upon the issuance of the Series A+ Preferred Shares, and the amendment to the redemption date of the Series A and A+ Preferred Shares upon the issuance of the Series B Preferred Shares are accounted for as modifications as the fair values of Series A and A+ Preferred Shares immediately after the amendments were not significantly different from their respective fair values immediately before the amendment. The incremental fair value of Series A and A+ Preferred Shares as a result of the modifications was immaterial.

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12 CONVERTIBLE PREFERRED SHARES AND WARRANT (CONTINUED)

Initial measurement and subsequent accounting for Preferred Shares (Continued)

The Group concluded that the Preferred Shares are not currently redeemable, but are probable to become redeemable. The Group elected to recognize the changes in redemption value as they occur and adjust the carrying amount of the Preferred Shares to equal the redemption value at each reporting period. Accretion charges were recorded as an increase to the net loss attributable to ordinary shareholders for the years presented. The change in the carrying value of the Preferred Shares and the corresponding accretion in the periods presented are as follows:

Mezzanine equity	Series A RMB	Series A+ RMB	Series B RMB	Series C RMB	Total RMB
Balance as of December 31, 2017	48,985	108,764	382,893	—	540,642
Issuance of Series B preferred shares	—	—	2,000	—	2,000
Accretion of Preferred Shares	4,346	10,772	39,731	—	54,849
Repurchase of Preferred Shares	—	(1,373)	—	—	(1,373)
Balance as of December 31, 2018	53,331	118,163	424,624	—	596,118
Issuance of Series C preferred shares	—	—	—	752,883	752,883
Accretion of Preferred Shares	3,358	8,272	31,114	83,094	125,838
Repurchase of Preferred Shares	—	(173)	—	—	(173)
Balance as of September 30, 2019	56,689	126,262	455,738	835,977	1,474,666
Balance as of September 30, 2019 (US$)	7,931	17,665	63,760	116,957	206,313

Repurchase of preferred shares

The Group repurchased 249,969 and 31,567 Series A+ Preferred Shares in December 2018 and January 2019 at a consideration of RMB1,500 and RMB1,000, respectively. The Group accounted for the difference of between the consideration paid and the fair value of the Series A+ Preferred Shares of nil and RMB611, respectively, as compensation expenses relating to the employee shareholder of BRT Bio Tech Limited. The Group accounted for the difference of between the fair value and the carrying value of the Series A+ Preferred Shares of RMB127 and RMB216, respectively, as a dividend return to the preferred shareholders in the statements of shareholders' deficit.

Initial measurement and subsequent accounting for warrant liability

The warrant is a freestanding instrument and recorded as a liability in accordance with ASC480. The warrant is initially recognized at fair value, with subsequent changes in fair value recorded in losses. The Series C Preferred Shares was initially recorded as mezzanine equity equal to the proceeds received of RMB752,883, net of the warrant fair value of RMB19,821 on January 31, 2019. The Company recognized a loss from the increase in fair value of RMB1,686 (US$236) for the nine-months ended September 30, 2019.

The fair value of the warrant is measured using significant unobservable (Level 3) inputs. The Group estimated the fair value of the warrant as of September 30, 2019 using the Black-Scholes option pricing model, based on the remaining contractual term of the warrants, risk-free interest rate and expected volatility of the price of the

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12 CONVERTIBLE PREFERRED SHARES AND WARRANT (CONTINUED)

Initial measurement and subsequent accounting for warrant liability (Continued)

underlying Preferred Shares. The assumptions used, including the market value of the underlying Series C Preferred Shares and the expected volatility were subjective unobservable inputs. Significant increases (decreases) in the inputs used in the fair value measurement of the Level 3 warrant in isolation would result in a significant lower (higher) fair value measurement.

13 SHARE-BASED COMPENSATION

Share options

On June 20, 2014, the shareholders and Board of Directors (the "Board") of the Company approved a resolution to reserve a total of 6,002,729 ordinary shares of the Company for the purpose of issuing share options awards to its eligible employees, officers or directors of the Group. On August 20, 2016, the shareholders and the Board approved a resolution to increase share option pool to 7,381,197. On April 19, 2018, the shareholders and the Board further approved a resolution to increase share option pool up to 10,580,468.

The exercise price, vesting and other conditions of individual awards are determined by the Board and are subject to multiple service vesting periods. The options granted are vested over various vesting schedules with no more than three years. The Group recognized share-based compensation expenses using the straight-line method over the requisite service period, which is generally the vesting period of the options. The share option awards are exercisable up to ten years from the grant date. The following table summarizes the share options activity for the nine months ended September 30, 2019:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
		US$ per option	US$ per option	Years	US$
Outstanding, January 1, 2019	6,100,283	0.0001	0.48	7.14	9,744
Granted	1,036,876	0.0001	1.84	—	—
Forfeited	(41,369)	0.0001	0.55	—	—
Outstanding, September 30, 2019	7,095,790	0.0001	0.68	6.95	13,395
Vested and expected to vest at September 30, 2019	7,095,790	0.0001	0.68	6.95	13,395
Exercisable at September 30, 2019	3,977,820	0.0001	0.16	5.43	7,428

The aggregate intrinsic value in the table above represents the difference between the exercise price of the awards and the fair value of the underlying ordinary shares at each reporting date, for those awards that had exercise price below the estimated fair value of the relevant ordinary shares.

The aggregate fair value of the equity awards vested during the nine months ended September 30, 2019 was RMB6,436 (US$900). As of September 30, 2019, there was RMB19,141 (US$2,678) of total unrecognized

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13 SHARE-BASED COMPENSATION (CONTINUED)

Share options (Continued)

employee share-based compensation expense related to unvested options, may be adjusted for actual forfeitures occurring in the future. Total unrecognized compensation cost which recognized over a weighted-average period of 1.68 years.

Fair value of 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 Bonds in effect at the time of grant. The dividend yield is based on our expected dividend policy over the contractual life of the options. The estimated fair value of the ordinary shares, at the option grant dates, was determined with the assistance from an independent third-party appraiser. The Company's management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

The assumptions used to estimate the fair value of the share options granted are as follows:

	For the nine months ended September 30,	
	2018	2019
Risk-free interest rate	2.74% - 3.05%	1.63% - 2.41%
Dividend yield	0%	0%
Expected volatility range	47.0% - 47.8%	44.6% - 45.3%
Exercise multiple	2.20	2.20
Contractual life	10 years	10 years
Fair market value per ordinary share as at valuation dates	US$1.16 - US$1.38	US$1.65 - US$1.87

Total share-based compensation expenses recognized for the nine months ended September 30, 2018 (unaudited) and 2019 were as follows:

	For the nine months ended September 30,		
	2018	2019	
	RMB (Unaudited)	RMB	US$
Cost of revenues	229	500	70
Research and development expenses	1,323	2,916	408
Selling and marketing expenses	317	1,366	191
General and administrative expenses	1,770	2,115	296
Total share-based compensation expenses	3,639	6,897	965

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13 SHARE-BASED COMPENSATION (CONTINUED)

On August 19, 2019, the Group entered into an investment agreement with an employee to issue 170,392 Series C Preferred Shares at US$4.695 per share with a total consideration of US$800. The Group recognized the difference between the fair value of the preferred shares as of the commitment date and the issuance consideration of RMB461 (US$65) as compensation expense.

14 INCOME TAXES

China

Effective from January 1, 2008, the PRC's statutory, Enterprise Income Tax ("EIT") rate is 25%. In accordance with the implementation rules of EIT Law, a qualified "High and New Technology Enterprise" ("HNTE") is eligible for a preferential tax rate of 15%. The HNTE certificate is effective for a period of three years. An entity must file required supporting documents with the tax authority and ensure fulfillment of the relevant HNTE criteria before using the preferential rate. An entity could re-apply for the HNTE certificate when the prior certificate expires.

Guangzhou Burning Rock Dx Co., Ltd. was recognized as a qualified HNTE under the EIT Law by relevant government authorities in November 2016 and was entitled to the preferential rate of 15%. Guangzhou Burning Rock Dx Co., Ltd. will be subject to EIT rate of 25% if the HNTE certificate is not renewed before the 2019 annual EIT filing. The Company assessed it is probable for Guangzhou Burning Rock Dx Co., Ltd. to obtain the renewed HNTE certificate and continue to enjoy preferential rate of 15% for the year ending December 31, 2019. All other operating entities in the PRC are subject to the 25% EIT rate.

Cayman Islands

Under the current tax laws of Cayman Islands, the Company is not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Under the Hong Kong tax laws, the subsidiary in Hong Kong are subject to the Hong Kong profits tax rate at 16.5% and it may be exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

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14 INCOME TAXES (CONTINUED)

Hong Kong (Continued)

The Group's loss before income taxes consists of:

	For the nine months ended September 30,		
	2018	2019	
	RMB	RMB	US$
	(Unaudited)		
China	(111,335)	(65,872)	(9,217)
Cayman Islands	(13,000)	(14,213)	(1,988)
Hong Kong	779	6,023	843
Total loss before income tax	(123,556)	(74,062)	(10,362)

For the nine months ended September 30, 2018 (unaudited) and 2019, the income generated by the subsidiary in Hong Kong was interest income derived from the bank that is exempted from Hong Kong profit tax. The Group did not recognize any current or deferred tax expense for the periods presented.

Reconciliation between the income tax expenses computed by applying the statutory tax rate to loss before income tax and the actual provision for income tax is as follows:

	For the nine months ended September 30,		
	2018	2019	
	RMB	RMB	US$
	(Unaudited)		
Loss before income tax	(123,556)	(74,062)	(10,362)
Income tax benefits computed at PRC statutory rate (25%)	(30,887)	(18,515)	(2,590)
Effect of tax rate differential	3,233	3,425	479
Research and development super-deduction	(1,484)	(2,314)	(324)
Non-deductible expenses	1,684	4,879	683
Non-taxable income	(178)	(1,378)	(193)
Changes in valuation allowance	27,632	13,903	1,945
Income tax expenses	—	—	—

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14 INCOME TAXES (CONTINUED)

Deferred tax assets and liabilities

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 September 30, 2019 are as follows:

	For the year ended December 31, 2018	For the nine months ended September 30, 2019	
	RMB	RMB	US$
Deferred tax assets:			
Accruals and reserves	1,365	3,719	521
Net operating loss carry forward	38,580	50,508	7,066
Government grants	497	367	51
Depreciation and amortization	564	714	100
Excessive education fee	577	932	130
Timing difference of research and development expenses recognition	29,430	41,197	5,764
Timing difference of revenue recognition	19,029	5,505	770
Excessive donation expense carried forward	750	1,753	245
Gross deferred tax assets	**90,792**	**104,695**	**14,647**
Less: valuation allowance	(90,792)	(104,695)	(14,647)
Total deferred tax assets, net	—	—	—

As of December 31, 2018 and September 30, 2019, the Group had net operating losses of RMB154,319 and RMB202,031 (US$28,265) mainly deriving from entities in the PRC. The tax losses in PRC can be carried forward for five years to offset future taxable profit, and the period was extended to ten years for entities that qualify as HNTE in 2018 and thereafter. The tax losses of entities in the PRC will begin to expire in 2020, if not utilized.

Valuation allowances have been provided on the net deferred tax assets where, based on all available evidence, it was considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Realization of the net deferred tax assets is dependent on factors including future reversals of existing taxable temporary differences and adequate future income, exclusive of reversing deductible temporary differences, tax planning and tax loss or credit carry forwards. The Group evaluates the potential realization of deferred tax assets on an entity-by-entity basis. As of December 31, 2018 and September 30, 2019, valuation allowances were provided against deferred tax assets in entities where it was determined it was more likely than not that the benefits of the deferred tax assets will not be realized.

Unrecognized tax benefits

As of September 30, 2019 and for the nine months ended September 30, 2019, there was no significant impact from tax uncertainties on the Group's consolidated financial position and result of operations. The Group did not

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019 (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

14 INCOME TAXES (CONTINUED)

Unrecognized tax benefits (Continued)

record any interest and penalties related to an uncertain tax position for the period ended September 30, 2019. The Group does not expect the amount of unrecognized tax benefits would increase significantly in the next 12 months.

In general, the PRC tax authorities have up to five years to conduct examinations of the tax filings of the Company's PRC subsidiaries, the VIE and the VIE's subsidiaries. Accordingly, the PRC tax filings from 2014 through 2018 remain open to examination by the respective tax authorities. The Group may also be subject to the examinations of the tax filings in other jurisdictions, which are not material to the consolidated financial statements.

15 LOSS PER SHARE

Basic and diluted loss per share for the nine months ended September 30, 2018 (unaudited) and 2019 are calculated as follows:

	For the nine months ended September 30,		
	2018	2019	
	RMB (unaudited)	RMB	US$
Numerator:			
Net loss attributable to Burning Rock Biotech Limited's shareholder	**(123,556)**	**(74,062)**	**(10,362)**
Accretion of convertible preferred shares	(40,669)	(125,838)	(17,605)
Net loss attributable to ordinary shareholders	**(164,225)**	**(199,900)**	**(27,967)**
Denominator:			
Weighted-average number of ordinary shares outstanding—basic and diluted	**44,240,210**	**46,334,461**	**46,334,461**
Loss per share—basic and diluted	**(3.71)**	**(4.31)**	**(0.60)**

For the periods presented herein, the computation of basic 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. The effects of all outstanding Preferred Shares, convertible notes, warrant and share options were excluded from the computation of diluted loss per share for the nine months ended September 30, 2018 (unaudited) and 2019 as their effects would be anti-dilutive.

The unaudited pro forma loss per share is computed using the weighted-average number of ordinary shares outstanding and assumes the automatic conversion of all the Group's convertible preferred shares into Class A and Class B ordinary shares upon the closing of an IPO as if it had occurred on January 1, 2019.

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019 (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

15 LOSS PER SHARE (CONTINUED)

The unaudited basic and diluted pro forma loss per share is calculated as follows:

	For the nine months ended September 30, 2019			
	Class A		Class B	
	RMB (Unaudited)	US$ (Unaudited)	RMB (Unaudited)	US$ (Unaudited)
Numerator:				
Net loss attributable to ordinary shareholders	(146,045)	(20,432)	(53,855)	(7,535)
Deduct: Accretion of convertible preferred shares	(91,936)	(12,862)	(33,902)	(4,743)
Net loss used in computing pro forma loss per share—basic and diluted	(54,109)	(7,570)	(19,953)	(2,792)
Denominator:				
Weighted-average number of ordinary shares outstanding—basic and diluted	11,096,784	11,096,784	35,237,677	35,237,677
Add: adjustment to reflect assumed effect of automatic conversion of Preferred Shares	108,008,065	108,008,065	8,683,061	8,683,061
Pro Forma weighted average number of shares outstanding—basic and diluted	119,104,849	119,104,849	43,920,738	43,920,738
Pro Forma loss per share—basic and diluted	(0.45)	(0.06)	(0.45)	(0.06)

16 RELATED PARTY TRANSACTIONS

a) Related Parties

Name of related parties	Relationship
Yusheng Han	Chief Executive Officer, director
Shaokun Chuai	Chief Operating Officer, director
Nannan Zhou	Management of the Group
Dan Zhou	Shareholder of BRT Bio Tech Limited, management of the Group
Liang Shao	Shareholder of BRT Bio Tech Limited
Zhigang Wu	Shareholder of BRT Bio Tech Limited, management of the Group
BRT Bio Tech Limited	Controlling shareholder of the Company
EaSuMed Holding Ltd.	Equity method investee

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

16 RELATED PARTY TRANSACTIONS (CONTINUED)

b) The Group had the following related party balances at the end of the period:

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Yusheng Han	15,961	53,789	7,525
Shaokun Chuai	—	17,682	2,474
Liang Shao	79	79	11
Dan Zhou	91	61	9
Zhigang Wu	32	32	4
Nannan Zhou	227	227	32
Total amounts due from related parties	16,390	71,870	10,055

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
BRT Bio Tech Limited	3,289	3,389	474
Total amounts due to a related party	3,289	3,389	474

All the balances with related parties as of December 31, 2018 and September 30, 2019 were unsecured. All outstanding balances are also repayable on demand unless otherwise disclosed. No allowance for doubtful accounts was recognized for the amount due from related parties for the year ended December 31, 2018 and the nine months ended September 30, 2019.

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019 (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

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16 RELATED PARTY TRANSACTIONS (CONTINUED)

c) The Group had the following related party transactions:

	For the nine months ended September 30,		
	2018	2019	
	RMB (unaudited)	RMB	US$
Consulting service received from:			
EaSuMed Holding Ltd.	958	806	113
Borrowings provided to:			
Yusheng Han(i)	—	37,828	5,292
Shaokun Chuai(ii)	—	17,682	2,474
Dan Zhou	30	—	—
	30	55,510	7,766
Share repurchase from:			
BRT Bio Tech Limited(iii)	—	1,000	140
Interest income from:			
Yusheng Han	—	860	120
Shaokun Chuai	—	393	55
	—	1,253	175

(i) On March 29, 2019, the Group entered into a loan agreement with Yusheng Han with a principle amount of US$5,500 at the simple rate of 4.5% per annum.
(ii) On March 28, 2019, the Group entered into a loan agreement with Shaokun Chuai with a principle amount of US$2,500 at the simple rate of 4.5% per annum.
(iii) On April 19, 2018, the Group repurchased 62,492 ordinary shares held by BRT Bio Tech Limited with nil consideration. On January 31, 2019, the Group repurchased 31,567 Series A+ Preferred Shares held by BRT Bio Tech Limited for a consideration of RMB1,000.

17 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, 2019:

	RMB	US$
For the three months ending December 31, 2019	1,929	270
For the years ending December 31, 2020	5,322	745
2021	3,089	432
2022	1,753	245
2023	1,521	213
Total	13,614	1,905

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019 (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

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17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating lease commitments (continued)

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 30, 2018 (unaudited) and 2019, total rental related expenses for all operating leases amounted to RMB3,912 and RMB4,022 (US$563), respectively.

Capital expenditure commitments

The Group has capital expenditure commitments for the laboratory leasehold improvements of RMB3,532 (US$494) at September 30, 2019, which are scheduled to be paid within one year.

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.

18 RESTRICTED NET ASSETS

In accordance with the Regulations on Enterprises with Foreign Investment of China and its Articles of Association, the Company's PRC subsidiaries, the VIE and the VIE's subsidiaries located in the PRC, being a foreign invested enterprise established in the PRC, are required to provide certain statutory reserves, namely the general reserve fund, enterprise expansion fund and staff welfare and bonus fund, all of which are appropriated from net profit as reported in its PRC statutory accounts. The Company's PRC subsidiaries are required to allocate at least 10% of its annual after tax profit to the general reserve fund until such fund has reached 50% of its registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the Board of Directors of the PRC subsidiaries. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances, or cash dividends.

In accordance with the PRC Company Laws, the Company's PRC subsidiaries and VIE must make appropriations from their annual after tax profits as reported in their PRC statutory accounts to non distributable reserve funds, namely statutory surplus fund, statutory public welfare fund and discretionary surplus fund. The VIE is required to allocate at least 10% of their after tax profits to the statutory surplus fund until such fund has reached 50% of their respective registered capital. Appropriation to discretionary surplus is made at the discretion of the Board of Directors of the VIE. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances, or cash dividends. No appropriations were made to statutory reserves by the Company's PRC subsidiaries, the VIE and the VIE's subsidiaries during all periods presented due to losses incurred.

As a result of these PRC laws and regulations, the PRC entities are restricted from transferring a portion of their net assets to the Company. Amounts restricted include paid-in capital and the statutory reserves of the Company's PRC subsidiaries, the VIE and the VIE's subsidiaries, as determined pursuant to PRC GAAP, were RMB112,283 (US$15,709) as of September 30, 2019.

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019 (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

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19 SUBSEQUENT EVENTS

The Group evaluated subsequent events through January 10, 2020, the date these consolidated financial statements were issued.

On October 30, 2019, the Group issued 462,396 Series C Preferred Shares to several investors for a total consideration of US$2,171 at US$4.70 per share.

On December 20, 2019, the Group issued 42,598 Series C Preferred Shares to an investor for a total consideration of US$200 at US$4.70 per share.

On January 10, 2020, the Group issued 4,258,941 shares of Series C+ Preferred Shares to several investors for a total consideration of US$29,000 at US$6.81 per share.

20 CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

Basis of presentation

For the presentation of the parent company only condensed financial information, the Company records its investments in subsidiaries and VIE under the equity method of accounting as prescribed in ASC 323, *Investments—Equity Method and Joint Ventures*. Such investments are presented on the condensed balance sheets as "Equity method investment" and their respective losses as" Share of losses in subsidiaries, the VIE and the VIE's subsidiaries" on the condensed statements of comprehensive loss. Under the equity method of accounting, the Company's carrying amount of its investments in subsidiaries of its share of the subsidiaries and VIE was reduced to nil for the year ended December 31, 2018 and for the nine months ended September 30, 2019 and the carrying amount of "Inter-company payables" was further adjusted as the Company committed to provide financial support to its VIE as disclosed in Note 1.

The subsidiaries did not pay any dividends to the Company for the periods presented. The Company does not have significant commitments or long-term obligations as of the period end other than those presented. The parent company only financial statements should be read in conjunction with the Company's consolidated financial statements.

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019 (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

20 CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Condensed Balance Sheets

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
ASSETS:			
Current assets:			
Cash and cash equivalents	3,650	35,706	4,995
Accounts receivable, net of allowances of RMB6 and RMB55 (US$8) as of December 31, 2018 and September 30, 2019, respectively	3,696	217	30
Amounts due from related parties	13,966	70,976	9,930
Inter-company receivables	487,799	1,033,103	144,536
Prepayments and other current assets	105	1,377	191
Total current assets	**509,216**	**1,141,379**	**159,682**
Non-current assets:			
Equity method investment	1,990	1,629	228
Property and equipment, net	—	3,488	488
Total non-current assets	**1,990**	**5,117**	**716**
Total assets	**511,206**	**1,146,496**	**160,398**
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS DEFICIT			
Current liabilities:			
Amounts due to a related party	3,289	3,389	474
Inter-company payables	386,041	411,711	57,598
Accrued liabilities and other current liabilities	4	4	1
Convertible notes, current	129,216	—	—
Total current liabilities	**518,550**	**415,104**	**58,073**
Non-current liabilities:			
Warrant liability	—	22,656	3,170
Total non-current liabilities	**—**	**22,656**	**3,170**
Total liabilities	**518,550**	**437,760**	**61,243**

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20 CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Condensed Balance Sheets (Continued)

	As of		
	December 31, 2018	September 30, 2019	
	RMB	RMB	US$
Mezzanine equity			
Series A convertible preferred shares (par value of US$0.0001 per share; 66,640,644 and 66,609,077 shares authorized, issued and outstanding as of December 31, 2018 and September 30, 2019)	171,494	182,951	25,596
Series B convertible preferred shares (par value of US$0.0001 per share; 25,537,431 and 25,537,431 shares authorized, issued and outstanding as of December 31, 2018 and September 30, 2019)	424,624	455,738	63,760
Series C convertible preferred shares (par value of US$0.0001 per share; nil and 24,544,618 shares authorized, issued and outstanding as of December 31, 2018 and September 30, 2019)	—	835,977	116,957
Total mezzanine equity	**596,118**	**1,474,666**	**206,313**
Shareholders' deficit			
Ordinary shares (par value of US$0.0001 per share; 407,821,925 and 381,178,974 shares authorized; 46,334,461 and 46,334,461 shares issued and outstanding as of December 31, 2018 and September 30, 2019)	29	29	4
Additional paid-in capital	23,311	30,208	4,226
Accumulated deficit	(611,997)	(812,113)	(113,619)
Accumulated other comprehensive (loss) gain	(14,805)	15,946	2,231
Total shareholders' deficit	**(603,462)**	**(765,930)**	**(107,158)**
Total liabilities, mezzanine equity and shareholders' deficit	**511,206**	**1,146,496**	**160,398**

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED) AND 2019 (CONTINUED)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"),

except for number of shares and per share data)

20 CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Condensed Statements of Comprehensive Loss

	For the nine months ended September 30,		
	2018	2019	
	RMB (Unaudited)	RMB	US$
Revenues	1,905	—	—
Cost of revenues	—	—	—
Gross profit	**1,905**	**—**	**—**
Operating expenses			
Selling and marketing expenses	(55)	**—**	**—**
General and administrative expenses	(4,715)	(11,417)	(1,597)
Share of losses in subsidiaries, the VIE and the VIE's subsidiaries	(110,554)	(59,847)	(8,373)
Total operating expenses	**(115,324)**	**(71,264)**	**(9,970)**
Loss from operations	**(113,419)**	**(71,264)**	**(9,970)**
Interest expense, net	(9,874)	(580)	(81)
Other expense, net	(263)	(408)	(58)
Foreign exchange loss, net	—	(124)	(17)
Change in fair value of warrant liability	—	(1,686)	(236)
Loss before income taxes	**(123,556)**	**(74,062)**	**(10,362)**
Income tax expenses	—	—	—
Net Loss	**(123,556)**	**(74,062)**	**(10,362)**
Net loss attributable to Burning Rock Biotech Limited's shareholders	**(123,556)**	**(74,062)**	**(10,362)**
Accretion of convertible preferred shares	(40,669)	(125,838)	(17,605)
Net loss attributable to ordinary share holders	**(164,225)**	**(199,900)**	**(27,967)**
Other comprehensive (loss) gain, net of tax of nil:			
Foreign currency translation adjustments	(4,173)	30,751	4,302
Total Comprehensive loss	**(127,729)**	**(43,311)**	**(6,060)**
Condensed Statements of Cash Flows			
Net cash used in operating activities	(6,923)	(60,309)	(8,438)
Net cash used in investing activities	—	(508,545)	(71,148)
Net cash generated from financing activities	—	596,133	83,402
Effect of exchange rate changes	448	4,777	668
Net (decrease) increase in cash and cash equivalents	**(6,475)**	**32,056**	**4,484**
Cash and cash equivalents at the beginning of year	12,268	3,650	511
Cash and cash equivalents at the end of year	**5,793**	**35,706**	**4,995**

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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 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 post-offering memorandum and articles of association that we expect to adopt and to become effective upon 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.

Pursuant to the indemnification agreements the form of which is filed as Exhibit 10.1 to this registration statement, 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 such a director or officer.

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 pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering or in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions. No underwriters were involved in these issuances of securities.

Securities/Purchaser	Date of Sale or Issuance	Number of Securities	Consideration
BRT Bio Tech Limited	January 10, 2017	261,022 Series A+ convertible redeemable preferred shares	US$0.2 million
SCC Venture VI Holdco, Ltd.	January 10, 2017	8,077,148 Series B convertible redeemable preferred shares	US$16.0 million

Securities/Purchaser	Date of Sale or Issuance	Number of Securities	Consideration
SCC Venture V Holdco I, Ltd.	January 10, 2017	1,595,448 Series B convertible redeemable preferred shares	conversion of convertible promissory note in a principal amount of US$2.5 million
LYFE Capital Stone (Hong Kong) Limited	January 10, 2017	5,897,359 Series B convertible redeemable preferred shares	conversion of two convertible promissory notes in an aggregate principal amount of US$10.5 million
EverGreen SeriesC Limited Partnership	January 10, 2017	5,962,969 Series B convertible redeemable preferred shares	US$11.8 million
EverGreen SeriesC Limited Partnership	January 10, 2017	the number of Series C preferred shares to be issued equal to the entire principal amount of the Series B convertible promissory note together with any and all accumulated but unpaid interests divided by 95% of the issue price of Series C preferred shares to be issued	US$2.0 million
Crest Top Developments Limited	January 10, 2017	574,361 Series B convertible redeemable preferred shares	conversion of convertible promissory note in a principal amount of US$0.9 million
Anssence Investments Limited	January 10, 2017	59,450 Series B convertible redeemable preferred shares	conversion of convertible promissory note in a principal amount of US$0.1 million
BRT Bio Tech Limited	May 2, 2017	182,767 Series B convertible redeemable preferred shares	US$0.4 million
EverGreen SeriesC Limited Partnership	May 2, 2017	3,028,931 Series B convertible redeemable preferred shares	US$6.0 million

Securities/Purchaser	Date of Sale or Issuance	Number of Securities	Consideration
EverGreen SeriesC Limited Partnership	May 2, 2017	the number of Series C preferred shares to be issued equal to the entire principal amount of the Series B convertible promissory note together with any and all accumulated but unpaid interests divided by 95% of the issue price of Series C preferred shares to be issued	US$15.0 million
BRT Bio Tech Limited	April 19, 2018	1,637,108 ordinary shares	exercise of share incentive awards granted to employees
BRT Bio Tech Limited	December 21, 2018	158,998 Series B preferred shares	US$0.3 million
EverGreen SeriesC Limited Partnership	January 31, 2019	4,066,970 Series C convertible redeemable preferred shares	conversion of two convertible promissory notes in an aggregate principal amount of US$17.0 million
BRT Bio Tech Limited	January 31, 2019	1,521,538 Series C convertible redeemable preferred shares	US$7.1 million
CMBI Private Equity Series SPC on behalf of and for the account of Biotechnology Fund IV SP	January 31, 2019	2,129,900 Series C convertible redeemable preferred shares	US$10.0 million
LAV Biosciences Fund V, L.P.	January 31, 2019	3,194,850 Series C convertible redeemable preferred shares	US$15.0 million
SCC Venture VI Holdco, Ltd.	January 31, 2019	638,970 Series C convertible redeemable preferred shares	US$3.0 million
LYFE Capital Stone (Hong Kong) Limited	January 31, 2019	532,475 Series C convertible redeemable preferred shares	US$2.5 million
LYFE Mount Whitney Limited	January 31, 2019	3,194,850 Series C convertible redeemable preferred shares	US$15.0 million
A5J Ltd	January 31, 2019	532,475 Series C convertible redeemable preferred shares	US$2.5 million

Securities/Purchaser	Date of Sale or Issuance	Number of Securities	Consideration
Unique Invest Co., Ltd	January 31, 2019	212,990 Series C convertible redeemable preferred shares	US$1.0 million
Owap Investment Pte Ltd	January 31, 2019	8,519,600 Series C convertible redeemable preferred shares	US$40.0 million
Owap Investment Pte Ltd	January 31, 2019	Warrant to purchase 2,129,900 Series C convertible redeemable preferred shares	nil
Certain minority shareholders	October 30, 2019	3,728,680 ordinary shares	exercise of share incentive awards granted to employees
Certain minority shareholders	October 30, 2019 and December 20, 2019	504,994 Series C preferred shares	US$2.4 million
OrbiMed Entities	January 10, 2020	2,937,201 Series C+ convertible redeemable preferred shares	US$20.0 million
Casdin Partners Master Fund, L.P.	January 10, 2020	734,300 Series C+ convertible redeemable preferred shares	US$5.0 million
LAV Biosciences Fund V, L.P.	January 10, 2020	587,440 Series C+ convertible redeemable preferred shares	US$4.0 million
Share incentive awards			
Certain directors, officers and employees	March 18, 2014 through December 30, 2019	Options to purchase 10,173,272 ordinary shares	Past and future services to us

Item 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

a) Exhibits

See Exhibit Index beginning on page II-6 of this registration statement.

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 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 underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter 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.

Burning Rock Biotech Limited
Exhibit Index

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement
3.1	Eighth Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect
3.2*	Form of Ninth Amended and Restated Memorandum and Articles of Association of the Registrant, as effective upon completion of this offering
4.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3)
4.2*	Registrant's Specimen Certificate for Ordinary Shares
4.3*	Form of Deposit Agreement, among the Registrant, the depositary and the holders and beneficial owners of American Depositary Shares issued thereunder
4.4	Fifth Amended and Restated Shareholders' Agreement between the Registrant and other parties thereto dated January 10, 2020
5.1*	Opinion of Maples and Calder (Hong Kong) LLP regarding the validity of the ordinary shares being registered and certain Cayman Islands tax matters
8.1*	Opinion of Maples and Calder (Hong Kong) LLP regarding certain Cayman Islands tax matters (included in Exhibit 5.1)
8.2†	Opinion of Shihui Partners regarding certain PRC tax matters (included in Exhibit 99.2)
10.1*	Form of Indemnification Agreement between the Registrant and its directors and executive officers
10.2*	Form of Employment Agreement between the Registrant and its executive officers
10.3†	English translation of Exclusive Business Cooperation Agreement between Beijing Burning Rock Biotech Limited and Burning Rock Biotechnology (Beijing) Co., Ltd. dated October 21, 2019
10.4†	English translation of Exclusive Option Agreement among Beijing Burning Rock Biotech Limited, Burning Rock Biotechnology (Beijing) Co., Ltd. and its shareholders dated October 21, 2019
10.5†	English translation of Equity Interest Pledge Agreement among Beijing Burning Rock Biotech Limited, Burning Rock Biotechnology (Beijing) Co., Ltd. and its shareholders dated October 21, 2019
10.6†	English translation of Agreement for Power of Attorney among Beijing Burning Rock Biotech Limited, Burning Rock Biotechnology (Beijing) Co., Ltd. and its shareholders dated October 21, 2019
10.7†	English translation of the executed form of Spousal Consent Letter granted by the spouses of individual shareholders of Burning Rock Biotechnology (Beijing) Co., Ltd. dated October 21, 2019
10.8†	Financial Support Undertaking Letter issued by the Registrant to Burning Rock Biotechnology (Beijing) Co., Ltd., dated October 21, 2019
10.9†	Voting proxy agreement by and between the Registrant and Beijing Burning Rock Biotech Limited dated October 21, 2019
10.10†	Series A Preferred Share Purchase Agreement by and among the Registrant and other parties thereto dated June 20, 2014
10.11†	Series A+ Preferred Share Purchase Agreement by and among the Registrant and other parties thereto dated August 14, 2015

Exhibit Number	Description of Document
10.12†	Series B Preferred Share Purchase Agreement by and among the Registrant and other parties thereto dated January 10, 2017
10.13†	Second Series B Share Purchase Agreement by and among the Registrant and other parties thereto dated May 2, 2017
10.14†	Series C Preferred Share Purchase Agreement by and among the Registrant and other parties thereto dated January 31, 2019
10.15	Series C+ Preferred Share Purchase Agreement by and among the Registrant and other parties thereto dated December 30, 2019
10.16*	2020 Share Incentive Plan of the Registrant
21.1†	Principal Subsidiaries of the Registrant
23.1*	Consent of Ernst & Young, an independent registered public accounting firm
23.2*	Consent of Maples and Calder (Hong Kong) LLP (included in Exhibit 5.1)
23.3†	Consent of Shihui Partners (included in Exhibit 99.2)
24.1*	Powers of Attorney (included on signature page)
99.1*	Code of Business Conduct and Ethics of the Registrant
99.2†	Opinion of Shihui Partners regarding certain PRC law matters
99.3†	Consent of China Insights Consultancy

* To be filed by amendment.
† Previously filed.

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 Guangzhou, Guangdong Province, China, on , 2020.

Burning Rock Biotech Limited

By: _____
Name: Yusheng Han
Title: Director and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints each of Yusheng Han and Leo Li as attorneys-in-fact with full power of substitution for him or her in any and all capacities to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of ordinary shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

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.

Signature	Title	Date
Yusheng Han	Director and Chief Executive Officer (principal executive officer)	
Shaokun (Shannon) Chuai	Director	
Gang Lu	Director	
Feng Deng	Director	
Yunxia Yang	Director	
Jing Rong	Director	
Leo Li	Chief Financial Officer (principal financial officer and principal accounting officer)	

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of Burning Rock Biotech Limited has signed this registration statement or amendment thereto in on , 2020.

Authorized U.S. Representative

By: _____
Name:
Title:

THE COMPANIES LAW (AS AMENDED)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

EIGHTH AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

OF

BURNING ROCK BIOTECH LIMITED

(Adopted by Special Resolution on December 22, 2019)

1. The name of the Company is Burning Rock Biotech Limited.

2. The Registered Office of the Company shall be at the offices of Vistra (Cayman) Limited, P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands, or at such other place as the Directors may from time to time decide.

3. The objects for which the Company is established are unrestricted and shall include, but without limitation to, the following:

(i) (a) To carry on the business of an investment company and to act as promoters and entrepreneurs and to carry on business as financiers, capitalists, concessionaires, merchants, brokers, traders, dealers, agents, importers and exporters and to undertake and carry on and execute all kinds of investment, financial, commercial, mercantile, trading and other operations.

(b) To carry on whether as principals, agents or otherwise howsoever the business of realtors, developers, consultants, estate agents or managers, builders, contractors, engineers, manufacturers, dealers in or vendors of all types of property including services.

(ii) To exercise and enforce all rights and powers conferred by or incidental to the ownership of any shares, stock, obligations or other securities including but without prejudice to the generality of the foregoing all such powers of veto or control as may be conferred by virtue of the holding by the Company of some special proportion of the issued or nominal amount thereof, to provide managerial and other executive, supervisory and consultant services for or in relation to any company in which the Company is interested upon such terms as may be thought fit.

(iii) To purchase or otherwise acquire, to sell, exchange, surrender, lease, mortgage, charge, convert, turn to account, dispose of and deal with real and personal property and rights of all kinds and, in particular, mortgages, debentures, produce, concessions, options, contracts, patents, annuities, licenses, stocks, shares, bonds, policies, book debts, business concerns, undertakings, claims, privileges and choses in action of all kinds.

(iv) To subscribe for, conditionally or unconditionally, to underwrite, issue on commission or otherwise, take, hold, deal in and convert stocks, shares and securities of all kinds and to enter into partnership or into any arrangement for sharing profits, reciprocal concessions or cooperation with any person or company and to promote and aid in promoting, to constitute, form or organize any company, syndicate or partnership of any kind, for the purpose of acquiring and undertaking any property and liabilities of the Company or of advancing, directly or indirectly, the objects of the Company or for any other purpose which the Company may think expedient.

(v) To stand surety for or to guarantee, support or secure the performance of all or any of the obligations of any person, firm or company whether or not related or affiliated to the Company in any manner and whether by personal covenant or by mortgage, charge or lien upon the whole or any part of the undertaking, property and assets of the Company, both present and future, including its uncalled capital or by any such method and whether or not the Company shall receive valuable consideration thereof.

(vi) To engage in or carry on any other lawful trade, business or enterprise which may at any time appear to the Directors of the Company capable of being conveniently carried on in conjunction with any of the aforementioned businesses or activities or which may appear to the Directors of the Company likely to be profitable to the Company.

In the interpretation of this Memorandum of Association in general and of this Article 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 that, in the event of any ambiguity in this Article or elsewhere in this Memorandum of Association, the same 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.

4. Except as prohibited or limited by the Companies Law (as amended), 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, but without in any way restricting the generality of the foregoing, the power to make any alterations or amendments to this Memorandum of Association 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 money 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 of the Company; 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 aforesaid business 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.

5. The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

6. The authorized share capital of the Company is US$50,000.00 divided into 500,000,000 shares, including 376,415,039 Ordinary Shares of US$0.0001 par value each, 45,429,741 Series A Preferred Shares of US$0.0001 par value each, 21,179,336 Series A+ Preferred Shares of US$0.0001 par value each, 25,537,431 Series B Preferred Shares of US$0.0001 par value each, 27,179,512 Series C Preferred Shares of US$0.0001 par value each, and 4,258,941 Series C+ Preferred Shares of US$0.0001 par value each with power for the Company insofar as is permitted by applicable law and the Articles of Association (including without limitation Schedule A thereto), to redeem or purchase any of its shares and to increase or reduce the said capital 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.

7. If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 174 of the Companies Law (as amended) and, subject to the provisions of the Companies Law (as amended) and the Articles of Association, 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.

THE COMPANIES LAW (AS AMENDED)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

EIGHTH

AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

Burning Rock Biotech Limited

(Adopted by Special Resolution on December 22, 2019)

1. In these Articles, Table A in the Schedule to the Statute does not apply and, unless there is something in the subject or context inconsistent therewith:

"**Additional Equity Securities**" means all Equity Securities issued by the Company; provided that the term "Additional Equity Securities" does not include (i) Stock Option Shares; (ii) any Equity Securities issued or issuable in connection with any share split, share dividend, combination, recapitalization or other similar transaction of the Company; (iii) any Equity Securities issued or issuable upon conversion or exercise of the Preferred Shares or upon conversion or exercise of any outstanding convertible notes, warrants or options; (iv) any Equity Securities issued under the Transaction Documents and upon the exercise of GIC Warrant; and (v) any Equity Securities offered in an underwritten registered public offering by the Company, as duly approved in accordance with the Transaction Documents.

"**Affiliate(s)**" means, with respect to a Person, any Person which, directly or indirectly, controls, is controlled by or is under common control with such Person, including, without limitation any general partner, officer or director of such Person and any venture capital fund now or hereafter existing which is controlled by or under common control with one or more general partners or shares the same management company with such Person and the term "**affiliated**" has the meaning correlative to the foregoing.

"**Articles**" means these Articles as originally adopted or as from time to time altered by Special Resolution.

"**as adjusted**" means as appropriately adjusted for any subsequent bonus issue, share split, share dividend, combination of shares, consolidation, subdivision, reorganization, reclassification, recapitalization or similar arrangement.

"**as-exercised**" means, with respect to the GIC Warrant, prior to the expiration of the Exercise Period of the GIC Warrant, the calculation should be made assuming the full exercise of the purchase right in relation to the Shares pursuant to the GIC Warrant ("**Deemed Exercise**"). For the avoidance of doubt, if GIC has not exercised the GIC Warrant upon the expiration of the Exercise Period, the Deemed Exercise shall elapse.

"**Auditor**" means the Person for the time being performing the duties of auditors of the Company.

"**Axiom**" means A5J Ltd.

"**Budget**" means any budget and business plan for the next fiscal quarter to be submitted to the Board for approval, prepared on a monthly basis including, revenues, expenses, cash position, balance sheets and sources and applications of funds statements (including any anticipated or planned capital expenditure or borrowings) for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company.

"**Board**" means the board of directors of the Company.

"**Call Notice**" has the meaning specified in Article 7(A)(1).

"**Captive Structure**" has the meaning ascribed to it in the Series C+ Purchase Agreement.

"**Change of Control Event**" means (a) any merger, amalgamation, consolidation, acquisition, tender offer, reorganization or scheme thereof or other transactions or a series of related transactions as a result of which Founder directly or indirectly hold in aggregation less than 35% of the voting power of the Company or the surviving or acquiring person following such transaction, or otherwise lose control over the Group Companies and board of each of the Group Companies; or (b) a transfer, directly or indirectly, of all or substantially all of the Group Companies' assets (including the sale, exclusive licensing or similar arrangement of the material intellectual properties of the Company).

"**CMBI**" means Evergreen and CMBI Private Equity Series SPC on behalf of and for the account of Biotechnology Fund IV SP.

"**Company**" means Burning Rock Biotech Limited, an exempted company organized and existing under the laws of the Cayman Islands.

"**Control**" means, with respect to any third party, shall have the meaning ascribed to it in Rule 405 under the Securities Act, and shall be deemed to exist for any Person (a) when such Person holds at least fifty percent (50%) of the outstanding voting securities of such third party and no other party owns a greater number of outstanding voting securities of such third party, (b) when such party has the power to control the composition of a majority of the board of directors of such third party, (c) when such party otherwise has the power and authority to direct the business, management and policies of such third party, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, or (d) over other members of such party's Immediate Family Members.

"**Conversion Price**" has the meaning specified in Section 4 of Schedule A.

"**Conversion Share**" has the meaning specified in Section 4(c) of Schedule A.

"**Cooperation Documents**" has the meaning ascribed to such term in the Series C+ Purchase Agreement.

"**CTD**" means Crest Top Developments Limited and/or its affiliated entities.

"**Debenture**" means debenture stock, mortgages, bonds and any other such securities of the Company whether constituting a charge on the assets of the Company or not.

"**Deemed Liquidation Event**" has the meaning specified in Section 2(b) of Schedule A.

"**Dilutive Issue Price**" has the meaning specified in Section 4(d)(v)(A) of Schedule A.

"**Director**" means a member of the Board.

"**Equity Securities**" means, with respect to a given Person, any share, share capital, registered capital, ownership interest, partnership interest, equity interest, joint venture or other ownership interest of such Person, or any option, warrant, or right to subscribe for, acquire or purchase any of the foregoing, or any other security or instrument convertible into or exercisable or exchangeable for any of the foregoing, or any equity appreciation, phantom equity, equity plan or similar right with respect to such Person, or any contract of any kind for the purchase or acquisition from such person of any of the foregoing, either directly or indirectly.

"**Evergreen**" means EverGreen SeriesC Limited Partnership and/or its affiliated entities.

"**Exercise Period**" has the meaning ascribed to it in the GIC Warrant.

"**Financial Controller**" has the meaning ascribed to it in the Restated Shareholders' Agreement.

"**Founder**" means HAN Yusheng (汉雨生).

"**Group Companies**" has the meaning ascribed to it in the Series C+ Purchase Agreement.

"**GIC**" means Owap Investment Pte Ltd, together with its successors, transferees and permitted assigns.

"**Immediate Family Member**" means a child, stepchild, grandchild, parent, step-parent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a person referred to herein.

"**Investors**" has the meaning ascribed to it in the Restated Shareholders' Agreement.

"**Investors' Directors**" has the meaning ascribed to it in Section 7(b)(ii) of Schedule A.

"**IPO**" means the Company's first underwritten public offering of its Ordinary Shares and listing on an internationally-recognized securities exchange.

"**Key Investors' Directors**" means any Director appointed by an Investor holding no less than five percent (5%) of the total issued and outstanding Shares on an as-if-converted and as-exercised basis.

"**LAV**" means LAV Biosciences Fund V, L.P., together with its successors, transferees and permitted assignees.

"**Law**" or "**Laws**" has the meaning ascribed to it in the Series C+ Purchase Agreement.

"**Loss of Control**" shall mean any termination of, unapproved amendment to or material breach of any contracts (including but not limited to the Cooperation Documents) among the Group Companies designed to provide the Company with control over, and the ability to consolidate the financial statements of, direct or indirect subsidiaries and/or controlled entities.

"**LYFE**" means LYFE Capital Stone (Hong Kong) Limited.

"**LYFE II**" means LYFE Mount Whitney Limited.

"**Majority Preferred Shares Holders**" means the holders of at least fifty percent (50%) of the then issued and outstanding Preferred Shares, voting together as a single class on an as-if-converted and as-exercised basis.

"**Majority Series A Preferred Shares Holders**" means the holders of at least fifty percent (50%) of the then issued and outstanding Series A Preferred Shares, voting together as a single class on an as converted basis.

"**Majority Series A+ Preferred Shares Holders**" means the holders of at least fifty percent (50%) of the then issued and outstanding Series A+ Preferred Shares, voting together as a single class on an as converted basis.

"**Majority Series B Preferred Shares Holders**" means the holders of at least sixty-two percent (62%) of the then issued and outstanding Series B Preferred Shares, voting together as a single class on an as converted basis.

"**Majority Series C Preferred Shares Holders**" means the holders of at least fifty-five percent (55%) of the then issued and outstanding Series C Preferred Shares and Series C+ Preferred Shares, voting together as a single class on an as converted and as-exercised basis.

"**Material Adverse Effect**" means any (i) event, occurrence, fact, condition, change or development that has had, has, or could reasonably be expected to have, individually or together with other events, occurrences, facts, conditions, changes or developments, a material adverse effect on the business, properties, assets, employees, operations, results of operations, condition (financial or otherwise), prospects, assets or liabilities of the Group Companies taken as a whole, (ii) material impairment of the ability of any Party (other than the Investors) to perform the material obligations of such party under any Transaction Documents, or (iii) material impairment of the validity or enforceability of the Transaction Documents against any party thereto (other than the Investors).

"**Member**" has the meaning ascribed to it in the Statute.

"**Memorandum**" means the eighth amended and restated memorandum of association of the Company to be adopted by a unanimous written resolution in writing of all Members of the Company.

"**Month**" means calendar month.

"NLVC" means Northern Light Venture Capital III, Ltd. and/or its affiliated entities.

"**Observer**" has the meaning specified in Section 7(f) of Schedule A.

"**Ordinary Directors**" has the meaning specified in Section 7(b)(i) of Schedule A.

"**Ordinary Shares**" has the meaning specified in Article 6A.

"**Ordinary Share Equivalents**" means any rights, options, or warrants to purchase or exercisable for Ordinary Shares, or securities of any type whatsoever that are, or may become, convertible into, exchangeable for or exercisable for said equity securities, including, without limitation, the Preferred Shares.

"**Original Issue Date**" means the Original Series A Issue Date with respect to holders of Series A Preferred Shares, the Original Series A+ Issue Date with respect to holders of Series A+ Preferred Shares, the Original Series B Issue Date with respect to holders of Series B Preferred Shares, the Original Series C Issue Date with respect to holders of Series C Preferred Shares, the Original Series C+ Issue Date with respect to holders of Series C+ Preferred Shares.

"**Original Series A Issue Date**" means the date of June 20, 2014.

"**Original Series A+ Issue Date**" means the date of August 27, 2015.

"**Original Series B Issue Date**" means (i) with respect to the 5,962,969 Series B Preferred Shares issued to Evergreen pursuant to the Series B Purchase Agreement, the payment date of the subscription price of such Series B Preferred Shares as contemplated under the Series B Purchase Agreement; (ii) with respect to the 3,028,931 Series B Preferred Shares issued to Evergreen, the payment date of the subscription price of such Series B Preferred Shares as contemplated under the Second Series B Purchase Agreement.

"**Original Series C Issue Date**" means the date of the first sale and issuance of the Series C Preferred Shares, which shall be January 31, 2019.

"**Original Series C+ Issue Date**" means the date of the first sale and issuance of the Series C+ Preferred Shares, which shall be January 10, 2020.

"**Original Preferred Issue Price**" means US$0.120163935 per Series A Preferred Share ("**Series A Preferred Issue Price**"), US$0.63 per Series A+ Preferred Share ("**Series A+ Preferred Issue Price**"), US$1.981 per Series B Preferred Share ("**Series B Preferred Issue Price**") , US$4.695056 per Series C Preferred Share ("**Series C Preferred Issue Price**"), as adjusted (for the avoidance of doubt, for the Series C Preferred Shares held by EverGreen SeriesC Limited Partnership, the Series C Preferred Issue Price shall be US$4.4603, as adjusted) and US$6.809203265 per Series C+ Preferred Share ("**Series C+ Preferred Issue Price**").

"**paid-up**" means paid-up and/or credited as paid-up.

"**Person**" or "**person**" means any individual, sole proprietorship, partnership, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or governmental or regulatory authority or other entity of any kind or nature.

"**Preferred Shares**" has the meaning specified in Article 6A.

"**Preferred Shares Liquidation Amount**" has the meaning specified in Section 2(a)(iv) of Schedule A.

"**PRC**" means the People's Republic of China, but solely for the purposes of these Articles, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

"**Purchase Agreements**" means the Series A Preferred Share Purchase Agreement entered into by and among the Group Companies, NLVC, CTD and certain other parties thereto dated June 20th, 2014 regarding the issuance of Series A Preferred Shares (the "**Series A Purchase Agreement**"), the Series A+ Preferred Share Purchase Agreement entered into by and among the Group Companies, CTD, LYFE, Sequoia and certain other parties thereto dated August 14th, 2015 regarding the issuance of Series A+ Preferred Shares (the "**Series A+ Purchase Agreement**"), the Series B Preferred Share Purchase Agreement entered into by and among the Group Companies, Sequoia and certain other parties thereto dated January 10th, 2017 regarding the issuance of Series B Preferred Shares (the "**Series B Purchase Agreement**"), the Second Series B Preferred Share Purchase Agreement entered into by and among the Group Companies, Evergreen and certain other parties thereto dated May 2nd, 2017 regarding the issuance of Series B Preferred Shares (the "**Second Series B Purchase Agreement**"), the Series C Preferred Share Purchase Agreement entered into by and among the Group Companies, GIC, Evergreen, CMBI, LAV, SCC Venture VI Holdco, Ltd., LYFE, LYFE II, Axiom, Unique and certain other parties thereto dated January 31, 2019 regarding the issuance of Series C Preferred Shares (the "**Series C Purchase Agreement**") and the Series C+ Preferred Share Purchase Agreement entered into by and among the Group Companies, OrbiMed and certain other parties thereto dated December 30, 2019 regarding the issuance of Series C+ Preferred Shares (the "**Series C+ Purchase Agreement**").

"**Qualified IPO**" means the closing of a firm commitment underwritten initial public offering of the Ordinary Shares (or securities representing Ordinary Shares) on a Recognized Exchange which meets the following requirements (or otherwise waived by the Majority Series C Preferred Shares Holders): (i) such closing shall take place on or prior to the third (3rd) anniversary of the Original Series C Issue Date, (ii) the pre-offering valuation of the Company shall be at least US$1,442,496,338; and (iii) the post-offering public float shall not be less than 10% of the total issued capital of the Company.

"**Recognized Exchange**" means the main board of the Stock Exchange of Hong Kong Limited, NASDAQ, New York Stock Exchange or another internationally recognized securities exchange agreed by the Company and the Majority Preferred Shares Holders.

"**Redemption Amount**" has the meaning specified in Section 4(c)(i) of Schedule A.

"**Redemption Closing**" has the meaning specified in Section 5(a)(iii)(4) of Schedule A.

"**Redemption Notice**" has the meaning specified in Section 5(a)(iii)(1) of Schedule A.

"**Redemption Price**" has the meaning specified in Section 5(a)(iii)(3) of Schedule A.

"**Related Party**" has the meaning ascribed to it in the Series C+ Purchase Agreement.

"**Registered Office**" means the registered office for the time being of the Company.

"**Required Consenters**" has the meaning specified in Article 26.

"**Restated Shareholders' Agreement**" means Fifth Amended and Restated Shareholders' Agreement, dated as of January 10, 2020 by and among the Group Companies, the holders of Ordinary Shares, the Investors and any other parties thereof as may be amended from time to time, in each case to the extent still in force.

"**Schedule A**" means Schedule A to these Articles, as amended from time to time.

"**Seal**" means the common seal of the Company and includes every duplicate seal.

"**Secretary**" includes an Assistant Secretary and any person appointed to perform the duties of Secretary of the Company.

"**Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, (or comparable law in a jurisdiction other than the United States).

"**Sequoia**" shall mean SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd. and/or its affiliated entities.

"**Series A Preferred Shares**" has the meaning specified in Article 6A.

"**Series A Preferred Shares Liquidation Amount**" has the meaning specified in Section 2(a)(iv) of Schedule A.

"**Series A Redemption Price**" has the meaning specified in Section 5(a)(iii)(3) of Schedule A.

"**Series A+ Preferred Shares**" has the meaning specified in Article 6A.

"**Series A+ Preferred Shares Liquidation Amount**" has the meaning specified in Section 2(a)(iv) of Schedule A.

"**Series A+ Redemption Price**" has the meaning specified in Section 5(a)(iii)(3) of Schedule A.

"**Series B Preferred Shares**" has the meaning specified in Article 6A.

"**Series B Preferred Shares Liquidation Amount**" has the meaning specified in Section 2(a)(iii) of Schedule A.

"**Series B Redemption Price**" has the meaning specified in Section 5(a)(iii)(3) of Schedule A.

"**Series C Preferred Shares**" has the meaning specified in Article 6A.

"**Series C Preferred Shares Liquidation Amount**" has the meaning specified in Section 2(a)(ii) of Schedule A.

"**Series C Redemption Price**" has the meaning specified in Section 5(a)(iii)(3) of Schedule A.

"**Series C+ Preferred Shares**" has the meaning specified in Article 6A.

"**Series C+ Preferred Shares Liquidation Amount**" has the meaning specified in Section 2(a)(i) of Schedule A.

"**Series C+ Redemption Price**" has the meaning specified in Section 5(a)(iii)(3) of Schedule A.

"**Share**" has the meaning specified in Article 6A and may also be referenced as "**share**" and includes any fraction of a share.

"**Special Resolution**" except as otherwise provided by these Articles, and subject to Section 6 of the Schedule A, has the same meaning as in the Statute and includes a unanimous written resolution as described therein.

"**Statute**" means the Companies Law of the Cayman Islands, and every statutory modification or re-enactment thereof for the time being in force.

"**Stock Option Shares**" means up to 10,580,468 Ordinary Shares issued or issuable to employees, consultants or directors, other than the Founder, of the Company, either in connection with the provision of services to the Company or on exercise of any options to purchase Stock Option Shares granted under the option plan or other arrangement approved by the Company's Board (including at least one-half (1/2) of the Key Investors' Director), including without limitation in connection with a restricted stock or other equity compensation plan or arrangement approved by the Company's Board.

"**Trade Sale**" means

(1) (A) any consolidation, amalgamation, scheme of arrangement or merger of a Group Company with or into any other Person or other reorganization in which the Members or shareholders of such Group Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than a majority of such Group Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or (B) any transaction or series of related transactions to which a Group Company is a party in which fifty percent (50%) or more of such Group Company's voting power or equity interest is transferred; or (2) a sale, transfer, lease or other disposition of all or substantially all of the assets or business of the Group Companies taken as a whole (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of the Group Companies taken as a whole), including the exclusive licensing of all or substantially all of the Group Companies' intellectual property to a third party.

"**Transaction Documents**" has the meaning ascribed to it in the Series C+ Purchase Agreement.

"**Unique**" means Unique Invest Co., Ltd.

"**written**" and "**in writing**" include all modes of representing or reproducing words in visible form.

Words importing the singular number also include the plural number and vice-versa.

Words importing the masculine gender also include the feminine gender and vice-versa.

The term "**day**" means "**calendar day**".

2. The business of the Company may be commenced as soon after incorporation as the Directors shall see fit, notwithstanding that only part 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. The Company shall maintain a register of its Members. A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Certificates representing shares of the Company 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 Directors may authorize certificates to be issued with the Seal and authorized signature(s) affixed by mechanical process. 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 of the Company. All certificates surrendered to the Company for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled.

5. Notwithstanding Article 4 of these Articles, if a share certificate is defaced, lost, stolen, or destroyed, it may be renewed on payment of a fee of one dollar (US$1.00) or such lesser sum and on such terms (if any) as the Directors may reasonably prescribe to indemnify the Company from any loss incurred by it in connection with such certificate, including the payment of the expenses incurred by the Company in investigating evidence, as the Directors may prescribe.

ISSUE OF SHARES

6. Subject to the provisions, if any, in the Memorandum and in these Articles (including but not limited to Schedule A), to any direction that may be given by the Company in a general meeting, the right of first offer under the Restated Shareholders' Agreement, 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 of the Company (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. The Company shall not issue shares in bearer form.

CLASSES, NUMBER AND PAR VALUE OF THE SHARES

6A. At the date of the adoption of these Articles, the authorized share capital of the Company is US$50,000.00, divided into 500,000,000 Shares, including 376,415,039 Ordinary Shares, par value US$0.0001 per share (the "**Ordinary Shares**"), 45,429,741 convertible redeemable Series A Preferred Shares, par value US$0.0001 per share (the "**Series A Preferred Shares**"), 21,179,336 convertible redeemable Series A+ Preferred Shares par value US$0.0001 per share (the "**Series A+ Preferred Shares**"), 25,537,431 convertible redeemable Series B Preferred Shares par value US$0.0001 per share (the "**Series B Preferred Shares**"), 27,179,512 convertible redeemable Series C Preferred Shares par value US$0.0001 per share (the "**Series C Preferred Shares**") and 4,258,941 convertible redeemable Series C+ Preferred Shares par value US$0.0001 per share (the "**Series C+ Preferred Shares**"). The Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series C+ Preferred Shares are collectively referred to herein as the "**Preferred Shares**". The Ordinary Shares and the Preferred Shares are collectively referred to herein as the "**Shares**". The rights, preferences and restrictions of the Preferred Shares are set forth in Schedule A to these Articles of Association.

TRANSFER OF SHARES

7. Subject to any agreements binding on the Company, shares are transferable, and the Company will only register transfers of shares that are made in accordance with such agreements (if any) and will not register transfers of shares that are not made in accordance with such agreements (if any). The instrument of transfer of any share shall be in writing and shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register in respect thereof.

CALL ON SHARES

7A(1). Subject to the terms of the allotment the Director(s) may from time to time make calls upon the Members in respect of any monies unpaid on their shares (whether in respect of par value or premium or otherwise) through delivering a notice (the "**Call Notice**") to such Members specifying the time or times of payment, and each Member shall pay to the Company at the time or times so specified the amount called on the shares. A call may be revoked or postponed as the Director(s) may determine. A call may be made payable by installments as the Director(s) 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. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

7A(2). If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate, not exceeding six percent (6%) per annum, as the Director(s) may determine, but the Director(s) may waive payment of the interest either wholly or in part.

7A(3). An amount payable in respect of a share on allotment or at any fixed date, whether on account of the par value or premium or otherwise, shall be deemed to be a call and if it is not paid all the provisions of these Articles shall apply as if such amount had become payable by virtue of a call duly made and notified.

7A(4). The Directors may issue shares with different terms as to the amount and times of payment of calls or interest to be paid.

FORFEITURE OF SHARES

7B(1). If a call remains unpaid after it has become due and payable the Director(s) may give to the person from whom it is due not less than ten (10) days' notice requiring payment of the amount unpaid together with any interest, which may have accrued. 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. If the notice is not complied with any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends or other monies declared payable in respect of the forfeited share and not paid before the forfeiture.

7B(2). A forfeited share may be resold 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 see fit.

7B(3). 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 thereon, but this liability shall cease if and when the Company shall have received payment in full of all monies whenever payable in respect of the shares.

7B(4). A certificate in writing under the hand of one Director or the Secretary of the Company that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the fact therein stated 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 resold 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.

7B(5). 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 payable at a fixed time, whether on account of the nominal value of the share or by way of premium as if the same had been payable by virtue of a call duly made and notified.

REDEMPTION AND PURCHASE OF SHARES

8. (i) Subject to the provisions of the Statute, the Memorandum and these Articles (including without limitation Schedule 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 the shares, may by Special Resolution determine.

(ii) Subject to the provisions of the Statute, the Memorandum and these Articles (including without limitation Schedule A), the Company may purchase its own shares (including fractions of a share), including any redeemable shares, provided that the manner of purchase has first been authorized by the Company in general meeting and may make payment therefor in any manner authorized by the Statute (unless the redemption is in respect of the Preferred Shares in accordance with Schedule A to these Articles), including out of capital.

VARIATION OF RIGHTS OF SHARES

9. Subject to Schedule 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 not, whether or not the Company is being wound-up, be varied without the consent in writing of the holders of at least a majority of the issued shares of that class or series (voting on an as-if-converted and as-exercised basis), or without the sanction of a Special Resolution passed at a general meeting of the holders of the shares of that class or series (voting on an as-if-converted and as-exercised basis).

The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class of shares except that the necessary quorum shall be one (1) person holding, or representing by proxy, at least a majority of the issued shares of the class (voting on an as-if-converted and as-exercised basis) and that any holder of shares of the class present in person or by proxy may demand a poll.

10. Subject to Schedule A, the rights conferred upon the holders of the shares of any class issued with preferred or other rights 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* therewith.

COMMISSION ON SALE OF SHARES

11. Subject to the provisions of the Statute and these Articles (including but not limited to Schedule A), the Company may (i) pay a commercially reasonable commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares of the Company, which 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 and (ii) pay, on any issue of shares, such brokerage fees as may be lawful and commercially reasonable.

NON-RECOGNITION OF TRUSTS

12. 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.

REGISTRATION OF EMPOWERING INSTRUMENTS

13. 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, or other instrument.

TRANSMISSION OF SHARES

14. 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.

15. 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 himself as holder of the share or to make such transfer of the share to such other person nominated by him 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 as the case may be. If the person so becoming entitled shall elect to be registered himself as holder, such person shall deliver or send to the Company a notice in writing signed by such person so stating such election.

16. 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 voluntary transfer) shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member 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 that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within ninety 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 OF ASSOCIATION, ALTERATION OF CAPITAL & CHANGE OF LOCATION OF REGISTERED OFFICE

17. (a) Subject to the provisions of the Statute and these Articles (including but not limited to Schedule A), the Company may from time to time alter or amend its Memorandum with respect to any objects, powers or other matters specified therein to:

(i) by Special Resolution increase the share capital by such sum to be divided into shares of such amount or without nominal or 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) by Special Resolution consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) by Special Resolution divide or subdivide all or any of its share capital into shares of smaller amount than is fixed by the Memorandum or into shares without nominal or par value;

(iv) by Special Resolution 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 and diminish the amount of its share capital by the amount of the shares so cancelled.

(b) All new shares created hereunder shall be subject to the same provisions with reference to transfer, transmission, and otherwise as the shares in the original share capital.

(c) Subject to the provisions of the Statute and these Articles (including but not limited to Schedule A), the Company may by Special Resolution reduce its share capital and any capital redemption reserve fund.

(d) Subject to the provisions of the Statute and these Articles (including but not limited to Schedule A), the Company may by resolution of the Directors change the location of its registered office.

FIXING RECORD DATE

18. The Directors may fix in advance a date as the record date for any determination of Members entitled to notice of or to attend or vote at a meeting of the Members. 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.

19. If no record date is fixed for the determination of Members entitled to notice of or to attend or vote at a meeting of Members or Members entitled to receive payment of a dividend, the date on which 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 attend or receive notice of, attend or vote at any meeting of Members has been made as provided in this Article 19, such determination shall apply to any adjournment thereof.

GENERAL MEETING

20. All general meetings other than annual general meetings shall be called extraordinary general meetings.

21. The Company may hold a general meeting as its annual general meeting but shall not (unless required by Statute) be obliged to hold an annual general meeting. The annual general meeting, if held, shall be held at such time and place as the Directors shall appoint with notices properly given pursuant to Article 26. At these meetings the report of the Directors (if any) shall be presented.

22. The Directors may call general meetings, and they shall, on the requisition of Members of the Company holding at the date of 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, forthwith proceed to convene an extraordinary general meeting of the Company.

23. 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.

24. 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 not less than a majority of the aggregate voting rights of all of them (on an as-if-converted and as-exercised basis), 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.

25. 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

26. At least ten (10) days' notice shall be given of an annual general meeting and at least seven (7) days' notice shall be given of any other general meeting unless such notice is waived either before, at or after such annual or other general meeting (a) in the case of a general meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat or their proxies; and (b) in the case of any other general meeting, by holders of not less than the minimum number of Shares required to approve the actions submitted to the Members for approval at such meeting, or their proxies (collectively, the "**Required Consenters**"). 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 and shall be given in the manner hereinafter mentioned; provided that any general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of Articles 21-25 have been complied with, be deemed to have been duly convened if it is so agreed by the Required Consenters.

27. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. The holders of (i) greater than fifty percent (50%) of the aggregate voting power of all of the shares (on an as-converted and as-exercised basis) entitled to notice of and to attend and vote at such general meeting and (ii) to the extent the holders of Preferred Shares are entitled to notice of and to attend and vote at such general meeting, greater than fifty percent (50%) of the Preferred Shares (on an as converted and as-exercised basis), present in person or by proxy or if a company or other non-natural person by its duly authorized representative shall be a quorum.

28. A person shall be deemed to be present at a general meeting if he participates by telephone or other electronic means and all persons participating in the meeting are able to hear each other or if such person is represented by proxy in accordance with Articles 40-43.

28. A person shall be deemed to be present at a general meeting if he participates by telephone or other electronic means and all persons participating in the meeting are able to hear each other.

29. An action that may be taken by the members at a meeting may also be taken by a unanimous resolution of all members entitled to vote consented to in writing or by telex, telegram, cable, facsimile or other written electronic communication, without the need for any notice. The consent may be in the form of counterparts, each counterpart being signed by one or more members.

30. If within one 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; in any other case it shall stand adjourned to the next seven (7) business days at the same time and place or to such other time and place as the directors may determine, and if within one hour after the adjourned meeting begins, a quorum is not present, then the holders of a majority of the aggregate voting power of all the Shares entitled to notice of and vote at a general meeting (calculated on an as-converted basis) shall be a quorum for such adjourned meeting. At such adjourned meeting, any business that might have been transacted at the meeting as originally notified may be transacted.

31. The chairman, if any, of the Board shall preside as chairman at every general meeting of the Company, or if there is no such chairman, or if he shall not be present within fifteen (15) minutes after the time appointed for the holding of the meeting, or is unwilling to act, the Members present shall elect one (1) of their number to be chairman of the meeting.

32. The chairman may, with the consent of any general meeting duly constituted hereunder at which a quorum is present (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. When a general meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice.

33. At any general meeting, a resolution put to the vote of the meeting shall be decided by the vote of the requisite majority pursuant to a poll of the Members. Unless otherwise required by Statute or these Articles, such requisite majority shall be a simple majority of votes cast, on a fully diluted and as converted basis.

VOTES OF MEMBERS

34. Subject to these Articles (including but not limited to Schedule A), the holder of each Ordinary Share issued and outstanding present shall have one (1) vote for each Ordinary Share held by such holder, and the holder of each Preferred Share present shall be entitled to the number of votes equal to the whole number of Ordinary Shares on an converted and as-exercised basis.

35. 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.

36. 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.

37. No Member shall be entitled to vote at any general meeting unless he is registered as a Member of the Company on the record date for such meeting nor unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

38. 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 determination of the chairman of the general meeting to be exercised in his or her reasonable discretion.

39. Votes may be given either personally or by proxy.

PROXIES

40. 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 in that behalf. A proxy need not be a Member of the Company.

41. 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.

42. 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.

43. 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.

CORPORATE MEMBERS

44. Any corporation which is a Member of record of the Company may in accordance with its articles or other governing 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 meeting of the Company or of any class of Members of the Company, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member of record of the Company.

SHARES THAT MAY NOT BE VOTED

45. Shares of its own capital belonging to the Company or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of issued and outstanding shares at any given time.

DIRECTORS

46. There shall be a Board consisting of up to eight (8) persons, unless increased by a resolution adopted by Special Resolution and with the consent required pursuant to Schedule A.

47. Directors shall be entitled to be reimbursed for traveling, 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 a 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. Subject to the Statute and these Articles (including but not limited to Schedule A), the Directors may by resolution award special remuneration to any Director of the Company undertaking any special work or services for, or undertaking any special mission on behalf of, the Company other than his ordinary routine work as a Director.

48. Subject to the Statute and these Articles (including but not limited to Schedule A), a 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.

49. Subject to the Statute and these Articles (including but not limited to Schedule A), a Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

50. A shareholder qualification for Directors may be fixed by the Company in general meeting, but unless and until so fixed no qualification shall be required.

51. Subject to these Articles (including but not limited to Schedule A), a Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.

52. In addition to any further restrictions set forth in these Articles (including but not limited to Schedule A), no person shall be disqualified from the office of 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 shall be in any way interested be or be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director shall be at liberty to vote in respect of any contract or transaction in which he is interested; provided that the nature of the interest of any Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.

53. 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 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 under Article 52 and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

POWERS AND DUTIES OF DIRECTORS

54. The business of the Company shall be managed by the Directors (or a sole Director if only one is appointed) 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 inconsistent, from time to time by the Statute, or by these Articles, or as may be prescribed 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, and provided further that, for the avoidance of doubt and without limiting the generality of the foregoing, the Directors shall undertake none of those acts described in Section 6 of Schedule A or in Article 9 without the prior approval therein required.

55. 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.

56. 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.

57. 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 proxy) present at each meeting of the Directors and of any committee of the Directors;

    (c) of all resolutions and proceedings at all meetings of the Company and of the Directors and of committees of Directors.

58. Subject to these Articles (including but not limited to Schedule A), the Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

59. Subject to these Articles (including but not limited to Schedule A), the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue Debentures whether outright or as security for any debt, liability or obligation of the Company or of any third party.

MANAGEMENT

60. Subject to these Articles (including but not limited to Schedule A):

(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 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 (including a compensation committee), 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 (including a compensation committee), 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 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 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

61. Subject to these Articles (including but not limited to Schedule A) and the Statute, the Directors shall meet together for the dispatch of business, convening, adjourning and otherwise regulating their meetings as they think fit, and questions arising at any meeting shall be decided by a majority of votes (unless a higher vote is required pursuant to the Statute or these Articles, including but not limited to Schedule A) of the Directors present at a meeting at which there is a quorum, with each having one (1) vote, except HAN Yusheng shall have six (6) votes for each of the matters submitted to the Board.

62. A Director may, and the secretary of the Company on the requisition of a Director, shall, at any time, summon a meeting of the Directors by at least five (5) days' notice in writing to every Director which notice shall set forth the general nature of the business to be considered; provided that notice is given pursuant to Articles 91 – 95; provided further that notice may be waived on behalf of all of the Directors before, after, or at the meeting by the vote or consent of all the Directors.

63. The quorum necessary for the transaction of the business of the Directors is the Directors holding seven (7) votes of the Board, including 1/2 of the Key Investors' Directors; For the purposes of this Article 63 a proxy appointed by a Director shall only be counted in a quorum at a meeting at which the Director appointing him is not present; provided always that if there shall at any time be only a sole Director the quorum shall be one (1). For the purposes of this Article 63 a proxy appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him is not present. If within one hour from the time appointed for the meeting a quorum is not present, the meeting, it shall stand adjourned to the next seven (7) business days at the same time and place or to such other time and place as the directors may determine, and if within one hour after the adjourned meeting begins, a quorum is not present, the Directors consisting of a majority of the votes of all Directors that are entitled to the notice of and vote at the meeting shall be a quorum for such adjourned meeting. At such adjourned meeting, any business that might have been transacted at the meeting as originally notified may be transacted.

64. Subject to Article 63, the continuing Directors may act notwithstanding any vacancy in their body. However, if and 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 or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose.

65. The Directors may elect a chairman of their board and determine the period for which he is to hold office, but if no such chairman is elected, or if at any meeting the chairman is not present, the Directors present may choose one of their numbers to be chairman of the meeting.

66. Subject to these Articles (including but not limited to Schedule A), the Directors may delegate any of their powers (subject to any limitations imposed on the Directors) to committees consisting of such member or members of the Board 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 and by these Articles (including but not limited to Schedule A). A committee may meet and adjourn as it thinks proper. Questions arising at any committee meeting shall be determined by a majority of votes of the members present.

67. The Company shall provide that members of the Board or of any committee thereof may participate in a meeting of the Board or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting; provided that a meeting of a Board or committee shall not be valid if the Company does not make such means of participation reasonably available to the members thereof.

68. A resolution in writing (in one or more counterparts), signed by all the Directors for the time being or all the members of a committee of Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors or committee as the case may be duly convened and held.

69. A Director may be represented at any meetings of the Board by a proxy appointed by him in which event the presence or vote of the proxy shall for all purposes be deemed to be that of the Director. The provisions of Articles 40 – 43 shall apply, *mutatis mutandis*, to the appointment of proxies by Directors.

VACATION OF OFFICE OF DIRECTOR

70. The office of a Director shall be vacated if he or she gives notice in writing to the Company that he or she resigns the office of Director, if he or she dies or if he or she is found a lunatic or becomes of unsound mind, and such vacated office may be filled only pursuant to Article 71, 72 or 73, as applicable.

APPOINTMENT AND REMOVAL OF DIRECTORS

71. Subject to Section 6 of Schedule A, all Directors shall be elected by a majority vote of issued and outstanding Ordinary Shares and Preferred Shares (voting together and not as separate classes).

72. Any vacancy on the Board occurring because of the death, resignation or removal of a Director elected by the holders of any class or series of shares shall be filled by the vote or written consent of the holders of a majority of the shares of such class or series of shares (on an as converted and as-exercised basis); provided, that the Directors shall have the power at any time and from time to time to appoint any person to be a Director in order to fill a casual vacancy on the Board.

PRESUMPTION OF ASSENT

73. A Director who is present at a meeting of the Board at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

SEAL

74. The Company may, if the Directors so determine, have a Seal which shall, subject to this Article 74, only be used by the authority of the Directors or of a committee of the Directors authorized by the Directors in that behalf and every instrument to which the Seal has been affixed shall be signed by at least one (1) person who shall be either a Director or the secretary or secretary-treasurer or some person appointed by the Directors for the purpose. The Company may have a duplicate Seal or Seals each of which shall be a facsimile of the Common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used. A Director, secretary or other duly authorized officer or representative or attorney may without further authority of the Directors affix the Seal of the Company 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

75. The Company may have a president, a 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

76. Subject to the Statute and the provisions of these Articles (including but not limited to Schedule A), the Directors may from time to time declare dividends (including interim dividends) and distributions on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available therefor.

77. Subject to the Statute and the provisions of these Articles (including but not limited to Schedule 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.

78. No dividend or distribution shall be payable except out of the profits of the Company, realized or unrealized, or out of the share premium account or as otherwise permitted by the Statute.

79. Subject to the rights of persons, if any, with 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 79 as paid on the share.

80. The Directors may deduct from any dividend or distribution payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

81. Subject to these Articles (including but not limited to Schedule 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 or Debentures 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.

82. 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 share held by them as joint holders.

83. No dividend or distribution shall bear interest against the Company.

CAPITALIZATION

84. Subject to these Articles (including but not limited to Schedule A), upon the recommendation of the Board, the Members may by Special resolution authorize the Directors to capitalize any sum standing to the credit of any of the Company's reserve accounts (including share premium account and 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). Subject to these Articles (including but not limited to Schedule A), the Directors may authorize any person to enter into, on behalf of all of the Members interested, an agreement with the Company providing for such capitalization and matters incidental thereto and any agreement made under such authority shall be effective and legally binding on all concerned.

BOOKS OF ACCOUNT

85. 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 not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

86. Subject to any agreement binding on the Company, 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 Statute or authorized by the Company.

87. 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

88. Subject to these Articles (including but not limited to Schedule A), the majority of the Board (including at least one-half (1/2) of the Key Investors' Directors) may at any time appoint or remove an Auditor or Auditors of the Company who shall hold office for a period specified by the Board.

89. 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.

90. Auditors shall, following their appointment and at any other time during their term of office, upon request of the Directors, make a report on the accounts of the Company during their tenure of office.

NOTICES

91. Notices shall be in writing and may be given by the Company or any person entitled to give notice to any Member either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to him or to his address as shown in the register of Members, such notice, if mailed, to be forwarded airmail if the address is outside the Cayman Islands.

92. (a) Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a confirmation of delivery, and by two (2) days having passed after the letter containing the same is sent as aforesaid.

(b) Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected on the same day that it has been properly addressed and sent through a transmitting organization, with a reasonable confirmation of delivery.

93. 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.

94. 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, subject to Articles 92 and 93, 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.

95. 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 pursuant to these Articles.

WINDING UP

96. If the Company shall be wound up, any liquidator must be approved a Special Resolution (subject to the provisions of Schedule A).

97. If the Company shall be wound up, the assets available for distribution amongst the Members shall be distributed in accordance with Section 2 of Schedule A; provided that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

98. (a) 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, and no such Director or officer or trustee shall be answerable for the acts, receipts, neglects or defaults of any other Director or 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 willful default of such Director or officer or trustee.

(b) 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 its 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.

FINANCIAL YEAR

99. Unless a majority of the Board agrees otherwise (including at least one-half (1/2) of the Key Investors' Directors) the financial 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.

TRANSFER BY WAY OF CONTINUATION

100. If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of (i) a Special Resolution and (ii) the holders of a majority of the then issued and outstanding Preferred Shares (voting together as a separate class on an as-converted basis and as-exercised basis), 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.

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SCHEDULE A

The holders of Preferred Shares and Ordinary Shares shall, in addition to any other rights conferred on them under the Memorandum and these Articles, have the rights set out in this Schedule A, which forms part of these Articles. In the event of any inconsistency between the provisions set out herein and other provisions of the Memorandum and these Articles, the provisions set out herein shall prevail to the extent permitted by applicable laws.

1. Dividends

(a) Subject to the provisions of the Statute and these Articles (including but not limited to the other requirements of this Schedule A), no dividends or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the Ordinary Shares or any other class of shares of the Company at any time unless and until (i) all declared but unpaid dividends on the Preferred Shares set forth in Section (1)(b) of Schedule A have been paid in full, and (ii) a dividend or distribution in like amount is declared, paid, set aside or made on each issued and outstanding Preferred Share (on an as-if-converted basis), such that the dividend or distribution declared, paid, set aside or made to the holders of Preferred Shares thereof shall be equal to the dividend or distribution that such holders of Preferred Shares would have received pursuant to this Section 1 of Schedule A if such Preferred Share had been converted into Ordinary Shares immediately prior to the record date for such dividend or distribution, or if no such record date is established, the date such dividend or distribution is made, and if such share then participated in and the holder thereof received such dividend or distribution.

(b) Each holder of a Preferred Share shall be entitled to receive, on an annual basis, preferential, non-cumulative dividends for each Preferred Share (on an as-if-converted basis) held by such holder, payable in cash or assets when and as such cash or assets become legally available therefor on parity with each other, prior and in preference to, and satisfied before, any dividend on any other Shares; provided that such dividends shall be payable only when, as, and if declared by the Board. All accrued but unpaid dividends shall be paid when and as such cash or assets become legally available to the holders of Preferred Shares (on an as-if-converted basis) immediately prior to the closing of a Qualified IPO or a Deemed Liquidation Event.

2. Liquidation Preference

(a) Liquidation Preferences. Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, all assets and funds legally available for distributions to the Members of the Company shall be made in the following manner:

(i) Before any distribution or payment shall be made to the holders of any Ordinary Shares, the holders of any Series A+ Preferred Shares, the holders of any Series A Preferred Shares, the holders of any Series B Preferred Shares and the holders of any Series C Preferred Shares, each holder of Series C+ Preferred Shares then issued and outstanding shall be entitled to receive, on a *pari-passu* basis, an amount equal to the sum of one hundred and twenty percent (120%) of the applicable Series C+ Preferred Issue Price (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) plus all dividends accrued and unpaid with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) per Series C+ Preferred Share then held by such holder **(**hereinafter "**Series C+ Preferred Shares Liquidation Amount**"). If, upon any such liquidation, dissolution, winding up or a Deemed Liquidation Event of the Company, the assets of the Company available for distribution to its shareholders shall be insufficient to pay the holders of Series C+ Preferred Shares the full amount to which they shall be entitled under this Section 2(a)(i), the assets legally available for distribution shall be distributed among the holders of Series C+ Preferred Shares on a pro rata basis in proportion to the respective Series C+ Preferred Shares Liquidation Amount that each holder of Series C+ Preferred Shares is entitled hereunder.

(ii) After the holders of the Series C+ Preferred Shares receive in full the Series C+ Preferred Shares Liquidation Amount, and before any distribution or payment shall be made to the holders of any Ordinary Shares, the holders of any Series A+ Preferred Shares, the holders of any Series A Preferred Shares, and the holders of any Series B Preferred Shares, each holder of Series C Preferred Shares then issued and outstanding shall be entitled to receive, on a *pari-passu* basis, an amount equal to the sum of one hundred and twenty percent (120%) of the applicable Series C Preferred Issue Price (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) plus all dividends accrued and unpaid with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) per Series C Preferred Share then held by such holder **(**hereinafter "**Series C Preferred Shares Liquidation Amount**"). If, upon any such liquidation, dissolution, winding up or a Deemed Liquidation Event of the Company, the assets of the Company available for distribution to its shareholders shall be insufficient to pay the holders of Series C Preferred Shares the full amount to which they shall be entitled under this Section 2(a)(ii), the assets legally available for distribution shall be distributed among the holders of Series C Preferred Shares on a pro rata basis in proportion to the respective Series C Preferred Shares Liquidation Amount that each holder of Series C Preferred Shares is entitled hereunder.

(iii) After the holders of the Series C+ Preferred Shares and Series C Preferred Shares receive in full the Series C+ Preferred Shares Liquidation Amount and Series C Preferred Shares Liquidation Amount, respectively, and before any distribution or payment shall be made to the holders of any Ordinary Shares, the holders of any Series A+ Preferred Shares, the holders of any Series A Preferred Shares, each holder of Series B Preferred Shares then issued and outstanding shall be entitled to receive, on a *pari-passu* basis, an amount equal to the sum of one hundred and fifty percent (150%) of the applicable Series B Preferred Issue Price (as adjusted) plus all dividends accrued and unpaid with respect thereto (as adjusted) per Series B Preferred Share then held by such holder (hereinafter "**Series B Preferred Shares Liquidation Amount**"). If, upon any such liquidation, dissolution, winding up or a Deemed Liquidation Event of the Company, the assets of the Company available for distribution to its shareholders shall be insufficient to pay the holders of Series B Preferred Shares the full amount to which they shall be entitled under this Section 2(a)(iii), the assets legally available for distribution shall be distributed among the holders of Series B Preferred Shares on a pro rata basis in proportion to the respective Series B Preferred Shares Liquidation Amount that each holder of Series B Preferred Shares is entitled hereunder.

(iv) After the holders of the Series C+ Preferred Shares, the Series C Preferred Shares and Series B Preferred Shares receive in full the Series C+ Preferred Shares Liquidation Amount, the Series C Preferred Shares Liquidation Amount and the Series B Preferred Shares Liquidation Amount, respectively, and before any distribution or payment shall be made to the holders of any Ordinary Shares, (x) each holder of the Series A Preferred Shares then issued and outstanding shall be entitled to receive, on a *pari-passu* basis, an amount equal to the sum of one hundred and fifty percent (150%) of the applicable Series A Preferred Issue Price (as adjusted) plus all dividends accrued and unpaid with respect thereto (as adjusted) per Series A Preferred Share then held by such holder **(**hereinafter "**Series A Preferred Shares Liquidation Amount**"), and (y) each holder of the Series A+ Preferred Shares then issued and outstanding shall be entitled to receive, on a *pari-passu* basis, an amount equal to the sum of one hundred and fifty percent (150%) of the applicable Series A+ Preferred Issue Price (as adjusted) plus all dividends accrued and unpaid with respect thereto (as adjusted) per Series A+ Preferred Share then held by such holder **(**hereinafter "**Series A+ Preferred Shares Liquidation Amount**", together with Series A Preferred Shares Liquidation Amount, Series B Preferred Shares Liquidation Amount, Series C Preferred Shares Liquidation Amount and Series C+ Preferred Shares Liquidation Amount, the "**Preferred Shares Liquidation Amount**"). If, upon any such liquidation, dissolution, winding up or a Deemed Liquidation Event of the Company, the assets of the Company available for distribution to its shareholders shall be insufficient to pay the holders of Series A Preferred Shares and the holders of Series A+ Preferred Shares the full amount to which they shall be entitled under this Section 2(a)(iii), the assets legally available for distribution shall be distributed among the holders of Series A Preferred Shares and the holders of Series A+ Preferred Shares on a pro rata basis in proportion to the respective Preferred Shares Liquidation Amount that each holder of Series A Preferred Shares and each holder of Series A+ Preferred Shares is entitled hereunder.

(v) After distribution or payment in full of Preferred Shares Liquidation Amount pursuant to Section 2(a)(i), Section 2(a)(ii), Section 2(a)(iii) and Section 2(a)(iv) of Schedule A, the remaining assets of the Company available for distribution to shareholders shall be distributed ratably among the holders of issued and outstanding Ordinary Shares and holders of Preferred Shares on an as-converted basis.

(b) Liquidation on Sale or Merger. The following events shall be treated as a liquidation (each, a "**Deemed Liquidation Event**") under this Section 2(b) of Schedule A unless waived by the (i) the Majority Preferred Shares Holders and (ii) the Majority Series C Preferred Share Holders:

(i) Trade Sale; or

(ii) Loss of Control.

and upon any such event, any proceeds arising from the Deemed Liquidation Event shall be distributed in accordance with the terms of paragraph (a) of this Section 2 of Schedule A.

(c) Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the shareholders of the Company upon any such Deemed Liquidation Event shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Company or the acquiring Person. If the amount deemed paid or distributed under this Section 2(c) is made in property other than in cash, the value of such distribution shall be the fair market value of such property, determined in good faith by the Board (including the affirmative vote on one-half (1/2) of the Key Investors' Directors). Any securities not subjected to investment letter or similar restrictions on free marketability shall be valued as follows:

(i) 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;

(ii) 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

(iii) 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 vote on one-half (1/2) of the Key Investors' Directors).

The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be adjusted to make an appropriate discount from the market value determined as above in clauses (i), (ii) or (iii) to reflect the fair market value thereof as determined in good faith by the Board (including the affirmative vote on one-half (1/2) of the Key Investors' Directors), or by a liquidator if one is appointed.

The Majority Preferred Shares Holders shall have the right to challenge any determination by the Board of fair market value pursuant to this Section 2(c) of Schedule A, in which case the determination of fair market value shall be made by an independent appraiser selected jointly by the Board and the challenging parties, the cost of such appraisal to be borne equally by the Company and the challenging parties.

(d) Allocation of Escrow or Contingent Consideration. In the event of a Deemed Liquidation Event pursuant to Section 2(b), if any portion of the consideration payable to the shareholders of the Company is placed into escrow, the relevant acquisition agreement shall provide that (i) the portion of such consideration that is placed in escrow shall be allocated among the holders of shares of the Company pro rata based on the amount of such consideration payable to each shareholder (such that each shareholder has the same percentage of the total consideration payable to it placed into escrow), and (ii) the portion of such consideration that is not placed in escrow shall be allocated among the holders of shares of the Company in accordance with Section 2(a) as if the total consideration payable to the shareholders of the Company, without deduction for the escrowed amount, were being paid to the shareholders of the Company.

(e) Waiver of Liquidation Preference Rights. Notwithstanding the foregoing, in the event that the valuation of the Company at liquidation is higher than US$1,442,496,338, the holders of Preferred Shares shall have agreed to waive the liquidation preference rights provided in this Section 2, in which case, then all proceeds legally available for distribution to members of the Company under circumstances provided in this Section 2 shall be distributed ratably among the holders of Ordinary Shares and holders of the Preferred Shares on an as-converted basis.

3. Voting Rights

Subject to the provisions of the Memorandum and these Articles, at all general meetings of the Company: (i) the holder of each Ordinary Share issued and outstanding shall have one (1) vote in respect of each Ordinary Share held, and (ii) the holder of each Preferred Share shall be entitled to such number of votes as equals the whole number of Ordinary Shares into which such holder's collective Preferred Shares (including such Preferred Shares assuming the full exercise of the purchase right pursuant to the GIC Warrant) are convertible immediately after the close of business on the record date of the determination of the Company's shareholders entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's shareholders is first solicited. Subject to provisions to the contrary elsewhere in the Memorandum and these Articles, or as required by the Statute, the holders of Preferred Shares shall vote together with the holders of Ordinary Shares, and not as a separate class or series (on an as converted and as-exercised basis), on all matters put before the shareholders.

4. Conversion Rights

The holders of the Preferred Shares shall have the following rights described below with respect to the conversion of the Preferred Shares into Ordinary Shares. Subject to the provisions of Section 4(b) of Schedule A, the number of Ordinary Shares to which a holder shall be entitled upon conversion of any Preferred Share shall be the quotient of the applicable Original Preferred Issue Price divided by the then-effective applicable Conversion Price. The "**Conversion Price**" shall initially equal the Original Preferred Issue Price, and shall be adjusted from time to time as provided below, being no less than par value. For the avoidance of doubt, the initial conversion ratio for Preferred Shares to Ordinary Shares shall be 1:1.

(a) Optional Conversion.

(i) Subject to and in compliance with the provisions of this Section 4(a) of Schedule A, and subject to compliance with the requirements of the Statute, any Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration, into fully-paid and nonassessable Ordinary Shares based on the then-effective applicable Conversion Price.

(ii) The holder of any Preferred Shares who desires to convert such shares into Ordinary Shares shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or any transfer agent for the Preferred Shares, and shall give written notice to the Company at such office that such holder has elected to convert such shares. Such notice shall state the number of Preferred Shares being converted. Thereupon, the Company shall promptly issue and deliver to such holder at such office a certificate or certificates for the number of Ordinary Shares to which the holder is entitled and update its register of members accordingly. No fractional Ordinary Shares shall be issued upon conversion of the Preferred Shares, and the number of Ordinary Shares to be so issued to a holder of Preferred Shares upon the conversion of such Preferred Shares (after aggregating all fractional Ordinary Shares that would be issued to such holder) shall be rounded to the nearest whole share (with one-half being rounded upward). Such conversion shall be deemed to have been made at the close of business on the date of the register of members being updated and surrender of the certificates representing the Preferred Shares to be converted, the register of members of the Company shall be updated accordingly to reflect the same, and the person entitled to receive the Ordinary Shares issuable upon such conversion shall be treated for all purposes as the record holder of such Ordinary Shares on such date.

(b) Automatic Conversion.

(i) Without any action being required by the holder of such share and whether or not the certificates representing such share are surrendered to the Company or its transfer agent and without the payment of any additional consideration, the Preferred Shares shall automatically be converted into fully-paid and non assessable Ordinary Shares upon the closing of a Qualified IPO.

(ii) The Company shall not be obligated to issue certificates for any Ordinary Shares issuable upon the automatic conversion of any Preferred Shares unless the certificate or certificates evidencing such Preferred Shares is either delivered as provided below to the Company or any transfer agent for the Preferred Shares, or the holder notifies the Company or its transfer agent that such certificate has been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificate. The Company shall, as soon as practicable after receipt of certificates for Preferred Shares, or satisfactory agreement for indemnification in the case of a lost certificate, promptly issue and deliver at its office to the holder thereof a certificate or certificates for the number of Ordinary Shares to which the holder is entitled and update its register of members accordingly. No fractional Ordinary Shares shall be issued upon conversion of the Preferred Shares, and the number of Ordinary Shares to be so issued to a holder of converting Preferred Shares (after aggregating all fractional Ordinary Shares that would be issued to such holder) shall be rounded to the nearest whole share (with one-half being rounded upward). Any person entitled to receive Ordinary Shares issuable upon the automatic conversion of the Preferred Shares shall be treated for all purposes as the record holder of such Ordinary Shares on the date of such conversion or pursuant to the register of members of the Company being updated.

(c) Mechanics of Conversion. The conversion hereunder of any Preferred Share (the "**Conversion Share**") shall be effected in the following manner:

(i) The Company shall redeem the Conversion Share for aggregate consideration (the "**Redemption Amount**") equal to (a) the aggregate par value of any capital shares of the Company to be issued upon such conversion and (b) the aggregate value, as determined by the Board, of any other assets which are to be distributed upon such conversion.

(ii) Concurrent with the redemption of the Conversion Share, the Company shall apply the Redemption Amount for the benefit of the holder of the Conversion Share to pay for any capital shares of the Company issuable, and any other assets distributable, to such holder in connection with such conversion and update its register of members accordingly.

(iii) Upon application of the Redemption Amount, the Company shall issue to the holder of the Conversion Share all capital shares issuable, and distribute to such holder all other assets distributable, upon such conversion.

(d) Adjustments to Conversion Price.

(i) *Adjustment for Share Splits and Combinations*. If the Company shall at any time, or from time to time, effect a subdivision of the issued and outstanding Ordinary Shares, the applicable Conversion Price in effect immediately prior to such subdivision shall be proportionately decreased. Conversely, if the Company shall at any time, or from time to time, combine the issued and outstanding Ordinary Shares into a smaller number of shares, the applicable Conversion Price in effect immediately prior to the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(ii) *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 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 Conversion Price then in effect 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.

(iii) *Adjustments for Other Dividends*. If 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) a dividend or other distribution payable in securities of the Company other than Ordinary Shares or Ordinary Share Equivalents, then, and in each such event, provision shall be made so that, upon conversion of any Preferred Share thereafter, the holder thereof shall receive, in addition to the number of Ordinary Shares issuable thereon, the amount of securities of the Company which the holder of such share would have received had the Preferred Shares been converted into Ordinary Shares immediately prior to such event, all subject to further adjustment as provided herein.

(iv) *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), 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 share would have received had the Preferred Shares been converted into Ordinary Shares on the date of such event, all subject to further adjustment as provided herein, or with respect to such other securities or property, in accordance with any terms applicable thereto.

(v) *Sale of Shares below the Conversion Price*.

(A) Special Definition. For purpose of this Section 4 of Schedule A, the following definitions shall apply:

(i) "**Options**" mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Ordinary Shares or Convertible Securities.

(ii) "**Convertible Securities**" shall mean any indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Ordinary Shares.

(b) Waiver of Adjustment. No adjustment in the applicable Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Equity Securities if the Company receives written notice from the holders of the Majority Series A Preferred Shares Holders, the Majority Series A+ Preferred Shares Holders, the Majority Series B Preferred Shares Holders or the Majority Series C Preferred Shares Holders agreeing that no such adjustment shall be made with respect to such series or class of Preferred Shares as the result of the issuance or deemed issuance of such Additional Equity Securities.

(c) Deemed Issuance of New Securities. In the event the Company at any time or from time to time after the Original Series C+ Issue Date 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 Additional Equity 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 Additional Equity Securities are deemed to be issued:

(i) no further adjustment in the applicable Conversion Price 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;

(ii) 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 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;

(iii) no readjustment pursuant to the above clause (ii) shall have the effect of increasing the then effective applicable Conversion Price to an amount which exceeds the Conversion Price that would have been in effect had no adjustments in relation to the issuance of such Options or Convertible Securities as referenced in the above clause (ii) been made;

(iv) 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 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:

(x) in the case of Convertible Securities or Options for Ordinary Shares, the only Additional Equity 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

(y) 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 Additional Equity 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 upon the issue of the Convertible Securities with respect to which such Options were actually exercised; and

(v) 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 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 shall be adjusted pursuant to this Section 4(d)(v) of Schedule A as of the actual date of their issuance.

(A) Adjustment of Conversion Price Upon Issuance of Additional Equity Securities.

In the event the Company shall at any time or from time to time after the Original Series C+ Issue Date issue Additional Equity Securities, for a minimum consideration allowed by applicable laws or for a consideration per share less than the applicable Conversion Price of any series of Preferred Shares then in effect immediately prior to such issue (the "**Dilutive Issue Price**"), then, the applicable Conversion Price of the affected series of Preferred Shares shall be reduced, concurrently with such issue to the Dilutive Issue Price (calculated to the nearest cent). Notwithstanding the foregoing, the Conversion Price of the Preferred Shares shall not be reduced at such time if the amount of such reduction would be less than US$0.01, but any such amount shall be carried forward, and a reduction will be made with respect to such amount at the time of, and together with, any subsequent reduction which, together with such amount and any other amounts so carried forward, equal US$0.01 or more in the aggregate.

(B) *Determination of Consideration*. For the purpose of making any adjustment to any applicable Conversion Price or the number of Ordinary Shares issuable upon conversion of the Preferred Shares, as provided above:

(1) To the extent it consists of cash, the consideration received by the Company for any issue or sale of securities shall be computed at the net amount of cash received by the Company after deduction of any underwriting or similar commissions, compensations, discounts or concessions paid or allowed by the Company in connection with such issue or sale;

(2) To the extent it consists of property other than cash, consideration other than cash received by the Company for any issue or sale of securities shall be computed at the fair market value thereof (as determined in good faith by a majority of the Board (including the affirmative vote on one-half (1/2) of the Key Investors' Directors), as of the date of the adoption of the resolution specifically authorizing such issue or sale, irrespective of any accounting treatment of such property; and

(3) If Additional Ordinary Shares or Ordinary Share Equivalents exercisable, convertible or exchangeable for Additional Ordinary Shares are issued or sold together with other stock or securities or other assets of the Company for consideration which covers both, the consideration received for the Additional Ordinary Shares or such Ordinary Share Equivalents shall be computed as that portion of the consideration received (as determined in good faith by a majority of the Board (including the affirmative vote on one-half (1/2) of the Key Investors' Directors) to be allocable to such Additional Ordinary Shares or Ordinary Share Equivalents.

(C) *No Exercise*. If all of the rights to exercise, convert or exchange any Ordinary Share Equivalents shall expire without any of such rights having been exercised, the applicable Conversion Price as adjusted upon the issuance of such Ordinary Share Equivalents shall be readjusted to the applicable Conversion Price which would have been in effect had such adjustment not been made.

(vi) *Other Dilutive Events*. In case any event shall occur as to which the other provisions of this Section 4 of Schedule A are not strictly applicable, but the failure to make any adjustment to any Conversion Price would not fairly protect the conversion rights 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 4 of Schedule A necessary to preserve the conversion rights of such series of Preferred Shares.

(vii) *Certificate of Adjustment*. In the case of any adjustment or readjustment of a Conversion Price, the Company, at its sole expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of such series of Preferred Shares at such holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Company for any Additional Ordinary Shares issued or sold or deemed to have been issued or sold, (ii) the number of Additional Ordinary Shares issued or sold or deemed to be issued or sold, (iii) the applicable Conversion Price in effect before and after such adjustment or readjustment, and (iv) the number of Ordinary Shares and the type and amount, if any, of other property which would be received upon conversion of such series of Preferred Shares after such adjustment or readjustment.

(viii) *Notice of Record Date*. In the event the Company shall propose to take any action of the type or types requiring an adjustment to a Conversion Price or the number or character of the Preferred Shares as set forth herein, the Company shall give notice to the holders of such series 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 Conversion Price 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 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.

(ix) *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 issued and 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 issued and outstanding Preferred Shares, the Company 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.

(x) *Notices*. Any notice required or permitted pursuant to this Section 4 of Schedule A shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to each holder of record at the address of such holder appearing on the books of the Company. Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a confirmation of delivery, and to have been effected at the expiration of two (2) days after the letter containing the same is sent as aforesaid. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid.

(xi) *Payment of Taxes*. The Company will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or allotment of Ordinary Shares upon conversion of Preferred Shares, excluding any tax or other charge imposed in connection with any transfer involved in the issue and allotment of Ordinary Shares in a name other than that in which the Preferred Shares so converted were registered.

(xii) *No Impairment.* The Company will not, by amendment of these Articles or through any reorganization, recapitalization, transfer of assets, consolidation, merger, amalgamation, scheme of arrangement, dissolution, issue or sale of 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 4 of Schedule A and in the taking of all such action as may be necessary or appropriate to protect the conversion rights of the holders of Preferred Shares against impairment.

5. Redemption

(a) (i) Subject to the provisions of the Statute, the Memorandum and the Articles, 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 the shares, may by resolution determine.

(ii) Subject to the provisions of the Statute, the Memorandum and these Articles, the Company may purchase its own shares (including fractions of a share), including any redeemable shares, provided that the manner and the terms of purchase has first been authorized by the Company in general meeting (unless the redemption is in respect of the Preferred Shares in accordance with the provisions of these Articles) and may make payment therefore in any manner authorized by the Statute, including out of capital.

(iii) Notwithstanding any provisions to the contrary in this Schedule A, the Preferred Shares shall be redeemable, at any time and from time to time, at the option of holders of the Preferred Shares as provided herein:

(1) Series C and Series C+ Preferred Shares. Subject to the Statute, starting from the earlier of (i) the date of any material breach or violation of any provision, covenant or agreement of any of the Transaction Documents (including but not limited to the any material breach or violation of representations, warranties, covenants or undertakings by any Warrantor (as defined in the applicable Purchase Agreement) under the Transaction Documents), any constitutional documents of the Group Companies or other agreements with the Investors, and such breach or violation has not been cured within thirty (30) days after the occurrence of such breach; (ii) the third (3rd) anniversary of the Original Series C Issue Date (if the Company has not consummated a Qualified IPO); (iii) the occurrence of a Change of Control Event not approved by the Majority Series C Preferred Shares Holders, or in which the Majority Series C Preferred Shares Holders do not participate; (iv) the occurrence of any default or breach by any of the Group Companies in any material respect under any of its borrowing, loan, guarantee or indebtedness, which constitutes Material Adverse Effect to the Group Companies; (v) the occurrence of any substantial change in the applicable Laws that materially restrict the Company to effectively control the Group Companies through the Captive Structure where the Company fails to provide a proposal with an alternative structure to the reasonable satisfaction of the Majority Series C Preferred Shares Holders within three (3) months upon the occurrence of such change; (vi) the date on which any holder of Series B Preferred Shares, Series A+ Preferred Shares, or Series A Preferred Shares has exercised its redemption right pursuant to Section 5(a)(iii)(2) of Schedule A, at the written request to the Company made by holders of twenty-eight percent (28%) or more of the then issued and outstanding Series C Preferred Shares and Series C+ Preferred Shares, acting together as a single class on an as-converted basis, such holders may require that the Company redeem all or any part of the then issued and outstanding Series C Preferred Shares and/or Series C+ Preferred Shares held by them, in accordance with the following terms. Following receipt of the request for redemption from such holders, the Company shall within fifteen (15) business days give a written notice (the "**Redemption Notice**") to each holder of record of a Preferred Share and of their right to participate in such redemption, at the address last shown on the records of the Company for such holder(s). Such notice shall indicate that certain holders of Series C Preferred Shares and/or Series C+ Preferred Shares (as the case may be) have elected redemption of all or part of their Series C Preferred Shares and/or Series C+ Preferred Shares pursuant to the provisions of this Section 5(a)(iii)(1) of Schedule A, shall specify the redemption date, and shall direct the holders of such shares to submit their share certificates to the Company on or before the scheduled redemption date.

(2) Subject to the Statute, starting from the earlier of (i) the date of any material breach of representations, warranties, covenants or undertakings by any Warrantor (as defined in the applicable Purchase Agreement) under the Transaction Documents (as defined in the applicable Purchase Agreement), and any constitutional documents of the Group Companies or other agreements with the Investors, or (ii) at any time beginning on the fifth (5^{th}) anniversary of the Original Series B Issue Date (if the Company has not consummated a Qualified IPO), at the written request to the Company made by (i) the holders of no less than fifty percent (50%) of the holders of the then issued and outstanding Series A Preferred Shares and the Series A+ Preferred Shares, acting together as a single class on an as-converted basis, or (ii) holders of at least sixty-two percent (62%) of the then issued and outstanding Series B Preferred Shares, such holders may require that the Company redeem all or any part of the then issued and outstanding Preferred Shares held by them, in accordance with the following terms. Following receipt of the request for redemption from such holders, the Company shall within fifteen (15) business days Redemption Notice to each holder of record of a Preferred Share and of their right to participate in such redemption, at the address last shown on the records of the Company for such holder(s). Such notice shall indicate that certain holders of Series A, Series A+ or Series B Preferred Shares have elected redemption of all or part of their Preferred Shares pursuant to the provisions of this Section 5(a)(iii)(2) of Schedule A, shall specify the redemption date, and shall direct the holders of such shares to submit their share certificates to the Company on or before the scheduled redemption date.

(3) Redemption Price. The redemption price for each Preferred Share redeemed pursuant to this Section 5(a)(iii)(3) of Schedule A shall be: (a) with respect to holders of Series A Preferred Shares, an amount equal to the Series A Preferred Issue Price plus twelve percentage (12%) annual single interest, and further plus all accrued but unpaid dividends from the Original Series A Issue Date (the "**Series A Redemption Price**"), until the date of receipt by the holder thereof of the full Series A Redemption Price, proportionally as adjusted; (b) with respect to holders of Series A+ Preferred Shares, an amount equal to the Series A+ Preferred Issue Price plus twelve percentage (12%) annual single interest, and further plus all accrued but unpaid dividends from the Original Series A+ Issue Date (the "**Series A+ Redemption Price**"), until the date of receipt by the holder thereof of the full Series A+ Redemption Price, proportionally as adjusted; (c) with respect to holders of Series B Preferred Shares, an amount equal to the Series B Preferred Issue Price plus twelve percentage (12%) annual single interest, and further plus all accrued but unpaid dividends from the Original Series B Issue Date (the "**Series B Redemption Price**"), until the date of receipt by the holder thereof of the full Series B Redemption Price, proportionally as adjusted; (d) with respect to holders of Series C Preferred Shares, an amount equal to the Series C Preferred Issue Price plus twelve percentage (12%) annual interest (calculated on a compounded basis for a period of time commencing from the Original Series C Issue Date and ending on the date such Series C Redemption Price is paid in full), and further plus all accrued but unpaid dividends from the Original Series C Issue Date (the "**Series C Redemption Price**"), until the date of receipt by the holder thereof of the full Series C Redemption Price, proportionally as adjusted, and (e) with respect to holders of Series C+ Preferred Shares, an amount equal to the Series C+ Preferred Issue Price plus twelve percentage (12%) annual interest (calculated on a compounded basis for a period of time commencing from the Original Series C+ Issue Date and ending on the date such Series C+ Redemption Price is paid in full), and further plus all accrued but unpaid dividends from the Original Series C+ Issue Date (the "**Series C+ Redemption Price**", together with the Series A Redemption Price, Series A+ Redemption Price, Series B Redemption Price and Series C Redemption Price, the "**Redemption Price**"), until the date of receipt by the holder thereof of the full Series C+ Redemption Price, proportionally as adjusted.

(4) Procedure. The closing (the "**Redemption Closing**") of the redemption of any Preferred Shares pursuant to this Section 5(a)(iii)(4) of Schedule A will take place within one hundred and twenty (120) days of the date of the Redemption Notice at the offices of the Company, or such earlier date or other place as the holders of a majority of that series of the Preferred Shares requesting redemption and the Company may mutually agree in writing. At the Redemption Closing, subject to applicable law, the Company will, from any source of assets or funds legally available therefor, redeem each Preferred Share by paying in cash therefor the Redemption Price against surrender by such holder at the Company's principal office of the certificate representing such share and the Company shall update its register of members accordingly. From and after the Redemption Closing, subject to the holder of a Preferred Share having received the Redemption Price from the Company, all rights of the holder of such Preferred Share will cease with respect to Preferred Share, and such Preferred Share will not thereafter be transferred on the books of the Company or be deemed outstanding for any purpose whatsoever.

(b) Insufficient Funds. If the Company's assets or funds which are legally available on the date that any redemption payment under this Section 5 of Schedule A is due are insufficient to pay in full all redemption payments to be paid at the Redemption Closing, or if the Company is otherwise prohibited by applicable law from making such redemption, those assets or funds which are legally available shall be used in the following manner: (1) first, prior and in preference to all of the Series A Preferred Shares, the Series A+ Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares, all of Series C+ Preferred Shares required to be redeemed shall be redeemed, on a *pari-passu* basis, ratably in proportion to the Series C+ Redemption Price that each holder of Series C+ Preferred Shares is entitled hereunder; and if not all of the Series C+ Preferred Shares required to be redeemed are able to be redeemed, then the Series C+ Preferred Shares to be redeemed shall be allocated ratably to the holders of the Series C+ Preferred Shares in proportion to the Series C+ Redemption Price that each holder of the Series C+ Preferred Shares is entitled hereunder, and then the redemption amount with respect to the remaining Series C+ Preferred Shares to be redeemed shall be paid as soon as the Company has legally available funds to do so but in any event within one year to such holder of Series C+ Preferred Shares bearing 12% annual compounded interest; (2) second, after full payment of the Series C+ Redemption Price of the Series C+ Preferred Shares to be redeemed, all of Series C Preferred Shares required to be redeemed shall be redeemed, on a *pari-passu* basis, ratably in proportion to the Series C Redemption Price that each holder of Series C Preferred Shares is entitled hereunder; and if not all of the Series C Preferred Shares required to be redeemed are able to be redeemed, then the Series C Preferred Shares to be redeemed shall be allocated ratably to the holders of the Series C Preferred Shares in proportion to the Series C Redemption Price that each holder of the Series C Preferred Shares is entitled hereunder, and then the redemption amount with respect to the remaining Series C Preferred Shares to be redeemed shall be paid as soon as the Company has legally available funds to do so but in any event within one year to such holder of Series C Preferred Shares bearing 12% annual compounded interest (3) third, after full payment of the Series C+ Redemption Price of Series C+ Preferred Shares to be redeemed and the Series C Redemption Price of Series C Preferred Shares to be redeemed, all of Series B Preferred Shares required to be redeemed shall be redeemed, on a *pari-passu* basis, ratably in proportion to the Series B Redemption Price that each holder of Series B Preferred Shares is entitled hereunder; and if not all of the Series B Preferred Shares required to be redeemed are able to be redeemed, then the Series B Preferred Shares to be redeemed shall be allocated ratably to the holders of the Series B Preferred Shares in proportion to the Series B Redemption Price that each holder of the Series B Preferred Shares is entitled hereunder, and then the redemption amount with respect to the remaining Series B Preferred Shares to be redeemed shall be paid within one year to such holder of Series B Preferred Shares bearing 12% annual simple interest; and (4) fourth, after full payment of the Series C+ Redemption Price of the Series C+ Preferred Shares to be redeemed, the Series C Redemption Price of the Series C Preferred Shares to be redeemed and the Series B Redemption Price of the Series B Preferred Shares to be redeemed, all of the Series A Preferred Shares and the Series A+ Preferred Shares required to be redeemed shall be redeemed, on a *pari-passu* basis, ratably in proportion to the respective Redemption Price that each holder of the Series A Preferred Shares and each holder of the Series A+ Preferred Shares is entitled hereunder; and if not all of the Series A Preferred Shares and the Series A+ Preferred Shares required to be redeemed are able to be redeemed, then the Series A Preferred Shares and the Series A+ Preferred Shares to be redeemed shall be allocated ratably to the holders of the Series A Preferred Shares and the holders of the Series A+ Preferred Shares in proportion to the Redemption Price that each holder of the Series A Preferred Shares and each holder of the Series A+ Preferred Shares is entitled hereunder, and then the redemption amount with respect to the remaining Series A Preferred Shares and the Series A+ Preferred Shares to be redeemed shall be paid within one year to such holder of the Series A Preferred Shares and such holder of the Series A+ Preferred Shares bearing 12% annual simple interest. Thereafter, all assets or funds of the Company that become legally available for the redemption of shares shall immediately be used to pay the redemption payments which the Company did not pay on the date that such redemption payments were due. Without limiting any rights of the holders of Preferred Shares which are set forth in these Articles, or are otherwise available under law, the balance of any shares subject to redemption hereunder with respect to which the Company has become obligated to pay the redemption payment but which it has not paid in full shall continue to have all the powers, designations, preferences and relative participating, optional, and other special rights (including, without limitation, rights to accrue dividends) which such shares had prior to such date, until the redemption payments has been paid in full with respect to such shares.

(c) Distribution of Profits of Subsidiaries and No Impairment. Once the Company has received a Redemption Notice, it shall not, and shall not permit any Subsidiary to, take any action which could have the effect of delaying, undermining or restricting the redemption, and the Company shall in good faith use all reasonable efforts as expeditiously as possible to increase the amount of legally available redemption funds including, to the extent permitted by law, procuring that any and all profits of each Subsidiary of the Company for the time being available for distribution shall be paid to it by way of dividend if and to the extent that, but for such dividend upstream, the Company would not itself otherwise have sufficient profits available for distribution to make any redemption of applicable Preferred Shares required to be made pursuant to this Section 5 of Schedule A, and until the date on which each applicable Preferred Share required to be deemed is redeemed, the Company shall not declare or pay any dividend nor otherwise make any distribution of or otherwise decrease its profits available for distribution without the prior written consent of all Preferred Shareholders who have delivered a Redemption Notice and have not been fully paid the applicable Redemption Price.

(d) Other Limited Redemption. If the Company is otherwise prohibited by applicable Law from redeeming all applicable Preferred Shares to be redeemed at the Redemption Closing, those assets or funds which are legally available shall be used to the extent permitted by applicable Law to pay all redemption payments due on such date ratably in proportion to the full amounts to which the holders to which such redemption payments are due would otherwise be respectively entitled thereon. Thereafter, all assets or funds of the Company that become legally available for the redemption of shares shall immediately be used to pay the redemption payment which the Company did not pay on the date that such redemption payments were due.

(e) Un-redeemed Shares. Without limiting any rights of the holders of Preferred Shares which are set forth in these Articles, or are otherwise available under law, the balance of any shares subject to redemption hereunder with respect to which the Company has become obligated to pay the redemption payment but which it has not paid in full shall continue to have all the rights (including its voting rights), powers, designations, preferences and relative participating, optional, and other special rights (including, without limitation, rights to accrue dividends) which such shares had prior to such date, until the redemption payment has been paid in full with respect to such shares.

6. Acts of the Company.

(a) Preferred Shareholder Consent. In addition to any other vote or consent required elsewhere in these Articles, including but not limited to Section 6(b) and Section 6(c) below, the Restated Shareholders' Agreement or by any applicable statute, the Company shall not, either directly or indirectly, by amendment, waiver, merger, consolidation, scheme of arrangement, amalgamation or otherwise (or permit any Group Company to), take, permit to occur, approve, authorize or agree or commit to do any of the following actions (whether in a single transaction or a series of related transactions) without the prior affirmative approval or consent of Majority Preferred Shares Holders. In relation to this Section 6(a), where any act listed in clauses (i) through (xiv) below requires a Special Resolution of the Members where a general meeting of Members is convened and the consent referred to above is not obtained, each holder of the Preferred Shares who votes against the resolution shall be deemed to have ten (10) times the number of votes of all Members who vote for the resolution:

(i) any increase in the authorized number of Preferred Shares except for any Equity Securities issued or issuable pursuant to the Transaction Documents; any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, any Preferred Shares;

(ii) any action that authorizes, creates, issues, increases or decreases the authorized number of the Equity Securities, except for (i) the Ordinary Shares issuable upon conversion of Preferred Shares; (ii) any Equity Securities issued or issuable pursuant to the Transaction Documents; and (iii) any Equity Securities issued under the option plan with the approval of the Board (including at least one-half (1/2) of the Key Investors' Directors);

(iii) any authorization, designation or issuance, whether by reclassification or otherwise, of any new class or series of shares or any other securities convertible into Equity Securities of the Company ranking on a parity with or senior to the Preferred Shares in any preference or priority such as right of redemption, liquidation preference, voting or dividends or any increase in the authorized or designated number of any such new class or series, except for any Equity Securities issued or issuable pursuant to the Transaction Documents;

(iv) any purchase, repurchase, redemption or retirement of any Equity Securities (excluding shares repurchased upon termination of an employee or consultant pursuant to a restricted share purchase agreement or employee incentive plan);

(v) any amendment or modification, alteration, repeal to or waiver of any provision of any of the Memorandum or Articles or similar organizational documents or by-laws of the Group Companies or any other constitutional documents, including, without limitation, by operation of a merger, consolidation, reorganization or similar transaction;

(vi) the commencement of or consent to any proceeding seeking (i) to adjudicate it as bankrupt or insolvent, (ii) liquidation, winding up, dissolution, reorganization, or other arrangement under law relating to bankruptcy, insolvency or reorganization or relief of debtors, including but not limitation, the Liquidation Event, or (iii) the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property;

(vii) any agreement by the Group Companies regarding selling, transferring, licensing, changing, encumbering or otherwise dispose of any trademarks, patents, know-how or other intellectual property owned by the Group Companies;

(viii) any reclassification or recapitalization of the outstanding capital shares of any Group Company;

(ix) the selection of the listing exchange for any public offering of any securities of a Group Company (including a Qualified IPO) or approve the valuation and terms and conditions for such public offering;

(x) any change of authorized size of the Board or change the manner in which any director on the Board is appointed (other than change of director by the shareholder who appoints him or her);

(xi) changing the name of any Group Company, or ceasing any business undertaking of any Group Company substantially as then currently conducted by such Group Company, change of any material part of its then current business or enter into business that is outside of its then current business;

(xii) any adoption or change of the terms of any bonus or profit sharing scheme or any employee share option or share participation schemes or similar plans;

(xiii) any Trade Sale or Loss of Control; or

(xiv) any action by a Group Company to authorize, approve or enter into any agreement or obligation with respect to any of the actions listed above.

(b) Board Consent. In addition to any other vote or consent required elsewhere in these Articles, including but not limited to Section 6(a) and Section 6(c), the Restated Shareholders' Agreement or by any applicable statute, the Company shall not, either directly or indirectly, by amendment, waiver, merger, consolidation, scheme of arrangement, amalgamation or otherwise (or permit any Group Company to), take, permit to occur, approve, authorize or agree or commit to do any of the following actions (whether in a single transaction or a series of related transactions) without the prior affirmative approval or consent of a simple majority of the votes of the Board (including the affirmative vote of at least at least one-half (1/2) of the Key Investors' Directors acting in his or her capacity as a director of the Company and as a representative of the Investor(s)):

(i) appointing, terminating or determining the compensation of the chairman, chief executive officer, president, general manager, Financial Controller, chief operation officer, chief technology officer, vice president-level or above;

(ii) issuing options or administrating the Company's share plan or any other equity incentive, purchase or participation plan for the benefit of employees;

(iii) creating, allowing to arise or issuing any debenture constituting a pledge, lien, or charge on all or any of the assets or rights of any Group Company;

(iv) establishment of any new direct or indirect subsidiary by any Group Company;

(v) approving and amending annual Budget and business plan of any Group Company;

(vi) acquiring any investment or incurring any commitment in excess of US$300,000 at any time in respect of any one transaction, or in respect of a series of related transactions within a fiscal year, by any Group Company;

(vii) amending the accounting or financial policies or changing the financial year of any Group Company;

(viii) any transaction between or among the Group Companies and with any Related Party or member of such Related Party's family;

(ix) incurring any indebtedness or assuming any financial obligation or issuing, assuming, guaranteeing or creating any liability for borrowed money in excess of US$3,000,000 in a single transaction, or in a series of related transactions within a fiscal year, unless such liability is incurred pursuant to the then current business plan or annual Budget;

(x) purchase or disposal of business/assets in excess of US$3,000,000 in a single transaction, or in a series of related transactions within a fiscal year, other than the purchase or disposal of business/assets in the ordinary course of business;

(xi) extension of any loan or guarantee for indebtedness in excess of US$300,000 in the aggregate to any third party in a single transaction, or in a series of related transactions within a fiscal year;

(xii) equity investment in any third party in excess of US$1,500,000 in a single transaction, or in a series of related transactions within a fiscal year;

(xiii) any single transaction, or a series of related transactions within a fiscal year that is or are outside ordinary course of business and involving an amount in excess of US$1,500,000 or exclusive relationship;

(xiv) initiating or settling any single material litigation or arbitration involving an amount in excess of US$1,500,000;

(xv) appointing or changing the auditors of any Group Company;

(xvi) any action that results in the payment or declaration of a dividend on any shares of the Ordinary Shares or the Preferred Shares;

(xvii) any action that might cause harm to, or result in an alternation, dissolution, cancellation or termination of the existing Captive Structure, including but not limited to any attempt to convert the Company into a domestic company under the PRC Laws; or

(xviii) any action by a Group Company to authorize, approve or enter into any agreement or obligation with respect to any of the actions listed above.

(c) Majority Series C Preferred Shares Holders' Consent. In addition to any other vote or consent required elsewhere in these Articles, including but not limited to Section 6(a) and Section 6(b) above, the Restated Shareholders' Agreement or by any applicable statute, the Company shall not, either directly or indirectly, by amendment, waiver, merger, consolidation, scheme of arrangement, amalgamation or otherwise (or permit any Group Company to), take, permit to occur, approve, authorize or agree or commit to do any of the following actions (whether in a single transaction or a series of related transactions) without the prior affirmative approval or consent of the Majority Series C Preferred Shares Holders.

(i) create or designate (including by reclassification of existing shares), or authorize any issuance of any additional Equity Securities (including, but not limited to, all classes of shares, warrants, rights to subscribe for shares and securities convertible into any share class) for a consideration per share that is lower than the subscription price of the Series C Preferred Shares, except for the transfer of existing Shares of the Company and the issuance of any Shares of the Company in connection with (i) employees stock option plan of the Company; (ii) any share split, share dividend, combination, recapitalization or other similar transaction of the Company; (iii) the conversion of the outstanding Preferred Shares of the Company into the Ordinary Shares of the Company; and (iv) any Equity Securities issued or issuable pursuant to the Transaction Documents;

(ii) any transaction or series of related transactions by the Company, (i) which shall constitute a change of control event (including the sale or exclusive licensing of substantially all of the intellectual property assets of the Group to a third party), or in which the relevant Group Company or its shareholders immediately prior to such transaction shall not, as a result of or subsequent to the transaction, hold a majority of the voting power or share capital of the surviving or resulting entity with an implied pre-money valuation of the Company with per share price less than the per share issue price with respect to the series C round of financing of Company (subject to adjustment any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting such shares);

(iii) any waiver or amendment, alternation or modification to the provision related to a price based anti-dilution adjustment applicable to the Series C Preferred Shares or Series C+ Preferred Shares;

(iv) any initial public offering of any Equity Securities of the Company, which is not a Qualified IPO;

(v) any waiver of the treatment of an event as a liquidation event or deemed liquidation event or some similar concepts under the current effective investment and constitutional documents of the Company, provided however, in the event where a liquidation event or deemed liquidation event or some similar concepts occurs and the implied pre-money valuation of the Company is no less than US$1,442,496,338, the waiver of application of liquidation preference waterfall as set out under Section 2 of Schedule A doesn't require the consent of the Majority Series C Preferred Shares Holders.

(vi) any amendment, alteration or repeal of any provision of the constitutional documents of any of the Group Companies in a manner that adversely changes or alters the existing voting or other powers, preferences or other special rights, privileges, benefits or restrictions of the Series C Preferred Shares and/or Series C+ Preferred Shares (whether by merger, consolidation or otherwise); for the avoidance of doubt, issuance of any Equity Securities having rights, preferences or privileges senior to the Series C Preferred Shares and/or Series C+ Preferred Shares for a consideration per share that is no lower than the subscription price of the Series C Preferred Shares shall not be deemed as the action that adversely changes or alters the existing voting or other powers, preferences or other special rights, privileges, benefits or restrictions of the Series C Preferred Shares and/or Series C+ Preferred Shares.

7. Appointment and Removal of Directors.

(a) There shall be a Board consisting of up to eight (8) persons, unless increased by Special Resolution and with the consent required pursuant to Section 6 of Schedule A.

(b) All Directors shall be elected by a majority vote of issued and outstanding Ordinary Shares and such Investor set forth hereunder in this Section (voting together and not as separate classes), the following persons shall be elected to the Board:

(i) HAN Yusheng (汉雨生) shall be entitled to elect two (2) directors of the Board (the "**Ordinary Directors**"), initially to be HAN Yusheng (汉雨生), CHUAI Shaokun (揣少坤).

(ii) The Investors shall be entitled to elect up to six (6) directors of the Board (the "**Investors' Directors**") in aggregate with the composition determined as follows: one (1) director shall be appointed by LYFE, initially to be ZHAO Jin (赵晋); one (1) director shall be appointed by NLVC, initially to be Deng Feng (邓峰); one (1) director shall be appointed by CTD, initially to be LU Gang (陆刚); one (1) director shall be appointed by Sequoia, initially to be Yunxia Yang, one (1) director shall be appointed by Evergreen, initially to be RONG Jing (戎璟), and (i) in the event that the GIC Warrant has not been exercised, so long as GIC holds no less than 4,259,800 Shares, as adjusted for any share splits, share dividends, recapitalizations or the like, or (ii) in the event that the GIC Warrant has been exercised, so long as GIC holds no less than 5,324,750 Shares, as adjusted for any share splits, share dividends, recapitalizations or the like, one (1) director shall be appointed by GIC, initially to be Goh Chin Kiong.

(iii) Each Director of the Company shall have one (1) vote for each of the matters submitted to the Board of Directors, except that HAN Yusheng (汉雨生) shall have six (6) votes.

(d) Subject to the provisions of Section 7(b) of Schedule A, each Member also agrees to vote all of his, her or its Shares from time to time and at all times in whatever manner as shall be necessary to ensure that (i) no director elected pursuant to Section 7(b) of Schedule A may be removed from office unless (A) such removal is directed or approved by the person(s) or entity(ies) entitled under Section 7(b) of Schedule A to designate that director or (B) the person(s) or entity(ies) originally entitled to designate or approve such director or occupy such Board seat pursuant to Section 7(b) of Schedule A is no longer so entitled to designate or approve such director or occupy such Board seat; and (ii) any vacancies created by the resignation, removal or death of a director elected pursuant to Section 7(b) of Schedule A shall be filled pursuant to the provisions of Section 7(b) of Schedule A. All Members agree to execute any written consents required to effectuate the obligations in these Articles, and the Company agrees at the request of any Member entitled to designate directors to call a special meeting of shareholders for the purpose of electing directors.

(e) Each Member agrees to vote all of its Shares from time to time and at all times, in whatever manner shall be necessary to ensure that the size of the Board shall be set at eight (8) directors. It is further agreed that upon the request from NLVC, GIC, LYFE and/or Sequoia, the board of directors of any other Group Companies and, to the extent legally and commercially feasible, other subsidiaries of the Company (including in the event that the Company shall form or acquire any new subsidiaries) shall have same board composition with the Company as determined in accordance with Section 7(b) of Schedule A, and the Company shall procure that such nominee(s) are appointed to the relevant board of directors.

(f) So long as any Investor, together with such Investor's Affiliates, continues to hold no less than two point five percent (2.5%) of the total issued and outstanding Shares (on an as-converted basis), but not represented in the Board, the Company shall invite, and shall cause any of the other Group Companies to invite, a representative of each of such Investors (each an "**Observer**") to attend all meetings of the Board and all subcommittees of the Board, and all meetings of the board and the similar governing bodies of any other Group Companies and the committees and subcommittees of the forgoing, in a nonvoting observer capacity and, in this respect, shall give each Observer copies of all notices, minutes, consents, and other materials that each Group Company provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that such representative shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided. Notwithstanding the foregoing, so long as LAV, together with such its Affiliates, continues to hold any Shares, but not represented in the Board, LAV shall have the right to appoint an Observer.

(g) In the event that an Observer cannot or elect not to attend any meeting of the board, the committees and subcommittees of the board, or the similar governing bodies of any Group Company, such Observer may by a written instrument appoint an alternate who need not be an Observer to attend such meeting.

FIFTH AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT

This FIFTH AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT (the "**Agreement**") is made as of January 10, 2020 by and among:

1. Burning Rock Biotech Limited, an exempted company duly incorporated and validly existing under the Laws of the Cayman Islands (the "**Company**");
2. BR Hong Kong Limited, a limited liability company incorporated under the Laws of Hong Kong (the "**HK Company**");
3. Beijing Burning Rock Biotech Limited (北京博宁洛克生物科技有限公司), a wholly foreign owned enterprise duly incorporated and validly existing under the Laws of the PRC (the "**WFOE**");
4. Burning Rock Biotechnology (Shanghai) Co., Ltd. (燃石生物科技（上海）有限公司), a company duly incorporated and validly existing under the Laws of the PRC (the "**Shanghai Subsidiary**");
5. Burning Rock (Beijing) Biotechnology Co., Ltd. (燃石（北京）生物科技有限公司), a company duly incorporated and validly existing under the Laws of the PRC (the "**Beijing Subsidiary**");
6. Guangzhou Burning Rock Dx Co., Ltd. (广州燃石医学检验所有限公司), a company duly incorporated and validly existing under the Laws of the PRC and a wholly-owned subsidiary of the Beijing Subsidiary (the "**Guangzhou Laboratories Subsidiary**");
7. Guangzhou Burning Rock Biotechnology Co., Ltd. (广州燃石生物科技有限公司), a company duly incorporated and validly existing under the Laws of the PRC and a wholly-owned subsidiary of the Beijing Subsidiary (the "**Guangzhou Biotechnology Subsidiary**");
8. Guangzhou Burning Rock Medical Equipment Co., Ltd. (广州燃石医疗器械有限公司), a company duly incorporated and validly existing under the Laws of the PRC and a wholly-owned subsidiary of the Beijing Subsidiary (the "**Guangzhou Equipment Subsidiary**"), together with the Shanghai Subsidiary, the Beijing Subsidiary, the Guangzhou Laboratories Subsidiary and the Guangzhou Biotechnology Subsidiary, the "**Domestic Companies**", and each a "**Domestic Company**", the Domestic Companies together with the Company, HK Company and WFOE and any subsidiary or affiliate of the foregoing (if any), collectively the "**Group Companies**");
9. The individual listed on Schedule I-A-1 attached hereto (the "**Founder**");
10. The entities listed on Schedule I-A-2 attached hereto (each such entity, "**Holding Entity**" and, collectively, the "**Holding Entities**");

11. Each of the individuals listed on Part I of Schedule I-B attached hereto (each such individual, "**Management Shareholder**" and, collectively, the "**Management Shareholders**", and together with the Founder and Holding Entities, the "**Key Holders**" and each a "**Key Holder**");

12. Each of the individuals listed on Part II of Schedule I-B attached hereto;

13. Each of the Persons listed on Schedule I-C attached hereto (each such Person, "**A Round Financing Investor**" and, collectively, the "**A Round Financing Investors**");

14. Each of the Persons listed on Schedule I-D attached hereto (each such Person, an "**A+ Round Financing Investor**" and, collectively, the "**A+ Round Financing Investors**");

15. Each of the Persons listed on Schedule I-E attached hereto (each such Person, a "**B Round Financing Investor**" and, collectively, the "**B Round Financing Investors**");

16. Each of the Persons listed on Schedule I-F attached hereto (each such Person, a "**C Round Financing Investor**" and, collectively, the "**C Round Financing Investors**"); and

17. Each of the Persons listed on Schedule I-G attached hereto (each such Person, a "**C+ Round Financing Investor**" and, collectively, the "**C+ Round Financing Investors**", together with A Round Financing Investors, A+ Round Financing Investors, B Round Financing Investors, C Round Financing Investors, each an "**Investor**", and collectively the "**Investors**").

RECITALS

WHEREAS, the Company, OrbiMed, Casdin, the Key Holders, the WFOE, the HK Company, the Domestic Companies and the other parties thereto are each parties to the Series C+ Preferred Share Purchase Agreement dated as of December 30, 2019 (the "**Purchase Agreement**");

WHEREAS, C Round Financing Investors, B Round Financing Investors, A+ Round Financing Investors, A Round Financing Investors, the Group Companies and the Key Holders and certain other parties have entered into a Fourth Amended and Restated Shareholders' Agreement, dated January 31, 2019 (as amended, the "**Prior Agreement**"), pursuant to which the Key Holders, A Round Financing Investors, A+ Round Financing Investors, B Round Financing Investors and C Round Financing Investors were granted certain registration rights, preemptive rights and other rights in connection with the securities of the Company owned by them;

WHEREAS, the Purchase Agreement provides that the execution and delivery of this Agreement shall be a condition precedent to the consummation of the transactions contemplated under the Purchase Agreement; and

WHEREAS, in order to induce the Company to enter into the Purchase Agreement and to induce OrbiMed and Casdin to invest funds in the Company pursuant to the Purchase Agreement, the Investors, the Key Holders, the HK Company and the Domestic Companies hereby agree that this Agreement shall replace the Prior Agreement, and govern certain shareholder rights and other matters as set forth in this Agreement.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. **DEFINITIONS**.

For purposes of this Agreement, capitalized terms shall have the meanings set forth on Appendix A attached hereto.

2. **REGISTRATION RIGHTS**.

The registrations rights of the Investors with respect to the Company and the rights and obligations of the Parties with respect to registration of the Company's Ordinary Shares are set forth on Appendix B attached hereto. Such registration rights shall be transferable to any transferee including without limitation any Affiliate, shareholder, member, or limited or general partner of such Investor.

The rights set forth on Appendix B shall terminate upon the earlier of: (i) as to any Holder, when all Registrable Securities held by such Holder (together with any Affiliate of such Holder with whom such Holder must aggregate its sales under SEC Rule 144) could be sold without restriction under SEC Rule 144 (k) within a ninety (90) day period, and (ii) the date that is five (5) years following the consummation of a Qualified IPO.

No future registration rights may be granted without consent of a majority of the Preferred Shares (voting together as a single class on an as converted basis), unless subordinate to or *parri passu* with any Investor's rights.

3. **INFORMATION AND OBSERVER RIGHTS**.

3.1 Delivery of Financial Statements.

So long as any Investor continues to hold no less than five percent (5%) of the total issued and outstanding Preferred Shares on an as converted and as-exercised basis (as adjusted for any share splits, share dividends, recapitalizations or the like), the Company shall, and shall cause the Group Companies to, deliver to such Investor:

(a) as soon as practicable, but in any event within ninety (90) days after the end of each financial year of the Company, (i) an audited consolidated financial statement as of the last day of such year; (ii) an audited consolidated income statement for such year; and (iii) an audited consolidated statement of cash flows for such year; such year-end financial statements to be in reasonable detail, prepared in accordance with PRC GAAP consistently applied and in each case setting forth in comparative form figures for the previous year and audited and certified by an accredited accounting firm or any other independent public accountants of internationally recognized standing selected by the Company according to Section 7.1(b)(xv);

(b) as soon as practicable, but in any event within thirty (30) days after the end of each quarter of each financial year of the Company, (i) an unaudited consolidated balance sheet as of the last day of such quarter; (ii) an unaudited consolidated income statement for such quarter; and (iii) an unaudited consolidated statement of cash flows for such quarter;

(c) as soon as practicable, but in any event within thirty (30) days after the end of each month, (i) an unaudited consolidated balance sheet as of the last day of such month; (ii) an unaudited consolidated income statement for such month; and (iii) an unaudited consolidated statement of cash flows for such month;

(d) as soon as practicable, but in any event forty-five (45) days prior to the end of each fiscal year, an annual consolidated budget for the next fiscal year to be submitted to the Board for approval (collectively, the "**Budget**"), prepared on a monthly basis including, revenues, expenses, cash position, balance sheets and sources and applications of funds statements (including any anticipated or planned capital expenditure or borrowings) for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company;

(e) with respect to the financial statements called for in Section 3.1(a), Section 3.1(b) and Section 3.1(c) an instrument executed by the chief financial officer of the Company and certifying that such financials were prepared in accordance with PRC GAAP, consistently applied with prior practice for earlier periods (with the exception, for unaudited statements, such statements may be subject to normal year-end audit adjustments and exclude all footnotes required by applicable accounting standard). As soon as practicable, but in any event within thirty (30) days after the end of each fiscal quarter, the Company shall also provide the Investors and the Board an analysis of results, highlighting notable events and a thorough explanation of any material differences between actual figures, on the one hand and figures for the prior quarter and figures presented in the Budget on the other hand;

(f) such other information (A) provided to any other Shareholder, or (B) as an Investor or any assignee of an Investor may from time to time reasonably request;

(g) if for any period the Company shall have any Subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated Subsidiaries; and

(h) notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of filing of, and ending on a date one hundred eighty (180) days after the effective date of the registration effecting the IPO, to the extent required under the applicable rules of the jurisdiction in which the registration statement (or similar application for listing of the Ordinary Shares) is to be filed; provided that the Company is actively employing its reasonable best efforts to cause such registration statement to become effective.

3.2 Inspection.

So long as any Investor continues to hold no less than five percent (5%) of the total issued and outstanding Preferred Shares on an as converted and as-exercised basis (as adjusted for any share splits, share dividends, recapitalizations or the like), the Company and any other Group Company shall permit the Investor to visit and inspect the Company or any other Group Company's properties, to examine its books of account and records and to discuss the Company or any other Group Company's business, operations, conditions, affairs, finances and accounts with its directors, officers, accountants and/or advisers, all at such reasonable times as may be reasonably requested by such Investor.

3.3 U.S. Tax Matters.

(a) The Company will not take any action inconsistent with the treatment of the Company as a corporation for U.S. federal income tax purposes and will not elect to be treated as an entity other than a corporation for U.S. federal income tax purposes.

(b) Upon request, the Company shall use reasonable efforts to assist each U.S. Investor in determining whether the Company is a passive foreign investment company ("**PFIC**") as defined in Section 1297 of the Internal Revenue Code of 1986, as amended (the "**Code**") for any taxable year (and, if the U.S. Investor reasonably believes that the Company was a PFIC for a taxable year, the status of each of the other Group Companies for such taxable year). For so long as a U.S. Investor holds 10% or more of the total voting power of the Company's shares (a "**10% U.S. Investor**") the Company shall, upon request, use reasonable efforts to assist each 10% U.S. Investor in determining whether the Company is a controlled foreign corporation ("**CFC**") as defined in Section 957 of the Code for any taxable year. Following a determination by a U.S. Investor that it believes that the Company was a PFIC or a determination by a 10% U.S. Investor that it believes the Company was a CFC for a taxable year, the Company will, upon request, use reasonable efforts to provide such U.S. Investor with information requested by the U.S. Investor that is reasonably available to the Company and necessary to permit such U.S. Investor to accurately prepare its U.S. federal income tax returns and comply with U.S. federal income tax reporting requirements resulting from such determination.

(c) Any information obtained by a U.S. Investor under this Section 3.3 shall be kept confidential except to the extent necessary in connection with the filing of U.S. federal income tax returns and compliance with U.S. federal income tax reporting requirements or proceedings with respect thereto.

3.4 Observer Rights.

(a) So long as any Investor, together with such Investor's Affiliates, continues to hold no less than two point five percent (2.5%) of the total issued and outstanding Shares (on an as-converted basis), but not represented in the Board, the Company shall invite, and shall cause any of the other Group Companies to invite, a representative of each of such Investor (each an "**Observer**") to, and such Observer shall have the right to, attend all meetings of the Board and all subcommittees of the Board and all meetings of the board and the similar governing bodies of any other Group Companies and the committees and subcommittees of the foregoing, in a nonvoting observer capacity and, in this respect, shall give each Observer copies of all notices, minutes, consents, and other materials that each Group Company provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that each Observer shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided. Notwithstanding the foregoing, so long as LAV, together with such its Affiliates, continues to hold any Shares, but not represented in the Board, LAV shall have the right to appoint an Observer.

(b) In the event that an Observer cannot or elect not to attend any meeting of the board, the committees and subcommittees of the board, or the similar governing bodies of any Group Company, such Observer may by a written instrument appoint an alternate who need not be an Observer to attend such meeting.

3.5 Termination of Information, Inspection and Observer Rights.

The covenants set forth in Section 3.1, Section 3.2 and Section 3.4 shall terminate and be of no further force or effect immediately upon the consummation of a Qualified IPO.

3.6 Confidentiality.

(a) Disclosure of Terms. The terms and conditions of this Agreement, any term sheet or memorandum of understanding entered into pursuant to the transactions contemplated hereby, all exhibits and schedules attached hereto and thereto, and the transactions contemplated hereby and thereby (collectively, the "**Transaction Terms**"), including their existence, shall be considered Confidential Information and shall not be disclosed by any Party (including its respective shareholders and representatives) hereto to any third party except as permitted in accordance with the provisions set forth below.

(b) Permitted Disclosures. Notwithstanding the foregoing, the Company may disclose (i) the existence of the investment to its bona fide prospective investors, employees, bankers, lenders, accountants, legal counsels and business partners, or to any person or entity to which disclosure is approved in writing by the Investors, such approval not to be unreasonably withheld; and (ii) the Transaction Terms to its current shareholders, employees, bankers, lenders, accountants and legal counsels, in each case only where such persons or entities are under appropriate nondisclosure obligations substantially similar to those set forth in this Section 3.6, or to any person or entity to which disclosure is approved in writing by the Investors, which such approval is not to be unreasonably withheld. The Investors may disclose (i) the existence of the investment and the Transaction Terms to its Affiliate, such Investor/or its fund manager's and/or its Affiliate's legal counsel, fund manager, auditor, insurer, accountant, consultant or to an officer, director, general partner, limited partner, its fund manager, shareholder, investment counsel or advisor, or employee of the Investor and/or its Affiliate (ii) any information for fund and inter-fund reporting purposes; (iii) any information as required by law, Governmental Authorities, exchanges and/or regulatory bodies, including by the Securities and Exchange Commission (or equivalent for other venues); (iv) any information to bona fide prospective purchasers/investors of any share, security or other interests in the Company; and (v) the fact of the investment to the public, in each case as it deems appropriate in its sole discretion. Any Party hereto may also provide disclosure in order to comply with applicable Laws, as set forth in Section 3.6(c) below.

(c) Other than the existence of the investment and the Transaction Terms as provided in Section 3.6(a) and Section 3.6(b) above, any other Confidential Information shall also not be disclosed by any of the Parties to any other Person, provided however, an Investor may disclose such Confidential Information to: (i) such Investor/or its fund manager's and/or its Affiliate's legal counsel, fund manager, auditor, insurer, accountant, consultant on a need-to-know basis, (ii) to any bona fide prospective purchasers/investors of any share, security or other interests in the Company as long as such prospective investor agrees to be bound by the provisions of this Section 3.6, (iii) its Affiliate, an officer, director, general partner, limited partner, its fund manager, shareholder or Subsidiary of such Investor in the ordinary course of business, (iv) any information for fund and inter-fund reporting purposes; or (v) as may otherwise be as required by Law, Governmental Authorities, exchanges and/or regulatory bodies, including by the Securities and Exchange Commission (or equivalent for other venues); provided further that, the Company may disclose such Confidential Information to (i) its bona fide prospective investors, employees, bankers, lenders, accountants, legal counsels and business partners on a need-to-know basis, or to any person or entity to the extent such disclosure is approved in writing by the Investors, and approval shall not to be unreasonably withheld; and (ii) its current shareholders, employees, bankers, lenders, accountants and legal counsels, in each case only where such persons or entities are under appropriate nondisclosure obligations substantially similar to those set forth in this Section 3.6, or to any person or entity to the extent such disclosure is approved in writing by the Investors, and such approval shall not to be unreasonably withheld.

(d) Legally Compelled Disclosure. In the event that any Party is requested or becomes legally compelled (including without limitation, pursuant to any applicable tax, securities, or other Laws and regulations of any jurisdiction) to disclose the Confidentiality Information as confirmed by advice from counsel, such party (the "**Disclosing Party**") shall, if and to the extent that it can lawfully do so, provide the other parties with prompt written notice of that fact and shall consult with the other parties regarding such disclosure. At the request of another party, the Disclosing Party shall, to the extent reasonably possible and with the cooperation and reasonable efforts of the other parties, seek a protective order, confidential treatment or other appropriate remedy. In any event, the Disclosing Party shall furnish only that portion of the information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

(e) Other Exceptions. Notwithstanding any other provision of this Section 3.6, the confidentiality obligations of the Parties shall not apply to: (i) information which a restricted Party learns from a third party having the right to make the disclosure, provided the restricted Party complies with any restrictions imposed by the third party; (ii) information which is rightfully in the restricted Party's possession prior to the time of disclosure by the protected Party and not acquired by the restricted Party under a confidentiality obligation; or (iii) information which enters the public domain without breach of confidentiality by the restricted Party.

(f) Press Releases, Etc. No announcements regarding the Investors' investment in the Company may be made by any Party hereto in any press conference, professional or trade publication, marketing materials or otherwise to the public without the prior written consent of the Investors and the Company, ***provided***, that any such announcement made by any partner, limited partner, bona fide potential partner or bona fide potential limited partner of the Investors shall not be subject to the consent of the Company.

(g) Other Information. The provisions of this Section 3.6 shall terminate and supersede the provisions of any separate nondisclosure agreement executed by any of the Parties with respect to the transactions contemplated hereby.

4. **RIGHT OF FIRST OFFER**.

4.1 Right of First Offer.

Subject to the terms and conditions specified in this Section 4.1, and applicable securities laws, in the event the Company proposes to offer, issue or sell any Additional Equity Securities, the Company shall first make an offering of such Additional Equity Securities to the Eligible Holders (the "**Offerees**") and each Offeree shall have a preemptive right to purchase a Pro Rata Share (as defined below) of all or any part of such Additional Equity Securities in accordance with the following provisions of this Section 4.1. Any Offeree shall be entitled to apportion the right of first offer hereby granted it among themselves and their Affiliates in such proportions as it deems appropriate.

(a) The Company shall deliver a notice, in accordance with the provisions of Section 8.4 hereof (the "**Offer Notice**") to the Offerees stating (i) its bona fide intention to issue such Additional Equity Securities, (ii) the number of such Additional Equity Securities to be issued, and (iii) the price and terms, if any, upon which it proposes to issue such Additional Equity Securities.

(b) Within twenty (20) calendar days after the receipt of the Offer Notice, each Offeree may, by written notification, elect to purchase or obtain, in whole or in part, at the price and on the terms specified in the Offer Notice, up to that portion of such Additional Equity Securities which equals the proportion that the number of Ordinary Shares (calculated on an as-converted basis assuming conversion of all convertible securities) then held, by such Offeree bears to the total number of Ordinary Shares (calculated on an as-converted basis assuming conversion of all convertible securities), held by all Shareholders immediately prior to the issuance of Additional Equity Securities (the "**Pro Rata Share**"). For avoidance of doubt, with respect to each Ordinary Shareholder holding Preferred Shares, any calculation in respect of its Pro Rata Shares shall be based on and shall be limited to the relevant Preferred Shares held by such Ordinary Shareholder, without considering any Ordinary Shares held by such Ordinary Shareholder.

(c) The Company shall promptly, in writing, inform each Offeree that elects to purchase all of the Pro Rata Shares available to it (each, a "**Fully Exercising Holder**") of any other Offeree's failure to do likewise. During the ten (10) day-period commencing immediately after receipt of such information, each Fully Exercising Holder shall be entitled to notify the Company of its desire to purchase more than its Pro Rata Share of the Additional Equity Securities, stating the number of the Additional Equity Securities it proposes to purchase. If as a result thereof, such oversubscription exceeds the total number of the remaining Additional Equity Securities available for purchase, the oversubscribing Fully Exercising Holder will be cut back by the Company with respect to their oversubscriptions to that number of remaining Additional Equity Securities equal to the proportion that the number of Registrable Securities (calculated on an as-converted basis and exclusive of the Ordinary Shares held by the Ordinary Shareholders) then held by such Fully Exercising Holder bears to the total number of Registrable Securities (calculated on an as-converted basis and exclusive of the Ordinary Shares held by the Ordinary Shareholders) then held by all Fully Exercising Holders who wish to purchase such unsubscribed Additional Equity Securities.

(d) If all Additional Equity Securities referred to in the Offer Notice are not elected to be purchased or obtained as provided in Section 4.1(b) and (c) hereof, the Company may, during the ninety (90)-day period following the expiration of the period provided in Section 4.1(b) and (c) hereof, offer the remaining unsubscribed portion of such Additional Equity Securities to identified parties at a price not less than, and upon terms no more favorable to the Offerees than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the Additional Equity Securities within such period, or if such agreement is not consummated within twenty (20) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Additional Equity Securities shall not be offered unless first reoffered to the Offerees in accordance with this Section 4.1.

4.2 Termination.

The provisions of Section 4 shall terminate upon the consummation of a Qualified IPO.

5. **BOARD COMPOSITION AND VOTING MATTERS.**

5.1 Board Composition.

Each Shareholder agrees to vote all of his, her or its Shares in the Company (whether now owned or hereafter acquired or which the Shareholder may be empowered to vote), from time to time and at all times, in whatever manner shall be necessary to ensure that at each annual or special meeting of shareholders at which an election of directors is held or pursuant to any written consent of the shareholders, the following persons shall be elected to the Board.

(a) HAN Yusheng (汉雨生) shall be entitled to elect two (2) directors of the Board (the "**Ordinary Directors**"), initially to be HAN Yusheng (汉雨生), CHUAI Shaokun (揣少坤), provided that the chief executive officer shall be one of the Ordinary Directors.

(b) The Investors shall be entitled to elect up to six (6) directors of the Board (the "**Investors' Directors**") in aggregate with the composition determined as follows: one (1) director shall be designated and appointed by LYFE (the "**LYFE Director**"), initially to be ZHAO Jin (赵晋); one (1) director shall be designated and appointed by NLVC (the "**NLVC Director**"), initially to be DENG Feng (邓峰); one (1) director shall be designated and appointed by CTD, initially to be LU Gang (陆刚); one (1) director shall be designated and appointed by Sequoia, initially to be YANG Yunxia (the "**Sequoia Director**"); one (1) director shall be shall be designated and appointed by Evergreen, initially to be RONG Jing (戎璟) (the "**Evergreen Director**"); and (i) in the event that the GIC Warrant has not been exercised, so long as GIC holds no less than 4,259,800 Shares, as adjusted for any share splits, share dividends, recapitalizations or the like, or (ii) in the event that the GIC Warrant has been exercised, so long as GIC holds no less than 5,324,750 Shares, as adjusted for any share splits, share dividends, recapitalizations or the like, one (1) director shall be designated and appointed by GIC, initially to be Goh Chin Kiong (the "**GIC Director**").

(c) Each Director of the Company shall have one (1) vote for each of the matters submitted to the Board of Directors, except HAN Yusheng (汉雨生) shall have six (6) votes for each of the matters submitted to the Board of Directors.

5.2 Size of the Board; Subsidiaries.

Each Shareholder agrees to vote all of its Shares from time to time and at all times, in whatever manner shall be necessary to ensure that the size of the Board shall be set at eight (8) directors. It is further agreed that upon the request from NLVC and/or LYFE and/or Sequoia and/or Evergreen and/or GIC, the board of directors of any other Group Company and, to the extent legally and commercially feasible, other Subsidiaries of the Company (including in the event that the Company shall form or acquire any new Subsidiaries) shall have same board composition with the Company as determined in accordance with Section 5.1, and the Company and the Key Holders shall procure that such nominee(s) are appointed to the relevant board of directors.

5.3 Removal of Board Members.

Each Shareholder also agrees to vote all of his, her or its Shares from time to time and at all times in whatever manner as shall be necessary to ensure that (i) no director elected pursuant to Section 5.1 of this Agreement may be removed from office unless (A) such removal is directed or approved by the person(s) or entity(ies) entitled under Section 5.1 to designate or appoint that director or (B) the person(s) or entity(ies) originally entitled to designate or approve such director or occupy such Board seat pursuant to Section 5.1 is no longer so entitled to designate or approve such director or occupy such Board seat for the reasons that: (x) the Company and the person(s) or entity(ies) entitled to designate or approve such director or occupy such Board seat pursuant to Section 5.1 have mutually agreed in writing that such person(s) or entity(ies) shall no longer be entitled to designate or approve such director or occupy such Board seat; (y) such person(s) or entity(ies) no longer hold(s) any shares in the Company; and/or (z) any other matters mutually agreed in writing by the Company and such person(s) or entity(ies) and (ii) any vacancies created by the resignation, removal or death of a director elected pursuant to Section 5.1 shall be filled pursuant to the provisions of Section 5.1.

5.4 All Shareholders agree to execute any written consents required to effectuate the obligations of this Agreement, and the Company agrees at the request of any Shareholder entitled to designate directors to call a special meeting of shareholders for the purpose of electing directors.

5.5 Increase in Authorized Share Capital.

Each Shareholder agrees to vote all of its Shares from time to time and at all times, in whatever manner shall be necessary to authorize an increase in the authorized share capital of the Company so that there will be sufficient Ordinary Shares available for conversion of all of the then-outstanding Preferred Shares at any time that an adjustment to the relevant conversion price with respect to the Preferred Shares is made under the Articles.

5.6 Specific Enforcement.

Each Shareholder acknowledges and agrees that each Party hereto will be irreparably damaged in the event any of the provisions of this Section 5 are not performed by the Shareholder in accordance with their specific terms or are otherwise breached. Accordingly, it is agreed that each of the Company and the Shareholders shall be entitled to an injunction to prevent breaches of this Agreement and to specific enforcement of this Agreement and its terms and provisions in any action instituted in any court of competent jurisdiction, in addition to any other remedy to which the Parties may be entitled at law or in equity. Each of the Parties to this Agreement hereby consents to personal jurisdiction in any such action brought in the courts of Hong Kong.

5.7 Term.

The provisions of this Section 5 shall be effective as of the date hereof and shall continue in effect until and shall terminate upon the consummation of a Qualified IPO.

6. **RIGHT OF FIRST REFUSAL, CO-SALE AND RESTRICTIONS ON SALE**.

6.1 Restrictions on Transfer.

(a) Transfer of Shares.

Subject to Section 6.6, any proposed assignment, sale, offer to sell, pledge, mortgage, hypothecation, encumbrance, disposition of or any other like transfer or encumbering, through one or a series of transactions, of any interest in any Shares now or hereafter owned or held by a Shareholder, either directly or indirect (in each case, a "**Transfer**") shall be made in compliance with the terms of this Section 6. For avoidance of doubt, the parties agree that the restrictions on the Transfer of the Shares held by the Ordinary Shareholder contained in this Agreement shall apply to any indirect transfer and shall not be circumvented by means of any indirect transfer of the Shares, and any change in the equity interest of an Ordinary Shareholder that is an entity (including Holding Entities), including without limitation as a result of (i) the issuance or redemption by such Ordinary Shareholder of any portion of its outstanding shares or equity, or (ii) a Transfer of such Ordinary Shareholder's equity by its equity holder, shall constitute a Transfer for purposes of this Agreement.

(b) Restriction on Transfer of the Ordinary Shares.

(i) So long as any Investor possesses any Equity Securities of the Company, the Founder shall not make any Transfer regarding the Ordinary Shares directly and indirectly held by the Founder without the consent of the Investors, provided however, (a) the Founder in aggregate may Transfer no more than 2% of all outstanding and issued Shares of the Company for each calendar year only with the prior written consent from at least three (3) Key Investors' Directors; (b) the Founder in aggregation may Transfer more than 2% of all outstanding and issued Shares of the Company for each calendar year only with the prior written consent from at least four (4) Key Investors' Directors (including the consent of the GIC Director). For the avoidance of doubt, this Section 6.1(b)(i) shall not apply to any Transfer regarding the Preferred Shares directly and indirectly held by the Founder.

(ii) Subject to Section 6.1(b)(i) above, without the prior written consent of at least one-half (1/2) of Key Investors' Directors of the Company, the Ordinary Shareholders (except for the Founder who shall make a Transfer of his or her Ordinary Shares in accordance with subsection (i) above) shall not effect any Transfer to any other party.

(c) Right of First Offer on Sale of the Preferred Shares.

(i) Transfer Notice of the Preferred Shares.

In the event that any of the Investors other than GIC (the "**Preferred Shares Transferor**") receives a bona fide proposal for purchase of Preferred Shares from any person (the "**Preferred Shares Transferee**") (the "**Proposed Sale**"), then within five (5) calendar days of receipt of such offer from the Preferred Shares Transferee, the Preferred Shares Transferor shall provide the Company and the Founder with written notice of the material terms of the Proposed Sale (the "**Sale Notice**") which shall include the identity of the Preferred Shares Transferee and the number and the share price of the transferred Preferred Shares (the "**Transferred Preferred Shares**").

(ii) Right of First Offer for the Proposed Sale.

The Company and the Founder (collectively, the "**Qualified Purchasers**") shall have the right of first offer, to purchase any or all of the Transferred Preferred Shares in whole or in part on the same terms and conditions as specified in the Sale Notice (the "**Purchase Right**"), provided that the Founder' Purchase Right hereunder shall be subordinate to the Company's Purchase Right, and the Founder shall exercise such Purchase Right on pro rata basis.

Subject to the PRC Laws, including without limitation to the SAFE rules and regulations, the Qualified Purchasers shall, within ten (10) calendar days of receipt of the Sale Notice (the "**Purchase Right Exercise Period**") deliver an exercise notice to the Preferred Shares Transferor to exercise its Purchase Right. If the Qualified Purchasers choose not to exercise or fully exercise its Purchase Right, or fail to exercise its Purchase Right within the Purchase Right Exercise Period, then the Preferred Shares Transferor may sell the remaining Transferred Preferred Shares to a Preferred Shares Transferee on terms and conditions not more favorable than those specified in the Sale Notice. Thus, the Qualified Purchasers shall have no further rights under this Section 6.1(c) with respect to the Proposed Sale.

(iii) Any Investor (except for GIC) shall not, without the prior written consent of HAN Yusheng (汉雨生), transfer or dispose of any of its shares to an entity (the "**Direct Competitor of the Company**") 1) the business operation and marketing of which in the PRC is to diagnose oncology genes for early cancer diagnostic, cancer susceptibility, cancer monitoring and provide individualized medication guides for cancer patients by means of next generation gene sequencing ("**NGS**"); and 2) that directly competes with Group Companies in the PRC by offering the same or substantially similar products or services that constitute the primary products or services offered by the Group Companies or Pipelines to be offered by the Group Companies. For the purpose of this Agreement, the term "**Pipelines**" shall mean new products or services of the Group Companies which are to be launched within one (1) year from January 31, 2019.

(iv) Unless otherwise expressly provided in this Section 6.1(c), the Investors are entitled to transfer, sell, or otherwise dispose any of their Equity Securities in any manner without any limitation, subject to applicable Laws. Notwithstanding anything contained herein to the contrary, each of the Investors is entitled to transfer, sell, or otherwise dispose any of its Equity Securities in any manner to any of its Affiliates.

(d) GIC's Sale of the Preferred Shares.

(i) If GIC proposes to transfer any Shares of the Company to a third party other than its Affiliates, GIC shall provide a list of the prospective transferees to the Company ("**List of Transferees**"). The Company shall, upon receipt of the List of Transferees, discuss in good faith with GIC and make suggestions to GIC for the purpose of finalizing the List of Transferees. The final List of Transferees shall be subject to the mutual consent by GIC and the Company, provided that, the Company shall deliver its consent, objection or any proposed amendment (as the case may be) with respect to the List of Transferees to GIC within five (5) Business Days following the receipt of the List of Transferees.

(ii) Notwithstanding anything to the contrary, Section 6.1(d)(i) shall not apply to (x) a sale pursuant to Section 6.3, or (y) a sale in the event that the Company fails to fulfill its redemption obligations or pay on the date that the related redemption payment were due pursuant to the Articles.

(iii) Subject to the Section 6.1(d)(i), GIC is entitled to Transfer any of the Equity Securities in the Company in any manner without any limitation, subject to applicable Laws. Notwithstanding anything contained herein to the contrary, GIC is entitled to Transfer any of the Equity Securities in the Company in any manner to any of its Affiliates.

(iv) For the avoidance of doubt, Section 6.1(c) shall not apply to GIC or its Affiliates in any event.

6.2 Right of First Refusal

(a) Proposed Transfer Notice.

Each Ordinary Shareholder (including its successors and permitted assigns) (a "**Transferor**") proposing to make a Transfer (a "**Proposed Transfer**") must deliver a notice (the "**Proposed Transfer Notice**") to the Company and the Eligible Holders. Such Proposed Transfer Notice shall contain the material terms and conditions of the Proposed Transfer, including without limitation a description and the share price of the Shares (the "**Transfer Shares**") that such Transferor may propose to transfer, and the identity of the Prospective Transferee. In the event of a conflict between this Agreement and any other agreement that may have been entered into by a Transferor with the Company that contains a preexisting right of first refusal, the terms of this Agreement shall prevail and the preexisting right of first refusal shall be deemed satisfied by compliance with this Section 6.2.

(b) Grant of Right of First Refusal to the Eligible Holders.

(i) Each Eligible Holder shall have the right for a period of twenty-one (21) days (the "**Eligible Holders' ROFR Exercise Period**") following the Eligible Holders' receipt of the Proposed Transfer Notice to elect to purchase its respective pro rata share of the Transfer Share at the same price and subject to the same material terms and conditions as described in the Proposed Transfer Notice (the "**Right of First Refusal**").

(ii) Each Eligible Holder may exercise such right of first refusal and, thereby, purchase all or any portion of its pro rata share of the Transfer Share, by notifying the Transferor and the Company in writing, before expiration of the Eligible Holders' ROFR Exercise Period as to the number of such Transfer Share that it wishes to purchase.

(iii) Each Eligible Holder's pro rata share of the Transfer Share shall be a fraction, the numerator of which shall be the total number of the Shares and other Equity Securities of the Company (calculated on an as converted but otherwise non-diluted basis) owned by such Eligible Holder on the date of the Proposed Transfer Notice and the denominator of which shall be the total number of the Shares and other Equity Securities of the Company (calculated on an as-converted but otherwise non-diluted basis) held by all the Eligible Holders on such date (the "**ROFR Pro Rata Share**"). For the avoidance of doubt, with respect to each Ordinary Shareholder holding Preferred Shares, any calculation in respect of its ROFR Pro Rata Share shall be based on and shall be limited to the relevant Preferred Shares held by such Ordinary Shareholder, without considering any Ordinary Shares held by such Ordinary Shareholder.

(iv) If any Eligible Holder elects not to exercise or fully exercise or fails to fully exercise such right of first refusal pursuant to Section 6.2(b)(ii), the Transferor shall, within five (5) days following the receipt of all the Eligible Holders' written notices pursuant to Section 6.2(b)(ii) or the expiration of the Eligible Holders' ROFR Exercise Period (whichever is earlier), give notice of such election or failure (the "**Re-allotment Notice**") to each other Eligible Holders that elected to purchase its entire pro rata share of the Transfer Share (the "**Purchasing Holders**"), which notice shall set forth the number of the Transfer Share not purchased by the other Eligible Holders pursuant to Section 6.2(b)(ii) (such shares, the "**Remaining Transfer Share**"). The Purchasing Holders shall have a right of re-allotment such that they shall have fifteen (15) days from the date such Re-allotment Notice was given to elect to increase the number of the Transfer Share they agreed to purchase under Section 6.2(b)(ii). Such right of re-allotment shall be subject to the following conditions: each Purchasing Holder shall first notify the Transferor of its desire to increase the number of the Transfer Share it agreed to purchase under Section 6.2(b)(ii), stating the number of the additional Transfer Share it proposes to buy (the "**Additional Transfer Share**"). If, as a result thereof, the total number of Additional Transfer Share the Purchasing Holders propose to buy exceeds the total number of the Remaining Transfer Share, the Remaining Transfer Share shall be allocated as necessary such that each Purchasing Holder electing to purchase the Additional Transfer Share (an "**Over-Purchasing Holder**") shall have the right to purchase such number of Additional Transfer Share equal to the product obtained by multiplying (i) the number of the Remaining Transfer Share by (ii) a fraction, the numerator of which is the number of the Registrable Securities (calculated on an as-converted but otherwise non-diluted basis and exclusive of the Ordinary Shares held by the Ordinary Shareholder) held by such Over-Purchasing Holder and the denominator of which is the total number of Registrable Securities (calculated on an as-converted but otherwise non-diluted basis and exclusive of the Ordinary Shares held by the Ordinary Shareholder) held by all Over-Purchasing Holders, provided that in no event shall an Over-Purchasing Holder be obligated to purchase more than the maximum number of Additional Transfer Share specified in such Over-Purchasing Holder's written notice. The procedures described in the preceding sentence shall be repeated until the earlier to occur if (i) there are no Remaining Transfer Share or (ii) the Over-Purchasing Holders do not wish to purchase any additional Remaining Transfer Share.

(v) Subject to applicable securities Laws, the Eligible Holders shall be entitled to apportion the Transfer Share to be purchased among its partners and/or Affiliates upon written notice to the Company and the Transferor.

(vi) If an Eligible Holders gives the Transferor notice that it desires to purchase the Transfer Share, then payment for the Transfer Share to be purchased shall be made by wire transfer in immediately available funds of the appropriate currency, against allotment of such Transfer Share together with an executed instrument of transfer to be purchased at a place agreed by the Transferor and all the participating Eligible Holders and at the time of the scheduled closing therefor, which shall be no later than forty-five (45) days after the Eligible Holders' receipt of the Proposed Transfer Notice.

(c) Notwithstanding the foregoing, in the event that any Ordinary Shareholder (including its successors and permitted assigns) proposed to make a Proposed Transfer in relation to any Ordinary Share of the Company:

(i) The Company shall have the right, prior to any Eligible Holders' exercise of Right of First Refusal, for a period of fifteen (15) days (the "**Company's ROFR Exercise Period**") following the receipt of the Proposed Transfer Notice to elect to purchase any or all of such Transfer Shares at the same price and subject to the same material terms and conditions as described in the Proposed Transfer Notice.

(ii) The Company may exercise such right and, thereby, purchase any or all of such Transfer Shares, by notifying the Transferor in writing, before expiration of the Company's ROFR Exercise Period, that it wishes to purchase any or all of such Transfer Shares.

(iii) If the Company gives the Transferor notice that it desires to purchase any or all such Transfer Shares, then payment for such Transfer Shares shall be made by check or wire transfer in immediately available funds of the appropriate currency, against allotment of such Transfer Shares at a place agreed by the Transferor and the Company and at the time of the scheduled closing therefor, which shall be no later than forty-five (45) days after the Company's receipt of the Proposed Transfer Notice.

(iv) Regardless of any other provision of this Agreement, if the Company declines in writing or fails to exercise or fully exercise its right of first refusal pursuant to this Section 6.2(c) with respect to such Transfer Shares, then the Transferor shall be under no obligation to transfer the remaining Transfer Shares to the Company pursuant to this Section 6.2(c) and shall then be required to provide another notice regarding the remaining Transfer Shares which are not purchased by the Company to each Eligible Holder (the "**Additional Proposed Transfer Notice**", together with the Proposed Transfer Notice, the "**Transfer Notice**") (which shall contain the same conditions and price for sale of the remaining Transfer Shares as set forth in the Proposed Transfer Notice) within five (5) days, then each Eligible Holder shall have the right, within the Eligible Holders' ROFR Exercise Period following the Eligible Holders' receipt of the Additional Proposed Transfer Notice, to elect to purchase its respective pro rata share of the Transfer Share at the same price and subject to the same material terms and conditions as described in the Proposed Transfer Notice, and the provisions set forth in this Section 6 shall apply to Eligible Holder's exercise of Right of First Refusal mutatis mutandis.

(v) For the avoidance of doubt, the Company shall not have any Right of First Refusal in relation to the Ordinary Shareholder's Transfer of any Preferred Shares or any shares converted therefrom, in which case Section 6.2 (b) shall apply to such Transfer.

(d) Purchase Price. The purchase price for the Transfer Share to be purchased by the Company or the Eligible Holders exercising their right of first refusal will be the price 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 vote of at least one-half (1/2) of Key Investors' Directors).

(e) Rights of Transferor. If the Company or any Eligible Holders exercises its right of first refusal to purchase the Transfer Share, then, upon the date the notice of such exercise is given by the Company or such Eligible Holders, the Transferor will have no further rights as a holder of such Transfer Share except the right to receive payment for such Transfer Share from the Company or the Eligible Holders in accordance with the terms of this Agreement, and the Transferor will forthwith cause all certificate(s) evidencing such Transfer Share to be surrendered to the Company or the Eligible Holders for transfer to the Company or the Eligible Holders, as applicable together with an executed instrument of transfer.

(f) Application of Co-Sale Right. Regardless of any other provision of this Agreement, if any Eligible Holders declines in writing or fails to exercise its right of first refusal and if there are any Remaining Transfer Share following the procedures provided in Section 6.2(b) and/or Section 6.2(c), then the Transferor shall give each Eligible Holder a written notice (the "**First Refusal Expiration Notice**") specifying that the Eligible Holders have not exercised their right of first refusal in full and that the Remaining Transfer Share not purchased by the Company and any Eligible Holders pursuant to Section 6.2(b) and/or Section 6.2(c) (the "**Unsold Transfer Share**") shall be subject to the co-sale right of the Co-Sale Holder (as defined in Section 6.3 below) described in Section 6.3 below, in which case the First Refusal Expiration Notice shall specify (i) the number of the Unsold Transfer Share, (ii) the Co-Sale Pro Rata Portion (as defined in Section 6.3 below) of the Unsold Transfer Share for the purpose of such co-sale right and (iii) the name of the Co-Sale Eligible Holder(s) (as defined in Section 6.3 below). For avoidance of any doubt, the co-sale right under Section 6.3 shall not apply to any Eligible Holders that has successfully purchased any Transfer Share as a result of its exercise of the right of first refusal pursuant to Section 6.2(b).

6.3 Right of Co-Sale.

(a) If any Transfer Shares subject to a Proposed Transfer are not purchased pursuant to Section 6.2 above and thereafter are to be sold to a Prospective Transferee (such Transfer Shares, the "**Co-Sale Eligible Shares**"), each Eligible Holder that has not exercised its rights under Section 6.2(b) (each an "**Co-Sale Eligible Holder**") may elect to exercise its Right of Co-Sale and participate on a pro-rata basis in the Proposed Transfer on the same terms and conditions specified in the Proposed Transfer Notice. To exercise its Right of Co-Sale, the Co-Sale Eligible Holder must give the Transferor written notice to that effect within fifteen (15) calendar days (the "**Co-Sale Period**") after the expiration of the Eligible Holders' ROFR Exercise Period as provided in Section 6.2(b), and upon giving such notice the Co-Sale Eligible Holder shall be deemed to have effectively exercised the Right of Co-Sale.

(b) Each Co-Sale Eligible Holder, by timely exercising its Right of Co-Sale by delivering the written notice provided for above in Section 6.3(a) may include in the Proposed Transfer all or any part of its Shares equal to the product (the "**Co-Sale Pro Rata Portion**") obtained by multiplying (i) the aggregate number of Co-Sale Eligible Shares by (ii) a fraction, the numerator of which is the number of Ordinary Shares owned by such Co-Sale Eligible Holder (calculated on an as-converted basis assuming conversion of all convertible securities) immediately before consummation of the Proposed Transfer and the denominator of which is the total number of Ordinary Shares owned, in the aggregate, by all Co-Sale Eligible Holders (calculated on an as-converted basis assuming conversion of all convertible securities) immediately prior to the consummation of the Proposed Transfer, plus the number of Ordinary Shares held by the Transferor (calculated on an as-converted basis assuming conversion of all convertible securities). To the extent that one or more of the Co-Sale Eligible Holders exercises such right of participation in accordance with the terms and conditions set forth herein, the number of Co-Sale Eligible Shares that the Transferor may sell in the Proposed Transfer shall be correspondingly reduced. For the avoidance of doubt, with respect to each Ordinary Shareholder holding Preferred Shares, any calculation in respect of its Co-Sale Pro Rata Portion shall be based on and shall be limited to the relevant Preferred Shares held by such Ordinary Shareholder, without considering any Ordinary Shares held by such Ordinary Shareholder.

(c) The sale of the Co-Sale Eligible Shares and remaining Transfer Shares shall occur within twenty-five (25) calendar days from the beginning of the Co–Sale Period (the "**Co-Sale Closing**"). For avoidance of doubt, the Right of Co–Sale shall not apply with respect to Transfer Shares sold or to be sold to the Eligible Holders under the Right of First Refusal in Section 6.2.

(d) A Co-Sale Eligible Holder shall effect its participation in the Proposed Transfer by delivering to the Transferor, prior to the Co-Sale Closing, one or more share certificates, together with an executed instrument of transfer to the Prospective Transferee, representing:

(i) the number of Ordinary Shares that such Eligible Holder elects to include in the Proposed Transfer; or

(ii) the number of Preferred Shares that are at such time convertible into the number of Ordinary Shares that such Eligible Holder elects to include in the Proposed Transfer; provided, however, that if the Prospective Transferee objects to the allotment of convertible Preferred Shares in lieu of Ordinary Shares, such Eligible Holder shall first convert the Preferred Shares into Ordinary Shares and allot Ordinary Shares as provided above. The Company agrees to make any such conversion concurrent with and contingent upon the actual transfer of such shares to the Prospective Transferee.

(e) The terms and conditions of any sale pursuant to this Section 6.3 will be contained in, and governed by, a written purchase and sale agreement with customary terms and provisions for such a transaction.

(f) Each share certificate a Co-Sale Eligible Holder delivers to the Transferor pursuant to Section 6.3(d) above will be transferred to the Prospective Transferee against payment therefor and the register of members of the Company shall be updated in consummation of the sale of the Transfer Shares pursuant to the terms and conditions specified in the Proposed Transfer Notice and the purchase and sale agreement, and the Transferor shall concurrently therewith remit to each Co-Sale Eligible Holder the portion of the sale proceeds to which such Co-Sale Eligible Holder is entitled by reason of its participation in such sale. If any Prospective Transferee(s) refuse(s) to purchase securities subject to the Right of Co-Sale from any Co-Sale Eligible Holder exercising its Right of Co-Sale hereunder, no Transferor may sell any Transfer Shares to such Prospective Transferee(s) unless and until, simultaneously with such sale, such Transferor purchases all securities subject to the Right of Co-Sale from such Co-Sale Eligible Holder.

6.4 Proposed Transfer - Compliance Period.

If any Proposed Transfer is not consummated within ninety days (90) days after receipt of the Proposed Transfer Notice by the Company and the Eligible Holders, the Transferor proposing to make a Proposed Transfer may not sell any Transfer Shares unless such Transferor has complied in full with each provision of this Section 6. The exercise or election not to exercise any right by any Eligible Holder hereunder shall not adversely affect its right to participate in any other sales of Transfer Shares subject to this Section 6.

6.5 Effect of Failure to Comply.

(a) Any Proposed Transfer not made in compliance with the requirements of this Agreement (including without limitation this Section 6) shall be null and void *ab initio*, shall not be recorded on the books or register of the Company or its transfer agent and shall not be recognized by the Company. Each Party hereto acknowledges and agrees that any breach of this Agreement would result in substantial harm to the other Parties hereto for which monetary damages alone could not adequately compensate. Therefore, the Parties hereto unconditionally and irrevocably agree that any non-breaching Party hereto shall be entitled to seek protective orders, injunctive relief and other remedies available at law or in equity (including, without limitation, seeking specific performance or the rescission of purchases, sales and other transfers of Shares not made in strict compliance with this Agreement).

(b) If any Ordinary Shareholder becomes obligated to sell any Shares to the Company under this Agreement and fails to allot such Shares in accordance with the terms of this Agreement, the Company may, at its option, in addition to all other remedies it may have, send to such Ordinary Shareholder the purchase price for such Shares as is herein specified and cancel on its books or registers of members the certificate of certificates representing the shares to be sold.

(c) If any Ordinary Shareholder purports to sell any Shares in contravention of the Right of Co-Sale (a "**Prohibited Transfer**"), each Eligible Holder, in addition to such remedies as may be available by Laws, in equity or hereunder, is entitled to require such Transferor to purchase Shares from the Eligible Holder, as provided below, and such Transferor will be bound by the terms of such option. If a Transferor makes a Prohibited Transfer, each Eligible Holder upon timely exercise of its Right of Co-Sale under Section 6.3 may require such Transferor to purchase from such Eligible Holder the type and number of Shares that such Eligible Holder would have been entitled to sell to the Prospective Transferee under Section 6.3 had the Prohibited Transfer been effected pursuant to and in compliance with the terms of Section 6.3. The sale will be made on the same terms and subject to the same conditions as would have applied had the Transferor not made the Prohibited Transfer, except that the sale (including, without limitation, the delivery of the purchase price) must be made within ninety (90) days after the Eligible Holder learns of the Prohibited Transfer, as opposed to the timeframe prescribed in Section 6.3. Such Transferor shall also reimburse such Eligible Holder for any and all fees and expenses, including legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of such Investor's Right of Co-sale under Section 6.3.

6.6 Exempted Transfers.

(a) Notwithstanding the foregoing or anything to the contrary herein, the provisions of Section 6.2 and Section 6.3 shall not apply: (i) to a repurchase of Shares from a Transferor by the Company at a price no greater than that originally paid by such Transferor for such Shares and pursuant to an agreement containing vesting and/or repurchase provisions approved by the Board, (ii) in the case of a Transferor that is a natural person, upon a transfer of Shares by such Transferor, either during his or her lifetime or on death by will or intestacy, to his or her Immediate Family Members or any other relatives approved by the Board (including the affirmative votes of 1/2 Key Investors' Directors), or any custodian or trustee for the account of a Transferor or a Transferor's Immediate Family Members, (iii) any transfer of shares of the Company indirectly held by any Key Holder from the Holding Entity to such Key Holder at cost, or (iv) the sale of any Shares to the public in a Qualified IPO, provided that (a) adequate documentation therefor is provided to the Investors and that any such Permitted Transferee agrees in writing to be bound by this Agreement in place of the relevant transferor by executing an Adherence Agreement substantially in the form attached hereto as Exhibit A ("**Adherence Agreement**"); and (b) such Transfer is effected in compliance with all applicable Laws including, without limitation, Circular 37 provided however, without prejudice to the compliance with other applicable Laws, the Transfer of Shares to any custodian or trustee for the account of (x) a Transferor, (y) a Transferor's Immediate Family Members or (z) a Transferor's other relatives approved by the Board (including the affirmative votes of 1/2 Key Investors' Directors), as set out in sub-section (ii) above, shall be effected in compliance with Circular 37 only to the extent legally practicable; provided, further, such transferor shall remain liable for any breach by such Permitted Transferee of any provision hereunder.

(b) In the event that the Company is to alter or dissolve the existing Captive Structure, each of the Investors, severally but not jointly, shall be entitled to transfer any and all Equity Securities in the Company then held by the Investors respectively to an Affiliate, Affiliate Fund or a third party designated by the Investors respectively (each as an "**Investor's Designated Party**") at a price solely decided by the Investors respectively, or swap its Equity Securities in the Company with new Equity Securities denominated in RMB to be issued by any of the surviving Group Companies to Investor's Designated Party. As a result, the Investor's Designated Party shall hold an equity interest in the surviving Group Companies equivalent to the Equity Securities then held by the Investors respectively in the Company. The Parties shall vote, and cause their respective directors or representatives to vote in favor of such share transfer, and cause the Company and the Group Companies to take all necessary actions to obtain consents and approvals from competent agencies, if any, to make registration of the share transfer, and to issue new shares, if applicable. If there is any tax or charge arising from such transfer and/or swap of Equity Securities, the Parties shall consult in good faith to work out an amicable solution. Notwithstanding the foregoing or anything to the contrary herein, the provisions of Sections 6.1, 6.2, 6.3, 6.4 and 6.5 shall not apply in the case of a transfer or swap in accordance with this Section 6.6(b).

6.7 Assignment. Notwithstanding anything herein to the contrary:

(a) Assignment and Transfer. The terms and conditions of this Agreement shall inure to the benefit of and be binding on the respective transferees, successors and/or assigns of the parties hereto. This Agreement is not assignable except in connection with a Transfer of Shares of the Company by a Shareholder in accordance with this Agreement but only to the extent of such Transfer, provided that (i) any such transferee shall execute and deliver to the Company and the other parties hereto the Adherence Agreement as provided in Section 6.6(a), and (ii) the Company is given a written notice at the time of such assignment stating the name and address of the assignee, provided further that any right of any Investor under this Agreement are fully assignable to its Affiliates and Affiliates Fund without the consent of the other parties hereto.

(b) Adherence Agreement. For any transfer of Shares to be deemed effective, the transferee shall assume the obligations of the transferor under this Agreement by executing and delivering to the Company an Adherence Agreement. Upon the execution and delivery of an Adherence Agreement by any transferee, such transferee shall be deemed to be an Ordinary Shareholder, Investor, Founder or Key Holder hereunder, as appropriate.

6.8 Term.

The provisions of this Section 6 shall terminate upon the consummation of a Qualified IPO.

7. **ADDITIONAL COVENANTS**.

7.1 Protective Provisions.

(a) Matters Requiring the Approval of the Investors.

In addition to any other vote or consent required elsewhere in this Agreement, the Articles or by any applicable statute, each of the Company and any other Group Companies hereby covenants and agrees with the Investors that it shall not and the Key Holders shall procure that each Group Company does not, either directly or indirectly, by amendment, waiver, merger, consolidation, scheme of arrangement, amalgamation or otherwise, take, permit to occur, approve, authorize or agree or commit to do (substituting references to "Company" with "Group Company" in the provisions and defined terms below as the context requires) any of the following actions (whether in a single transaction or a series of related transactions) without the prior affirmative approval or consent of the Majority Preferred Shares Holders. In relation to Section 7.1(a), where any act listed in clauses (i) through (xiv) below requires a Special Resolution of the Members as defined in the Articles where a general meeting of Members is convened and the consent referred to above is not obtained, each holder of the Preferred Shares who votes against the resolution shall be deemed to have ten (10) times the number of votes of all members who vote for the resolution:

(i) any increase in the authorized number of Preferred Shares except for any Equity Securities issued or issuable pursuant to the Transaction Documents; any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, any Preferred Shares;

(ii) any action that authorizes, creates, issues, increases or decreases the authorized number of the Equity Securities, except for (i) the Ordinary Shares issuable upon conversion of Preferred Shares (ii) any Equity Securities issued or issuable pursuant to the Transaction Documents; and (iii) any Equity Securities issued under the option plan with the approval of the Board (including one-half (1/2) of the Key Investors' Directors);

(iii) any authorization, designation or issuance, whether by reclassification or otherwise, of any new class or series of shares or any other securities convertible into Equity Securities of the Company ranking on a parity with or senior to the Preferred Shares in any preference or priority such as right of redemption, liquidation preference, voting or dividends or any increase in the authorized or designated number of any such new class or series, except for any Equity Securities issued or issuable pursuant to the Transaction Documents;

(iv) any purchase, repurchase, redemption or retirement of any Equity Securities (excluding shares repurchased upon termination of an employee or consultant pursuant to a restricted share purchase agreement or employee incentive plan);

(v) any amendment or modification, alteration, repeal to or waiver of any provision of any of the memorandum or articles or similar organizational documents or by-laws of the Group Companies or any other constitutional documents, including, without limitation, by operation of a merger, consolidation, reorganization or similar transaction;

(vi) the commencement of or consent to any proceeding seeking (i) to adjudicate it as bankrupt or insolvent, (ii) liquidation, winding up, dissolution, reorganization, or other arrangement under law relating to bankruptcy, insolvency or reorganization or relief of debtors, including but without limitation, the Deemed Liquidation Event, or (iii) the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property;

(vii) any agreement by the Group Companies regarding selling, transferring, licensing, changing, encumbering or otherwise disposing of any trademarks, patents, know-how or other intellectual property owned by the Group Companies;

(viii) any reclassification or recapitalization of the outstanding capital shares of any Group Company;

(ix) the selection of the listing exchange for any public offering of any securities of a Group Company (including a Qualified IPO) or approve the valuation and terms and conditions for such public offering;

(x) any change of authorized size of the Board or change the manner in which any director on the Board is appointed (other than change of director by the shareholder who appoints him or her);

(xi) changing the name of any Group Company, or ceasing any business undertaking of any Group Company substantially as then currently conducted by such Group Company, change of any material part of its then current business or enter into business that is outside of its then current business;

(xii) any adoption or change of the terms of any bonus or profit sharing scheme or any employee share option or share participation schemes or similar plans;

(xiii) any Trade Sale or Loss of Control; or

(xiv) any action by a Group Company to authorize, approve or enter into any agreement or obligation with respect to any of the actions listed above.

(b) Matters Requiring the Approval of Board.

In addition to any other vote or consent required elsewhere in this Agreement, the Articles or by any applicable statute, each of the Company and any other Group Companies hereby covenants and agrees that it shall not and the Key Holders shall procure that each Group Company does not, either directly or indirectly, by amendment, waiver, merger, consolidation, scheme of arrangement, amalgamation or otherwise, take, permit to occur, approve, authorize or agree or commit to do (substituting references to "Company" with "Group Company" in the provisions and defined terms below as the context requires) any of the following actions (whether in a single transaction or a series of related transactions) without the prior affirmative approval or consent of a simple majority of the votes of the Board (including the affirmative vote of at least one-half (1/2) of all the Key Investors' Directors acting in his or her capacity as a director of the Company and as a representative of the Investor(s)):

(i) appointing, terminating or determining the compensation of the chairman, chief executive officer, president, general manager, Financial Controller, chief operation officer, chief technology officer, vice president-level or above;

(ii) issuing options or administrating the Company's share plan or any other equity incentive, purchase or participation plan for the benefit of employees;

(iii) creating, allowing to arise or issuing any debenture constituting a pledge, lien, or charge on all or any of the assets or rights of any Group Company;

(iv) establishment of any new direct or indirect subsidiary by any Group Company;

(v) approving and amending annual budget and business plan of any Group Company;

(vi) acquiring any investment or incurring any commitment in excess of US$300,000 at any time in respect of any one transaction, or in respect of a series of related transactions within a fiscal year, by any Group Company;

(vii) amending the accounting or financial policies or changing the financial year of any Group Company;

(viii) any transaction between or among the Group Companies and with any Related Party or member of such Related Party's family;

(ix) incurring any indebtedness or assuming any financial obligation or issuing, assuming, guaranteeing or creating any liability for borrowed money in excess of US$3,000,000 in a single transaction, or in a series of related transactions within a fiscal year, unless such liability is incurred pursuant to the then current business plan or annual budget;

(x) purchase or disposal of business/assets in excess of US$3,000,000 in a single transaction, or in a series of related transactions within a fiscal year, other than the purchase or disposal of business/assets in the ordinary course of business;

(xi) extension of any loan or guarantee for indebtedness in excess of US$300,000 to any third party in a single transaction, or in a series of related transactions within a fiscal year;

(xii) equity investment in any third party in excess of US$1,500,000 in a single transaction, or in a series of related transactions within a fiscal year;

(xiii) any single transaction, or a series of related transactions within a fiscal year, that is or are outside ordinary course of business and involving an amount in excess of US$1,500,000 or exclusive relationship;

(xiv) initiating or settling any single material litigation or arbitration involving an amount in excess of US$1,500,000;

(xv) appointing or changing the auditors of any Group Company;

(xvi) any action that results in the payment or declaration of a dividend on any shares of the Ordinary Shares or the Preferred Shares;

(xvii) any action that might cause harm to, or result in an alternation, dissolution, cancellation or termination of the existing Captive Structure, including but not limited to any attempt to convert the Company into a domestic company under the PRC Laws; or

(xviii) any action by a Group Company to authorize, approve or enter into any agreement or obligation with respect to any of the actions listed above.

(c) Matters Requiring the Approval of Majority Series C Preferred Shares Holders.

In addition to any other vote or consent required elsewhere in this Agreement, the Articles or by any applicable statute, each of the Company and any other Group Companies hereby covenants and agrees with the Investors that it shall not and the Key Holders shall procure that each Group Company does not, either directly or indirectly, by amendment, waiver, merger, consolidation, scheme of arrangement, amalgamation or otherwise, take, permit to occur, approve, authorize or agree or commit to do (substituting references to "Company" with "Group Company" in the provisions and defined terms below as the context requires) any of the following actions (whether in a single transaction or a series of related transactions) without the prior affirmative approval or consent of the Majority Series C Preferred Shares Holders:

(i) create or designate (including by reclassification of existing shares), or authorize any issuance of any additional Equity Securities (including, but not limited to, all classes of shares, warrants, rights to subscribe for shares and securities convertible into any share class) for a consideration per share that is lower than the subscription price of the Series C Preferred Shares, except for the transfer of existing Shares of the Company and the issuance of any Shares of the Company in connection with (i) employees stock option plan of the Company; (ii) any share split, share dividend, combination, recapitalization or other similar transaction of the Company; (iii) the conversion of the outstanding Preferred Shares of the Company into the Ordinary Shares of the Company; and (iv) any Equity Securities issued or issuable pursuant to the Transaction Documents;

(ii) any transaction or series of related transactions by the Company, (i) which shall constitute a change of control event (including the sale or exclusive licensing of substantially all of the intellectual property assets of the Group to a third party), or in which the relevant Group Company or its shareholders immediately prior to such transaction shall not, as a result of or subsequent to the transaction, hold a majority of the voting power or share capital of the surviving or resulting entity with an implied pre-money valuation of the Company with per share price less than the per share issue price with respect to the series C round of financing of Company (subject to adjustment any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting such shares);

(iii) any waiver or amendment, alternation or modification to the provision related to a price based anti-dilution adjustment applicable to the Series C Preferred Shares or Series C+ Preferred Shares;

(iv) any initial public offering of any equity securities of the Company, which is not a Qualified IPO;

(v) any waiver of the treatment of an event as a liquidation event or deemed liquidation event or some similar concepts under the current effective investment and constitutional documents of the Company, provided however, in the event where a liquidation event or deemed liquidation event or some similar concepts occurs and the implied pre-money valuation of the Company is no less than US$1,442,496,338, the waiver of application of liquidation preference waterfall as set out in memorandum and articles of association of the Company doesn't require the consent of Majority Series C Preferred Shares Holders.

(vi) any amendment, alteration or repeal of any provision of the constitutional documents of any of the Group Companies in a manner that adversely changes or alters the existing voting or other powers, preferences or other special rights, privileges, benefits or restrictions of the Series C Preferred Shares and/or Series C+ Preferred Shares (whether by merger, consolidation or otherwise); for the avoidance of doubt, issuance of any Equity Securities having rights, preferences or privileges senior to the Series C Preferred Shares and/or Series C+ Preferred Shares for a consideration per share that is no lower than the subscription price of the Series C Preferred Shares shall not be deemed as the action that adversely changes or alters the existing voting or other powers, preferences or other special rights, privileges, benefits or restrictions of the Series C Preferred Shares and/or Series C+ Preferred Shares.

7.2 Meetings of the Board.

Subject to the provisions of the Articles and unless otherwise determined by the vote of a majority of the directors then in office, the Board shall meet at least quarterly in accordance with an agreed upon schedule.

7.3 Successor Indemnification.

In the event that the Company or any of its successors or assigns (i) consolidates with or merges into any other entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any person or entity, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of the Company assume the obligations of the Company with respect to indemnification of members of the Board as in effect immediately prior to such transaction, whether in the Company's Articles or elsewhere, as the case may be.

7.4 Trustee Shareholders.

The Group Companies, the Founder and the Management Shareholders shall procure that each of the Investors (except for C+ Round Financing Investors) shall have the right (but not the obligation) if such Investor requires so to designate an individual to hold certain equity interest in the Beijing Subsidiary proportionate to respective equity interests in the Company held by such Investor respectively. Such Investors shall procure that such individuals (i) enter into the Cooperation Documents and pledge their equity interests in the Beijing Subsidiary along with the Founder and the other shareholders to the WFOE; and (ii) enter into such necessary documents to adjust their equity ratio in the Beijing Subsidiary accordingly to mirror the shareholding ratio changes in the Company held by such Investor respectively.

7.5 Amendment to Cooperation Documents.

In the event that any provision under the Cooperation Documents is ruled by any relevant Governmental Authority as invalid or unenforceable under the Laws of the PRC, the Key Holders and the Group Companies shall, subject to the Laws of the PRC, use their best efforts to take, or cause to be taken, such action, to execute and deliver, or cause to be executed and delivered, such documents and instruments and to do, or cause to be done, all things necessary, proper or advisable to ensure that substantially all of the income generated by the Domestic Companies is consolidated into the WFOE.

7.6 Option to Purchase Domestic Companies.

Subject to PRC laws, so long as each of the Investors still holds any Shares of the Company, each of such Investors shall have the rights (but not the obligation) to purchase or designate third parties to purchase certain equity interest in the Domestic Companies or any other Group Company proportionate to the equity interest in the Company held by such Investor respectively for nominal consideration (or for the lowest price that is in compliance with applicable Law), provided that such Investor or its designees agree to enter into the Cooperation Documents. The shareholders of the Domestic Companies or any such other Group Company shall return any proceeds from such Investor's exercise of this option to it.

7.7 [Reserved]

7.8 Insurance.

Upon the request from NLVC and/or LYFE and/or Sequoia and/or Evergreen and/or GIC, the Company shall use its reasonable best efforts to obtain from financially sound and reputable insurers (i) Directors and Officers Liability insurance and (ii) term "key-person" insurance, each in an amount satisfactory to the Board, and will use reasonable best efforts to cause such insurance policies to be maintained until such time as the Board determines that such insurance should be discontinued. The "key person" policy shall name the Company as loss payee and neither policy shall be cancelable by the Company without prior approval of the Board including the NLVC Director, LYFE Director, Sequoia Director, GIC Director and Evergreen Director.

7.9 Disclosure of Investment Terms.

The Founder and the Company shall immediately disclose to the Investors any of the agreements, contracts, term sheets, memorandums of understanding, arrangements, indentures, notes, bonds, loans, instruments, and other legally binding arrangements whether oral or written if the Company or its Shareholders, Directors, employees or Affiliates propose to initiate or take any action to solicit or support any inquiry, proposal or offer from, furnish any information to or participate in any negotiations or discussions with any third party or enter into any agreement or arrangement regarding any equity or debt, financing, sale, transfer or otherwise disposal of the Equity Securities of the Company from the date hereof.

7.10 Non-Competition with the Group Company.

Each of the Key Holders hereof undertakes and covenants to each Investor that neither he/she nor any of his/her Affiliates will directly or indirectly, either by himself/herself or in conjunction with or through any other Person: (i) engage in any business activities in competition with, upstream to or downstream to the business of any Group Company or any Affiliate of the Group Company, whether such engagement is as a partner, investor (other than as a holder of less than one percent (1%) of the outstanding capital stock of a publicly traded company), consultant, adviser, agent, employee or otherwise, nor to offer employment to or employ, for himself or on behalf of any then competitor of the Group Company or an Affiliate of the Company; (ii) solicit in any manner any Person who is or has been a customer or client of any Group Company for the purpose of offering to such Person any goods or services similar to or competing with any of the businesses conducted by any Group Company; (iii) solicit or entice away, or endeavor to solicit or entice away, any employee or officer of any Group Company; (iv) use any Confidential Information to compete with the Group Company. For the avoidance of doubt, in order to validate and enforce the non-competition obligation of any Key Holder after such Key Holder is no longer an employee of any Group Companies, the Group Companies shall pay such Key Holder the non-competition compensations if required by the applicable Law. In the event that there is any conflict between the provisions of any separate agreement executed by any of the relevant Parties with respect to the non-competition obligation of the Key Holders and the provisions of this Section 7.10, the provisions of this Section 7.10 shall prevail.

7.11 Full Time Commitment.

(a) The Founder undertakes and covenants to the Investors that, commencing from the date of this Agreement until the second anniversary of a Qualified IPO (unless his earlier resignation is approved by the Board, including at least the affirmative votes of the one half (1/2) of the Key Investors' Directors), he shall commit all of his efforts to furthering the business of the Group Companies and shall not, without the prior written consent of at least one-half (1/2) of the Key Investors' Directors, either on his own account or through any of his Affiliates, or in conjunction with or on behalf of any other Person, (i) possess, directly or indirectly, the power to direct or cause the direction of the management and business operation of any entity other than a Group Company whether (A) through the ownership of any equity interest in such entity, or (B) by occupying half or more of the board seats of the entity, or (C) by contract or otherwise; or (ii) devote time to carry out or otherwise engage in the management or the business operation of any entity other than a Group Company.

(b) Each Key Holder (other than the Founder) undertakes and covenants to the Investors that, commencing from the date of this Agreement until the first anniversary of a Qualified IPO (unless his or her earlier resignation is approved by the Board, including at least the affirmative votes of the one half (1/2) of the Key Investors' Directors), he/she shall commit all of his/her efforts to furthering the business of the Group Companies and shall not, without the prior written consent of at least one-half (1/2) of the Key Investors' Directors, either on his/her own account or through any of his/her Affiliates, or in conjunction with or on behalf of any other Person, (i) possess, directly or indirectly, the power to direct or cause the direction of the management and business operation of any entity other than a Group Company whether (A) through the ownership of any equity interest in such entity, or (B) by occupying half or more of the board seats of the entity, or (C) by contract or otherwise; or (ii) devote time to carry out or otherwise engage in the management or the business operation of any entity other than a Group Company.

(c) Each Key Holder undertakes and covenants to the Investors that he/she shall comply with the policies, standards, rules and regulations of the Group Company, and any additions or amendments to such policies, standards, rules or regulations established by the Group Company from time to time.

(d) Each Key Holder further agrees that he/she shall, while performing services for the Group Company: (i) exercise due care as would a good administrator or manager and be faithful and diligent in performing his/her services to the Group Company; (ii) except for the business needs of the Group Company, as expressly authorized by the Company, not unilaterally act on behalf of or in the name of the Group Company; and (iii) hold in confidence and not disclose to others any information relating to his/her compensation, except for the disclosure to his/her Immediate Family Members.

(e) Each Key Holder further agrees that, other than is necessary to fulfill his/her responsibilities to any Group Company, such Key Holder shall not remove or have removed from the Company or an Affiliate of the Company's premises any notebooks, reports, letters, manuals, listings, data, data bases, drawings, blueprints, notes, sketches, materials, references, memoranda, documentation, or other materials, directly or indirectly relating to any Confidential Information, including all copies of such material, whether in hard copy, electronic media or in any other form belonging to the Company or an affiliate of the Company, or their customers, without first obtaining the written consent of the Company or the relevant affiliate of the Company, as the case may be.

(f) Without requesting additional compensation from the Company and/or the relevant Affiliate of the Company, each Key Holder further agrees to sign and execute all documents and other papers and otherwise fully cooperate with the Company and the affiliates of the Company to carry out the intent of Section 7.10 and Section 7.11.

(g) Except as disclosed to the Company and the Founder prior to the Closing, each of the other Key Holders (except the Founder) shall not, in any manner directly or indirectly, engage in any other business activities, whether such engagement is as a partner, investor, consultant, adviser, agent, employee or otherwise, without the prior written consent of the Founder, or (i) HAN Yusheng (汉雨生) shall be entitled to purchase any shares purchased and owned by such Key Holder under the Call Option Agreement entered into by HAN Yusheng (汉雨生) and such Key Holder without payment of any consideration or at nominal consideration, (ii) the Company shall be entitled to redeem all the Preferred Shares held directly or indirectly by such Key Holder at such time at the per share price of Original Preferred Issue Price and all the other Ordinary Shares, options and equity securities of the Company held directly or indirectly by such Key Holders at such time without payment of any consideration.

7.12 [Reserved]

7.13 Compliance with Anti-corruption Law.

(a) Each of the Group Companies covenants that it shall not, and shall not permit any of its Subsidiaries or Affiliates or any of its or their respective directors, administrators, officers, managers, board of directors (supervisory and management) members, employees, independent contractors, representatives or agents to, promise, authorize or make any payment to, or otherwise contribute any item of value to, directly or indirectly, to any third party, including any non-U.S. official, in each case, in violation of the Anti-Corruption Laws. The Company further covenants that it shall, and shall cause each of its Subsidiaries and Affiliates to, cease all of its or their respective activities, as well as remediate any actions taken by the Company, its Subsidiaries or Affiliates, or any of its or their respective directors, administrators, officers, managers, board of directors (supervisory and management) members, employees, independent contractors, representatives or agents in violation of the Anti-Corruption Laws. The Company further covenants that it shall, and shall cause each of its Subsidiaries and Affiliates to maintain, immediately upon the execution of this Agreement, books and records that describe in detail and in all material respects the services rendered, payments made, and costs and expenditures incurred by the Subsidiaries and Affiliates, and to maintain a system of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure that all measures and transactions go through requisite approval process and have proper authorization and are in compliance with the Anti-Corruption Laws. The use of false documents is prohibited, as is the making of inadequate, ambiguous or deceptive bookkeeping entries and any other accounting procedure, technique or device that could hide or otherwise disguise the nature of the transaction at issue. The Warrantors shall cause the Company to, maintain a compliance program in terms of anti-corruption policies, procedures and accounting controls that satisfies the requirements under the Anti-Corruption Laws in all material respect.

The Group Companies' use of proceeds will be in compliance with and will not result in the breach of any sanctions administered from time to time by the Office of Foreign Assets Control of the United States Department of the Treasury ("**OFAC**") or the United States Department of State, any regulations or executive orders implementing U.S. economic sanctions Laws, or other similar sanctions imposed by the United Nations, the European Union under Council Regulation (EC) No. 194/2008, Her Majesty's Treasury, or any other relevant governmental entity ("**Sanctions**"). Without limiting the generality of the foregoing, the Group Companies will not directly or indirectly use, lend, contribute or otherwise make available any proceeds for the purpose of funding or facilitating any activities or business of or with any person towards any sales or operations in Cuba, Iran, Libya, Syria, the Democratic People's Republic of Korea, the Crimea Region of Ukraine, or any other country sanctioned by OFAC from time to time, or for the purpose of funding any operations or financing any investments in, or make any payments to, any Person targeted by or subject to any Sanctions.

(b) Each of the Group Companies covenants that it shall, to the extent commercially practicable, use its best effort to integrate the third party (including, but not limited to, distributors, agents, marketing vendors and business partners) engagement and management into its compliance program, conducting pre-engagement compliance review, delivering anti-corruption policies and arranging the FCPA and anti-corruption trainings.

(c) Each of the Group Companies covenants that it shall, to the extent commercially practicable, use its best effort to, and shall cause its Subsidiaries and Affiliates to use its best effort to, conduct, and shall keep the Investors informed for, post-closing review over the Domestic Companies' existing engagements with the relevant third parties (including, but not limited to, distributors, agents, marketing vendors and business partners). Each of the Group Companies shall, to the extent commercially practicable, use its best effort to, and shall cause its Subsidiaries and Affiliates to use its best effort to, conduct, and shall keep the Investors informed for, a review on the list of relevant third parties (including but not limited to, distributors, agents, marketing vendors and business partners) used by the Domestic Companies, the corresponding services contracts and any documents/financial vouchers that could reflect the nature of the services provided. Each of the Group Companies covenants that it shall, to the extent commercially practicable, use its best effort to, and will cause its Subsidiaries and Affiliates to use its best effort to take, and shall keep Investors informed for, any potential remediation actions resulted from such third party review.

(d) Each of the Group Companies covenants that, to the extent commercially practicable, it shall, and will cause its Subsidiaries and Affiliates to, hold trainings at regular intervals on FCPA, the applicable Anti-Corruption Laws and the compliance policies, procedures and internal control mechanism adopted by the Group Companies. Each of the Group Companies covenants that, to the extent commercially practicable, it shall, and will cause its Subsidiaries and Affiliates to, procure the relevant directors, employees, consultants and other representatives of the Group Companies to attend trainings.

(e) Each of the Group Companies covenants that it shall, and will cause its Subsidiaries and Affiliates to, immediately report knowledge or suspicion to the Investors, if the Group Companies or any of its Subsidiaries or Affiliates becomes aware, or has reason to suspect, that any person or entity acting on behalf of the Group Companies or its Subsidiaries/Affiliates has violates materially the Anti-Corruption Laws.

7.14 Compliance with Anti-Money Laundering Laws.

Each of the Group Companies shall, and each Key Holder shall procure that the operations of the Group Companies to, be conducted at all times in compliance with applicable anti-money laundering statutes of all jurisdictions in all material respect, including, without limitation, all U.S. anti-money laundering laws, the rule and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental or regulatory agency.

7.15 Management Incentive.

(a) (i) Immediately prior to the closing of a Qualified Financing, or (ii) in the event that the Company has already completed an initial public offering, immediately after the day when the valuation of the Company is no less than US$2,472,850,866 based on the closing sales prices of Company's public traded Shares on the relevant stock exchanges, whichever is earlier, the Company may reserve certain number of additional shares for issuance pursuant to the ESOP (the "**New ESOP**") of the Company that accounts for 5% of the share capital of the Company immediately after such reservation on an as converted and fully diluted basis and the Investors shall vote in favor of the adoption of the New ESOP when any of the abovementioned condition has been satisfied.

(b) The grant of options under the New ESOP shall be approved by the Board (including the approval of at least one half (1/2) of the Key Investors' Directors) or approved by a mechanism stipulated by applicable Laws, regulations and rules in the event that the Company has completed an initial public offering. Subject to aforementioned approval requirements, the Company may grant a certain number of options under the New ESOP to the Founder.

7.16 Qualified IPO.

The Key Holders and the Company undertake to use best efforts to, within three (3) years after the date hereof, consummate a Qualified IPO.

7.17 Term.

The provisions of this Section 7 (except for 7.11(a), 7.11(b) and 7.15) shall terminate upon the consummation of a Qualified IPO.

8. MISCELLANEOUS.

8.1 Governing Law.

This Agreement shall be governed by and construed in accordance with the Laws of Hong Kong.

8.2 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may also be executed and delivered by facsimile or other electronic signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.3 Headings and Subheadings.

The headings and subheadings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.4 Notices.

All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address, or to such email address, facsimile number or address as set forth on Schedule II attached hereto or as subsequently modified by written notice given in accordance with this Section 8.4.

8.5 Costs of Enforcement.

If any party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings, the non-prevailing party shall pay all costs and expenses incurred by the prevailing party, including, without limitation, all reasonable legal adviser's fees.

8.6 Amendments and Waivers.

Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of (i) the Company, (ii) the Majority Key Holders, (iii) the Majority Series A Preferred Shares Holders, (iv) the Majority Series A+ Preferred Shares Holders, (v) the Majority Series B Preferred Shares Holders and (vi) the Majority Series C Preferred Shares Holders. Notwithstanding anything contained herein to the contrary, any waiver or amendment that would have the effect of altering the rights and obligations of a particular Investor (without taking into account its unique circumstances) in an adverse and different manner than the other Investors shall be effective against such Investor only with its prior written consent. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities then Outstanding, each future holder of all such Registrable Securities, and the Company. The Company shall give prompt written notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination or waiver. Any amendment, termination or waiver effected in accordance with this Section 8.6 shall be binding on all Parties hereto, even if they do not execute such consent. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

8.7 Severability.

The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

8.8 Aggregation of Shares.

All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

8.9 Entire Agreement.

This Agreement, the Purchase Agreement, any other Transaction Documents, together with all the schedules and exhibits hereto and thereto, which are hereby expressly incorporated herein by this reference, constitute the full and entire understanding and agreement among the Parties with regard to the subjects hereof and thereof and supersede all prior agreements and undertakings, both written and oral, among the Parties with respect to the subject matter hereof and thereof (including without limitations any prior shareholders agreements, any term sheet or letter of intent among any of the Parties with respect to the subject matter of this Agreement or the other Transaction Documents).

8.10 Precedence.

Upon execution, this Agreement (including the Exhibits hereto, if any) shall replace the Prior Agreement, and supersede any other shareholders rights agreement pertaining to the Company. Should there be any conflict or discrepancy between the provisions of this Agreement and those of any other shareholders agreements, the provisions of this Agreement shall prevail.

8.11 Legend.

(a) Each certificate representing Shares of a Key Holder issued by the Company shall be endorsed with the following legend:

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN SHAREHOLDERS' AGREEMENT BY AND AMONG THE SHAREHOLDER, THE COMPANY AND CERTAIN OTHER HOLDERS OF SHARES OF THE COMPANY. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

(b) Each Key Holder 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 8.11(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 this Agreement at the request of the Holder.

8.12 Dispute Resolution.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall first be subject to resolution through consultation of the parties to such dispute, controversy or claim. Such consultation shall begin within seven (7) days after one Party hereto has delivered to the other Parties involved a written request for such consultation. If within thirty (30) days following the commencement of such consultation the dispute cannot be resolved, the dispute shall be submitted to arbitration upon the request of any Party with notice to the other Parties.

(b) The arbitration shall be conducted in Hong Kong under the auspices of the Hong Kong International Arbitration Centre (the "**HKIAC**"). There shall be three arbitrators. The complainant and the respondent to such dispute shall each select one arbitrator within thirty (30) days after giving or receiving the demand for arbitration. Such arbitrators shall be freely selected, and the Parties shall not be limited in their selection to any prescribed list. The chairman of the HKIAC shall select the third arbitrator, who shall be qualified to practice Law in Hong Kong. If either party to the arbitration does not appoint an arbitrator who has consented to participate within thirty (30) days after selection of the first arbitrator, the relevant appointment shall be made by the chairman of the HKIAC.

(c) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the Arbitration Rules of the HKIAC in effect at the time of the arbitration. However, if such rules are in conflict with the provisions of this Section 8.12, including the provisions concerning the appointment of arbitrators, the provisions of this Section 8.12 shall prevail.

(d) The arbitrators shall decide any dispute submitted by the parties to the arbitration strictly in accordance with the substantive Law of Hong Kong and shall not apply any other substantive law.

(e) Each Party hereto shall cooperate with any party to the dispute in making full disclosure of and providing complete access to all information and documents requested by such party in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on the Party receiving the request.

(f) The award of the arbitration tribunal shall be final and binding upon the disputing parties, and any party to the dispute may apply to a court of competent jurisdiction for enforcement of such award.

(g) Any party to the dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

8.13 Delays or Omissions.

No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

8.14 Conflict with Articles.

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Company's Articles or other constitutional documents, the terms of this Agreement shall prevail as between the shareholders of the Company only. The Investors and the Key Holders shall, notwithstanding the conflict or inconsistency, act so as to effect the intent of this Agreement to the greatest extent possible under the circumstances and shall promptly amend the conflicting constitutional documents to conform to this Agreement to the greatest extent possible.

8.15 Holding Companies.

Each of the Key Holders who are natural persons shall procure the corporate Key Holder controlled by him to fully comply with and perform all of the obligations, covenants, undertakings and commitments of such corporate Key Holder under this Agreement.

8.16 Independent Nature of Investors' Obligations and Rights.

The obligations of each Investor under this Agreement and the other Transaction Documents are several and not joint, and except for the Affiliate of such Investor, no Investor is responsible in any way for the performance or conduct of any other Investor in connection with the transactions contemplated hereby. Nothing contained herein or in any other Transaction Document, and no action taken by any Investor pursuant hereto or thereto, shall be or shall be deemed to constitute a partnership, association, joint venture, or joint group with respect to the Investors. Each Investor agrees that no other Investor has acted as an agent for such Investor in connection with the transactions contemplated hereby.

8.17 Restriction on the Use of "Sequoia" and Confidentiality.

Without the written consent of Sequoia, the Group Companies, their shareholders (excluding Sequoia), and the Founder, shall not use the name or brand of Sequoia or its Affiliate, claim itself as a partner of Sequoia or its Affiliate, make any similar representations. Without the written approval of Sequoia, the Group Companies, their shareholders (excluding Sequoia), and the Founder, shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or Sequoia's subscription of share interest of the Company.

8.18 Restriction on the Use of "GIC" and Confidentiality.

Without the written consent of GIC, each Party shall not use the name or brand of GIC or its Affiliate, claim itself as a partner of GIC or its Affiliate, make any similar representations. Without the written approval of GIC, each Party shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or GIC's subscription of share interest of the Company.

8.19 Restriction on the Use of "LAV" and Confidentiality.

Without the written consent of LAV, each Party shall not use the name or brand of LAV or its Affiliate, claim itself as a partner of LAV or its Affiliate, make any similar representations. Without the written approval of LAV, each Party shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or LAV's subscription of share interest of the Company.

8.20 Restriction on the Use of "OrbiMed" and Confidentiality.

Without the written consent of OrbiMed, each Party shall not use the name or brand of OrbiMed or its Affiliate, claim itself as a partner of OrbiMed or its Affiliate, make any similar representations. Without the written approval of OrbiMed, each Party shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or OrbiMed's subscription of share interest of the Company.

8.21 SAFE Registration.

With respect to any holder or beneficial owner of any equity security of the Company (other than any direct or indirect holder or beneficial owner of the Investors) (each, a "**Security Holder**") who is a "Domestic Resident" as defined in Circular 37 and is subject to the SAFE registration or reporting requirements under Circular 37, such Security Holder shall, and the Key Holders and the Group Companies shall cause such Security Holder to comply with the applicable SAFE registration or reporting requirements under SAFE Rules and Regulations.

8.22 IPO Participation Right.

Notwithstanding and without prejudice to Section 4 above but subject to applicable laws and regulations, GIC shall have the right to purchase by itself or its Affiliates, at its option, at the final price per share set forth in the Company's final prospectus with respect to an IPO, up to the number of the Ordinary Shares of the Company offered in the IPO that enable GIC and/or Affiliates to maintain, in the aggregate, its ownership interest percentage in the Company immediately prior to the consummation of the IPO. This provision shall terminate immediately after the consummation of a Qualified IPO.

8.23 Preferred Shares held by Ordinary Shareholders and their Affiliates.

For the avoidance of doubt, and notwithstanding anything to the contrary hereunder, any rights enjoyed by Key Holders and any other Ordinary Shareholders as an "Investor", "Holder", "Eligible Holder" or a holder of Preferred Shares under this Agreement, shall be in respect of, and limited to, the extent of such number of Preferred Shares from time to time held by it and the exercise of such rights shall in no event affect and contradict the obligations and restrictions otherwise placed on it and its Affiliates (including such capacities as "Key Holder", "Founder" "Holding Entity" or "Management Shareholder", as appropriate) pursuant to the terms of this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first above written.

COMPANY:

BURNING ROCK BIOTECH LIMITED

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first above written.

HK COMPANY:

BR Hong Kong Limited

By: /s/ HAN Yusheng
Name: HAN Yusheng
Title: Director

WFOE:

BEIJING BURNING ROCK BIOTECH LIMITED (北京博宁洛克生物科技有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng
Title: Legal Representative

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first above written.

DOMESTIC COMPANIES:

Burning Rock (Beijing) Biotechnology Co., Ltd. (燃石（北京）生物科技有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

Guangzhou Burning Rock Dx Co., Ltd. (广州燃石医学检验所有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

Guangzhou Burning Rock Biotechnology Co., Ltd. (广州燃石生物科技有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

Guangzhou Burning Rock Medical Equipment Co., Ltd. (广州燃石医疗器械有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

DOMESTIC COMPANIES:

Burning Rock Biotechnology (Shanghai) Co., Ltd.
(燃石生物科技（上海）有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

FOUNDER:

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

HOLDING ENTITIES:

Quantum Boundary Holdings Limited

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Director

Golden Dusk International Limited

By: /s/ ZHOU Nannan
Name: ZHOU Nannan (周楠楠)
Title: Director

Miraculous Dream International Limited

By: /s/ WU Zhigang
Name: WU Zhigang (吴志刚)
Title: Director

Zephyr Guardian International Limited

By: /s/ SHAO Liang
Name: SHAO Liang (邵量)
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

HOLDING ENTITIES:

Silver Cygnus Holdings Limited

By: /s/ ZHOU Dan
Name: ZHOU Dan (周丹)
Title: Director

Quantum Intelligence Holding Limited

By: /s/ SI Peijing
Name: SI Peijing (斯佩静)
Title: Director

Loving Marvin Holdings Limited

By: /s/ CHUAI Shaokun
Name: CHUAI Shaokun (揣少坤)
Title: Director

Quantum Intelligence Group Limited

By: /s/ LIU Hao
Name: LIU Hao (刘颢)
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

HOLDING ENTITIES:

Winter Elves International Limited

By: /s/ ZHOU Nannan
Name: ZHOU Nannan (周楠楠)
Title: Director

Winter Elves Holdings Limited

By: /s/ WU Zhigang
Name: WU Zhigang (吴志刚)
Title: Director

Quantum Intelligence Developments Limited

By: /s/ TAN Zhaolei
Name: TAN Zhaolei (谈兆蕾)
Title: Director

Interstellar Gate Holdings Limited

By: /s/ Leo Li
Name: Leo Li (李晋翔)
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

HOLDING ENTITIES:

Gentle Drizzle Group Limited

By: /s/ ZHOU Dan
Name: ZHOU Dan (周丹)
Title: Director

Gentle Drizzle International Limited

By: /s/ ZHOU Nannan
Name: ZHOU Nannan (周楠楠)
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

MANAGEMENT SHAREHOLDERS:

By: /s/ SHAO Liang
Name: SHAO Liang (邵量)

By: /s/ ZHOU Dan
Name: ZHOU Dan (周丹)

By: /s/ CHUAI Shaokun
Name: CHUAI Shaokun (揣少坤)

By: /s/ WU Zhigang
Name: WU Zhigang (吴志刚)

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

By: /s/ YIN Dong
Name: YIN Dong (尹东)

By: /s/ SI Peijing
Name: SI Peijing (斯佩静)

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

A ROUND FINANCING INVESTORS:

Northern Light Venture Capital III, Ltd.

By: /s/ Jeffrey D. Lee
Name: Jeffrey D. Lee
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

A ROUND FINANCING INVESTORS:
A+ ROUND FINANCING INVESTORS:
B ROUND FINANCING INVESTORS:

Crest Top Developments Limited

By: /s/ WANG Mingyao
Name: WANG Mingyao (王明耀)
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

A+ ROUND FINANCING INVESTORS:
B ROUND FINANCING INVESTORS:
C ROUND FINANCING INVESTORS:

LYFE Capital Stone (Hong Kong) Limited

By: /s/ ZHAO Jin
Name: ZHAO Jin
Title: Founding Partner

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

A+ ROUND FINANCING INVESTORS:
B ROUND FINANCING INVESTORS:

SCC Venture V Holdco I, Ltd.

By: /s/ Ip Siu Wai Eva
Name: Ip Siu Wai Eva
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

A+ ROUND FINANCING INVESTORS:
B ROUND FINANCING INVESTORS:

Anssence Investments Limited

By: /s/ LIU Lin
Name: LIU Lin
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

B ROUND FINANCING INVESTORS:
C ROUND FINANCING INVESTORS:

SCC Venture VI Holdco, Ltd.

By: /s/ Ip Siu Wai Eva
Name: Ip Siu Wai Eva
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

B ROUND FINANCING INVESTORS:
C ROUND FINANCING INVESTORS:

EverGreen SeriesC Limited Partnership
acting through **CMB International Asset Management Limited** as its general partner

/s/ JIANG RONG FENG
Name: JIANG RONG FENG
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C ROUND FINANCING INVESTORS:

Owap Investment Pte Ltd

/s/ Lau Eng Boon
Name: Lau Eng Boon
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C ROUND FINANCING INVESTORS:

CMBI Private Equity Series SPC on behalf of and for the account of Biotechnology Fund IV SP

/s/ JIANG RONG FENG
Name: JIANG RONG FENG
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C ROUND FINANCING INVESTORS:
C+ ROUND FINANCING INVESTORS:

LAV Biosciences Fund V, L.P.

By: LAV GP V, L.P.
Its General Partner
By: LAV Corporate V GP, Ltd.
Its: General Partner

/s/ Yu Luo
Name: Yu Luo
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C ROUND FINANCING INVESTORS:

LYFE Mount Whitney Limited

/s/ ZHAO Jin
Name: ZHAO Jin
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C ROUND FINANCING INVESTORS:

A5J Ltd

/s/ Edmond Ng
Name: Edmond Ng
Title: Managing Partner

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C ROUND FINANCING INVESTORS:

Unique Invest Co., Ltd

/s/ SHU Weiping
Name: SHU Weiping
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C ROUND FINANCING INVESTORS:

Ampere Partners Holdings Limited

/s/ Thomas Crawford Jamieson

Name: Thomas Crawford Jamieson
Title: Director

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C+ ROUND FINANCING INVESTORS:

ORBIMED PARTNERS MASTER FUND LIMITED

By: OrbiMed Capital LLC, solely in its capacity as Investment Advisor

/s/ Geoffrey Hsu

Name: Geoffrey Hsu
Title: Member

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C+ ROUND FINANCING INVESTORS:

THE BIOTECH GROWTH TRUST PLC

By: OrbiMed Capital LLC, solely in its capacity as Portfolio Manager

/s/ Geoffrey Hsu

Name: Geoffrey Hsu
Title: Member

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C+ ROUND FINANCING INVESTORS:

WORLDWIDE HEALTHCARE TRUST PLC

By: OrbiMed Capital LLC, solely in its capacity as Portfolio Manager

/s/ Geoffrey Hsu

Name: Geoffrey Hsu
Title: Member

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C+ ROUND FINANCING INVESTORS:

ORBIMED GENESIS MASTER FUND, L.P.

By: OrbiMed Genesis GP, LLC, its
General Partner

By: OrbiMed Advisors LLC, its
Managing Member

/s/ Geoffrey Hsu

Name: Geoffrey Hsu
Title: Member

IN WITNESS WHEREOF, the Parties have executed this Shareholders' Agreement as of the date first written above.

C+ ROUND FINANCING INVESTORS:

CASDIN PARTNERS MASTER FUND, L.P.

By: Casdin Partners GP, LLC, its General Partner

/s/ Kevin O'Brien
Name: Kevin O'Brien
Title: Authorized Signatory

APPENDIX A

DEFINITIONS

For purposes of this Agreement, capitalized terms shall have the meanings set forth in this Appendix A.

1. The term "**10% U.S. Investor**" has the meaning ascribed to such term in Section 3.3(b).

2. The term "**A Round Financing Investors**", "**A+ Round Financing Investors**", or "**B Round Financing Investors**", "**C Round Financing Investors**" or "**C+ Round Financing Investors**" has the meaning ascribed to such term in the Preamble to this Agreement.

3. The term "**Additional Equity Securities**" has the meaning set forth in the Articles.

4. The term "**Additional Proposed Transfer Notice**" has the meaning ascribed to such term in Section 6.2(c)(iv).

5. The term "**Additional Transfer Share**" has the meaning ascribed to such term in Section 6.2(b)(iv).

6. The term "**Adherence Agreement**" has the meaning ascribed to such term in Section 6.6(a).

7. The term "**Affiliate**" means, with respect to any individual, corporation, partnership, association, trust, or any other entity (in each case, a "**Person**"), any Person which, directly or indirectly, controls, is controlled by or is under common control with such Person, including, without limitation any general partner, officer or director of such Person and any venture capital fund now or hereafter existing which is controlled by or under common control with one or more general partners or shares the same management company with such Person. Notwithstanding the foregoing, the parties acknowledge and agree that (a) the name "Sequoia Capital" is commonly used to describe a variety of entities (collectively, the "**Sequoia Entities**") that are affiliated by ownership or operational relationship and engaged in a broad range of activities related to investing and securities trading and (b) notwithstanding any other provision of this Agreement to the contrary, this Agreement shall not be binding on, or restrict the activities of, any (i) Sequoia Entity outside of the Sequoia China Sector Group or (ii) entity primarily engaged in investment and trading in the secondary securities market. For purposes of the foregoing, the "**Sequoia China Sector Group**" means all Sequoia Entities (whether currently existing or formed in the future) that are principally focused on companies located in, or with connections to, the People's Republic of China.

8. The term "**Affiliated Fund**" shall mean an affiliated fund or entity of any Investor, which means with respect to a limited liability company or a limited liability partnership, a fund or entity managed by the same manager or managing member or general partner or management company or by an entity controlling, controlled by, or under common control with such manager or managing member or general partner or management company.

9. The term "**Agreement**" has the meaning ascribed to such term in the Preamble to this Agreement.

10. The term "**Ampere Partners**" means Ampere Partners Holding Limited.

11. The term "**Anti-Corruption Laws**" shall mean the United States Foreign Corrupt Practices Act of 1977, as amended, the United Kingdom Bribery Act 2010, as amended, the Criminal Law of the People's Republic of China, as amended, the Anti-Unfair Competition Law of the People's Republic of China, as amended, the Hong Kong Prevention of Bribery Ordinance (as amended), and any other applicable anti-corruption or anti-bribery laws or regulations.

12. The term "**Articles**" means the Company's Eighth Amended and Restated Memorandum and Articles of Association adopted on January 10, 2020, as amended from time to time.

13. The term "**as-exercised**" or any variation thereof with respect to the GIC Warrant means that, prior to the expiration of the Exercise Period of such GIC Warrant, the calculation should be made assuming the full exercise of the purchase right in relation to the Shares pursuant to the GIC Warrant ("**Deemed Exercise**"). For the avoidance of doubt, if GIC has not exercised the GIC Warrant upon the expiration of the Exercise Period, the Deemed Exercise shall elapse.

14. The term "**Auditor**" means the Person for the time being performing the duties of auditors of the Company.

15. The term "**Axiom**" means A5J Ltd.

16. The term "**Beijing Subsidiary**" has the meaning ascribed to such term in the Preamble to this Agreement.

17. The term "**Board**" or "**Board of Directors**" means the Company's board of directors.

18. The term "**Budget**" has the meaning ascribed to such term in Section 3.1(d).

19. The term "**Business Day**" means any day, other than a Saturday, Sunday or other day on which the commercial banks in Beijing, Cayman Islands, Singapore and Hong Kong are authorized or required to be closed for the conduct of regular banking business.

20. The term "**Captive Structure**" has the meaning ascribed to such term in the Purchase Agreement.

21. The term "**Casdin**" means Casdin Partners Master Fund, L.P.

22. The term "**CFC**" has the meaning ascribed to such term in Section 3.3(b).

23. The term "**Circular 37**" means the *Circular on the Management of Offshore Investment and Financing and Round-Trip Investment by Domestic Residents through Special Purpose Vehicles issued by the State Administration of Foreign Exchange* issued by SAFE on July 4, 2014, including any of its applicable implementing rules or regulations.

24. The term "**Closing**" has the meaning ascribed to it in Section 1.3(a) of the Purchase Agreement.

25. The term "**CMBI**" means Evergreen and CMBI Private Equity Series SPC on behalf of and for the account of Biotechnology Fund IV SP.

26. The term "**Code**" has the meaning ascribed to such term in Section 3.3(b).

27. The term "**Company**" has the meaning ascribed to such term in the Preamble to this Agreement.

28. The term "**Company's ROFR Exercise Period**" has the meaning ascribed to such term in Section 6.2(c)(i).

29. The term **"Confidential Information"** means (i) all trade secrets, proprietary information, business plans and arrangements, customer lists, marketing materials, financial information, personnel information, survey, statistics, forecast and projections, and any other information of confidentiality nature belonging to the Group Companies and (iii) any information furnished by an Investor, including but not limited to any Investor's names, trademarks, and logo.

30. The term "**Control**" means, with respect to any third party, shall have the meaning ascribed to it in Rule 405 under the Securities Act, and shall be deemed to exist for any Person (a) when such Person holds at least fifty percent (50%) of the outstanding voting securities of such third party and no other party owns a greater number of outstanding voting securities of such third party, (b) when such party has the power to control the composition of a majority of the board of directors of such third party, (c) when such party otherwise has the power and authority to direct the business, management and policies of such third party, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, or (d) over other members of such party's Immediate Family Members.

31. The term "**Cooperation Documents**" has the meaning ascribed to such term in the Purchase Agreement.

32. The term "**Co-Sale Eligible Holder**" has the meaning ascribed to such term in Section 6.3(a).

33. The term "**Co-Sale Eligible Shares**" has the meaning ascribed to such term in Section 6.3(a).

34. The term "**Co-Sale Closing**" has the meaning ascribed to such term in Section 6.3(c).

35. The term "**Co-Sale Period**" has the meaning ascribed to such term in Section 6.3(a).

36. The term "**Co-Sale Pro Rata Portion**" has the meaning ascribed to such term in Section 6.3(b).

37. The term "**CTD**" shall mean Crest Top Developments Limited.

38. The term "**Deemed Liquidation Event**" has the meaning ascribed to it in the Articles.

39. The term "**Direct Competitor of the Company**" has the meaning ascribed to such term in Section 6.1(c) (iii).

40. The term "**Director**" means a member of the Board.

41. The term "**Disclosing Party**" has the meaning ascribed to such term in Section 3.6(d).

42. The term "**Domestic Company**" or "**Domestic Companies**" has the meaning ascribed to such term in the Preamble to this Agreement.

43. The term "**Eligible Holder**" means any holder of no less than 400,000 Registrable Securities (as adjusted for any share splits, share dividends, recapitalizations or the like).

44. The term "**Eligible Holders' ROFR Exercise Period**" has the meaning ascribed to such term in Section 6.2(b)(i).

45. The term **"Equity Securities**" means, with respect to a given Person, any share, share capital, registered capital, ownership interest, partnership interest, equity interest, joint venture or other ownership interest of such Person, or any option, warrant, or right to subscribe for, acquire or purchase any of the foregoing, or any other security or instrument convertible into or exercisable or exchangeable for any of the foregoing, or any equity appreciation, phantom equity, equity plan or similar right with respect to such Person, or any contract of any kind for the purchase or acquisition from such person of any of the foregoing, either directly or indirectly.

46. The term "**Evergreen**" shall mean EverGreen SeriesC Limited Partnership.

47. The term "**Evergreen Director**" has the meaning ascribed to such term in Section 5.1(b).

48. The term "**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, or any comparable law of any other jurisdiction in which the Company's Shares are subject to regulation.

49. The term "**Exercise Period**" has the meaning ascribed to such term in the GIC Warrant.

50. The term "**FCPA**" means Foreign Corrupt Practices Act of the United States of America, as amended from time to time.

51. The term "**Financial Controller**" means any person jointly appointed by the Board who shall have completed authority over all financial activities and compliance to the financial plan approved by the Board and who should provide report of significant financial transactions at the request of Investors or both of the Key Investors' Directors.

52. The term "**First Refusal Expiration Notice**" has the meaning ascribed to such term in Section 6.2(f).

53. The term "**Form F-3**" means such form under the Securities Act as in effect on the date hereof (including Form S-3 or Form F-3, as appropriate) or any 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.

54. The term "**Founder**" means HAN Yusheng (汉雨生).

55. The term "**Fully Exercising Holder**" has the meaning ascribed to such term in Section 4.1(c).

56. The term "**GIC**" means Owap Investment Pte Ltd, together with its successors, transferees and permitted assigns.

57. The term "**GIC Director**" has the meaning ascribed to such term in Section 5.1(b).

58. The term "**GIC Warrant**" means has the meaning ascribed to such term in the Purchase Agreement.

59. The term "**Group Companies**" has the meaning ascribed to such term in the Preamble to this Agreement.

60. The term "**Guangzhou Laboratories Subsidiary**", "**Guangzhou Biotechnology Subsidiary**" and "**Guangzhou Equipment Subsidiary**" have the meaning ascribed to such terms in the Preamble to this Agreement.

61. The term "**HK Company**" has the meaning ascribed to such term in the Preamble to this Agreement.

62. The term "**HKIAC**" has the meaning ascribed to such term in Section 8.12(b).

63. The term "**Holder**" means, for purposes of Appendix B, 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 Appendix B have been duly assigned in accordance with this Agreement.

64. The term "**Holding Entity**" has the meaning ascribed to such term in the Preamble to this Agreement.

65. The term "**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC.

66. The term "**Immediate Family Member**" means a child, stepchild, grandchild, parent, step-parent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a person referred to herein.

67. The term "**Initiating Holders**" has the meaning ascribed to such term in Section 2.2(a) of Appendix B.

68. The term "**Investor**" or "**Investors**" has the meaning ascribed to such term in the Preamble to this Agreement.

69. The term "**Investor's Designated Party**" has the meaning ascribed to it in Section 6.6(b).

70. The term "**Investors' Directors**" has the meaning ascribed to it in Section 5.1(b).

71. The term "**IPO**" means the Company's first underwritten public offering of its Ordinary Shares and listing on an internationally-recognized securities exchange.

72. The term "**Key Holder**" or "**Key Holders**" has the meaning ascribed to such term in the Preamble to this Agreement.

73. The term "**Key Investors' Directors**" means any Director appointed by an Investor holding no less than five percent (5%) of the total issued and outstanding Shares on an as converted and as-exercised basis.

74. The term "**LAV**" means LAV Biosciences Fund V, L.P., together with its successors, transferees and permitted assignees.

75. The term "**Law**" means any constitutional provision, statute or other law, rule, regulation, official policy or interpretation of any Governmental Authority and any injunction, judgment, order, ruling, assessment or writ issued by any Governmental Authority.

76. The term "**List of Transferees**" has the meaning ascribed to it in Section 6.1(d)(i).

77. The term "**Loss of Control**" shall mean any termination of, unapproved amendment to or material breach of any contracts (including but not limited to the Cooperation Documents) among the Group Companies designed to provide the Company with control over, and the ability to consolidate the financial statements of, direct or indirect subsidiaries and/or controlled entities.

78. The term "**LYFE**" shall mean LYFE Capital Stone (Hong Kong) Limited.

79. The term "**LYFE Director**" has the meaning ascribed to such term in Section 5.1(b).

80. The term "**LYFE II**" shall mean LYFE Mount Whitney Limited.

81. The term "**Majority Key Holders**" shall mean the Key Holders that hold at least fifty percent (50%) of the issued and outstanding Ordinary Shares then held by all of the Key Holders.

82. The term "**Majority Preferred Shares Holders**" shall mean the holders of at least fifty percent (50%) of the then issued and outstanding Preferred Shares, voting together as a single class on an as-if-converted and as-exercised basis.

83. The term "**Majority Series A Preferred Shares Holders**" shall mean the holders of at least fifty percent (50%) of the then issued and outstanding Series A Preferred Shares, voting together as a single class on an as converted basis.

84. The term "**Majority Series A+ Preferred Shares Holders**" shall mean the holders of at least fifty percent (50%) of the then issued and outstanding Series A+ Preferred Shares, voting together as a single class on an as converted basis.

85. The term "**Majority Series B Preferred Shares Holders**" shall mean the holders of at least sixty-two percent (62%) of the then issued and outstanding Series B Preferred Shares, voting together as a single class on an as converted basis.

86. The term "**Majority Series C Preferred Shares Holders**" shall mean the holders of at least fifty-five percent (55%) of the then issued and outstanding Series C Preferred Shares and Series C+ Preferred Shares, voting together as a single class on an as converted and as-exercised basis.

87. The term "**New ESOP**" has the meaning ascribed to such term in Section 7.15(a).

88. The term "**NGS**" has the meaning ascribed to such term in Section 6.1(c)(iii).

89. The term "**NLVC**" means Northern Light Venture Capital III, Ltd.

90. The term "**NLVC Director**" has the meaning ascribed to such term in Section 5.1(b).

91. The term "**OrbiMed**" means OrbiMed Partners Master Fund Limited, Worldwide Healthcare Trust PLC, The Biotech Growth Trust PLC and OrbiMed Genesis Master Fund, L.P.

92. The term "**OFAC**" has the meaning ascribed to such term in Section 7.13(a).

93. The term "**Offer Notice**" has the meaning ascribed to such term in Section 4.1(a).

94. The term "**Observer**" has the meaning ascribed to such term in Section 3.4(a).

95. The term "**Offerees**" has the meaning ascribed to such term in Section 4.1.

96. The term "**on an as converted basis**" shall mean assuming the conversion, exercise and exchange of all securities, directly or indirectly, convertible, exercisable or exchangeable into or for Ordinary Shares, including without limitation the Preferred Shares.

97. The term "**Ordinary Directors**" has the meaning ascribed to such term in Section 5.1(a).

98. The term "**Ordinary Shares**" means ordinary shares of the Company, par value US$0.0001 per share.

99. The term "**Ordinary Shareholder**" means the direct and/or indirect holder of any Ordinary Shares (other than Ordinary Shares converted from Preferred Shares), which for the avoidance of doubt include but not limited to the Key Holders, YIN Dong (尹东) and SI Peijing (斯佩静).

100. The term "**Original Preferred Issue Price**" has the meaning set forth in the Articles.

101. The term "**Over-Purchasing Holder**" as the meaning ascribed to such term in Section 6.2(b)(iv).

102. The term "**Party**" or "**Parties**" shall mean the parties to this Agreement, as set forth in the Preamble.

103. The term "**Person**" means any natural person, firm, partnership, association, corporation, company, trust, public body or government.

104. The term "**PFIC**" has the meaning ascribed to such term in Section 3.3(b).

105. The term "**Pipelines**" has the meaning ascribed to such term in Section 6.1(c)(iii).

106. The term "**PRC**" means the People's Republic of China, which for purposes of this Agreement excludes Hong Kong, the Macau Special Administrative Region and Taiwan.

107. The term "**PRC GAAP**" means generally accepted accounting principles in effect in the People's Republic of China from time to time

108. The term "**Preferred Shares**" means any and all preferred shares outstanding and to be issued by the Company, including but not limited to Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series C+ Preferred Shares.

109. The term "**Preferred Shares Transferee**" has the meaning ascribed to such term in Section 6.1(c)(i).

110. The term "**Preferred Shares Transferor**" has the meaning ascribed to such term in Section 6.1(c)(i).

111. The term "**Prior Agreement**" has the meaning ascribed to such term in Recitals.

112. The term "**Pro Rata Share**" has the meaning ascribed to such term in Section 4.1(b).

113. The term "**Prohibited Transfer**" has the meaning ascribed to such term in Section 6.5(c).

114. The term "**Proposed Sale**" has the meaning ascribed to such term in Section 6.1(c)(i).

115. The term "**Proposed Transfer**" has the meaning ascribed to such term in Section 6.2(a).

116. The term "**Proposed Transfer Notice**" has the meaning ascribed to such term in Section 6.2(a).

117. The term "**Prospective Transferee**" means any person to whom a Key Holder proposes to make a Proposed Transfer.

118. The term "**Purchase Agreement**" has the meaning ascribed to such term in Recitals.

119. The term "**Purchasing Holders**" as the meaning ascribed to such term in Section 6.2(b)(iv).

120. The term "**Purchase Right**" has the meaning ascribed to such term in Section 6.1(c)(ii).

121. The term "**Purchase Right Exercise Period**" has the meaning ascribed to such term in Section 6.1(c)(ii).

122. The term "**Qualified Financing**" shall mean equity financing of the Company occurring after the Closing but before January 1, 2023: (i) with the total number of the newly issued Equity Securities accounting for 8% of the share capital of the Company immediately after the closing of such Qualified Financing on an as converted and fully diluted basis; and (ii) with an implied pre-money valuation of the Company of an amount at least US$2,472,850,866.

123. The term "**Qualified IPO**" means the closing of a firm commitment underwritten initial public offering of the Ordinary Shares (or securities representing Ordinary Shares) on a Recognized Exchange which meets the following requirements (or otherwise waived by the Majority Series C Preferred Shares Holders): (i) such closing shall take place on or prior to the third (3rd) anniversary of the date of the first sale and issuance of the Series C Preferred Shares, (ii) the pre-offering valuation of the Company shall be at least US$1,442,496,338; and (iii) the post-offering public float shall not be less than 10% of the total issued capital of the Company.

124. The term "**Qualified Purchasers**" has the meaning ascribed to such term in Section 6.1(c)(ii).

125. The term "**Re-allotment Notice**" has the meaning ascribed to such term in Section 6.2(b)(iv).

126. The term "**Recognized Exchange**" means the main board of the Stock Exchange of Hong Kong Limited, NASDAQ, New York Stock Exchange or another internationally recognized securities exchange agreed by the Company and the Majority Preferred Shares Holders.

127. The term "**Remaining Transfer Share**" as the meaning ascribed to such term in Section 6.2(b)(iv).

128. The term "**register**," "**registered**," and "**registration**" refer to a registration effected by preparing and filing a registration statement which is in a form which complies with, and is declared effective by the SEC in accordance with, the Securities Act.

129. The term "**Registrable Securities**" means: (1) any Ordinary Shares of the Company issued or issuable pursuant to conversion of any Preferred Shares, (2) any Ordinary Shares of the Company 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 (3) any other Ordinary Shares owned or hereafter acquired by an Investor. Notwithstanding the foregoing, "Registrable Securities" shall exclude any Registrable Securities sold by a person in a transaction in which rights under Appendix B are not assigned in accordance with this Agreement and any Registrable Securities 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.

130. The term "**Registrable Securities then Outstanding**" means the number of Ordinary Shares of the Company that are Registrable Securities and are then issued and outstanding, issuable upon conversion of Preferred Shares then issued and outstanding or issuable upon conversion or exercise of any warrant, right or other security then outstanding.

131. The term "**Registration Expenses**" shall mean all expenses incurred by the Company in complying with Section 2, Section 3 and Section 4 of Appendix B, including, without limitation, all registration and filing fees, printing expenses, fees, and disbursements of counsel for the Company, reasonable fees and disbursements of one (1) counsel for the Holders, "blue sky" fees and expenses and the expense of any special audits incident 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).

132. The term "**Related Party**" has the meaning ascribed to such term in the Purchase Agreement.

133. The term "**Request Notice**" has the meaning ascribed to such term in Section 2.1 of Appendix B.

134. The term "**Right of Co-Sale**" means the right, but not an obligation, of each Investor to participate in a Proposed Transfer on the terms and conditions specified in the Proposed Transfer Notice.

135. The term "**Right of First Refusal**" has the meaning ascribed to such term in Section 6.2(b)(i).

136. The term "**RMB**" means Renminbi, the lawful currency of the People's Republic of China.

137. The term "**SAFE**" means the State Administration of Foreign Exchange of the PRC.

138. The term "**SAFE Circular 7**" means the Notice of the State Administration of Foreign Exchange on the Relevant Issues Concerning the Administration of Foreign Exchange for Domestic Individuals' Participation in Equity Incentive Programs of Overseas Listed Companies (《国家外汇管理局关于境内个人参与境外上市公司股权激励计划外汇管理有关问题的通知》).

139. The term "**SAFE Rules and Regulations**" means collectively, the Circular 37, SAFE Circular 7 and any other applicable SAFE rules and regulations, as amended

140. The term "**Sale Notice**" has the meaning ascribed to such term in Section 6.1(c)(i).

141. The term "**Sanctions**" has the meaning ascribed to such term in Section 7.13(a).

142. The term "**SEC**" means the United States Securities and Exchange Commission, or comparable regulatory authority in any other jurisdiction having oversight over the trading of the Company's Shares.

143. The term "**SEC Rule 144**" means Rule 144 promulgated by the SEC under the Securities Act (or comparable law in a jurisdiction other than the United States).

144. The term "**SEC Rule 144(k)**" means Rule 144(k) promulgated by the SEC under the Securities Act (or comparable law in a jurisdiction other than the United States).

145. The term "**Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, (or comparable law in a jurisdiction other than the United States).

146. The term "**Security Holder**" has the meaning ascribed to such term in Section 8.20.

147. The term "**Selling Expenses**" shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to Section 2, Section 3 and Section 4 of Appendix B.

148. The term "**Series A Closing**" shall mean June 20, 2014.

149. The term "**Series A Preferred Shares**" has the meaning ascribed to such term in the Purchase Agreement.

150. The term "**Series A+ Preferred Shares**" has the meaning ascribed to such term in the Purchase Agreement.

151. The term "**Series A+ Closing**" shall mean August 27, 2015.

152. The term "**Series B Preferred Shares**" has the meaning ascribed to such term in the Purchase Agreement.

153. The term "**Series C Preferred Shares**" has the meaning ascribed to such term in the Purchase Agreement.

154. The term "**Series C+ Preferred Shares**" has the meaning ascribed to such term in the Purchase Agreement.

155. The term "**Sequoia Director**" has the meaning ascribed to such term in Section 5.1(b).

156. The term "**Sequoia**" shall mean SCC Venture VI Holdco, Ltd. and SCC Venture V Holdco I, Ltd.

157. The term "**Shanghai Subsidiary**" has the meaning ascribed to such term in the Preamble to this Agreement.

158. The term "**Shareholder**" shall mean any holder of the Company's shares.

159. The term "**Shares**" means (i) Ordinary Shares (whether now outstanding or hereafter issued in any context), (ii) Ordinary Shares issued or issuable upon conversion of the Preferred Shares (iii) Ordinary Shares issued or issuable upon exercise or conversion, as applicable, of share options, warrants or other convertible securities of the Company and (iv) the Preferred Shares, in each case now owned or subsequently acquired by any Shareholder, or their respective successors or permitted transferees or assigns.

160. The term "**Subsidiary**" or "**subsidiary**" means, as of the relevant date of determination, with respect to any Person (the "subject entity"), (i) any Person: (1) more than 50% of whose shares or other interests entitled to vote in the election of directors or (2) more than a fifty percent (50%) interest in the profits or capital of such Person are owned or controlled directly or indirectly by the subject entity or through one (1) or more Subsidiaries of the subject entity, (ii) any Person whose assets, or portions thereof, are consolidated with the net earnings of the subject entity and are recorded on the books of the subject entity for financial reporting purposes in accordance with PRC GAAP, or (iii) any Person with respect to which the subject entity has the power to otherwise direct the business and policies of that entity directly or indirectly through another subsidiary. For the avoidance of doubt, the Subsidiaries of the Company shall include the Group Companies.

161. The term "**Trade Sale**" means (1) (A) any consolidation, amalgamation, scheme of arrangement or merger of a Group Company with or into any other Person or other reorganization in which the members or shareholders of such Group Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than a majority of such Group Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or (B) any transaction or series of related transactions to which a Group Company is a party in which fifty percent (50%) or more of such Group Company's voting power or equity interest is transferred; or (2) a sale, transfer, lease or other disposition of all or substantially all of the assets or business of the Group Companies taken as a whole (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of the Group Companies taken as a whole), including the exclusive licensing of all or substantially all of the Group Companies' intellectual property to a third party.

162. The term "**Transaction Documents**" has the meaning ascribed to such term in the Purchase Agreement.

163. The term "**Transaction Terms**" has the meaning ascribed to such term in Section 3.6(a).

164. The term "**Transfer**" has the meaning ascribed to such term in Section 6.1(a).

165. The term "**Transfer Notice**" has the meaning ascribed to such term in Section 6.2(c)(iv).

166. The term "**Transfer Shares**" has the meaning ascribed to such term in Section 6.2(a).

167. The term "**Transferred Preferred Shares**" has the meaning ascribed to such term in Section 6.1(c)(i).

168. The term "**Transferor**" has the meaning ascribed to such term in Section 6.2(a).

169. The term "**Unique**" means Unique Invest Co., Ltd.

170. The term "**United States Person**" means any person described in Section 7701(a)(30) of the Code.

171. The term "**Unsold Transfer Share**" has the meaning ascribed to such term in Section 6.2(f).

172. The term "**US$**" means the United States dollar, the lawful currency of the United States of America.

173. The term "**U.S. Investor**" means (A) any Investor that is a United States Person and (B) any Investor, one or more of the owners of which are, or controlled by, United States Persons.

174. The term "**Violation**" has the meaning ascribed to such term in Section 8.1 of Appendix B.

175. The term "**WFOE**" has the meaning ascribed to such term in the Preamble to this Agreement.

APPENDIX B

REGISTRATION RIGHTS

1. Applicability of Rights; Non-U.S. Registrations.

1.1 The Holders (as defined in the Appendix A of this Agreement) shall be entitled to the following rights with respect to any potential public offering of the Company's Ordinary Shares in the United States and shall be entitled to reasonably analogous or equivalent rights with respect to any other offering of Company securities in any other jurisdiction pursuant to which the Company undertakes to publicly offer or list such securities for trading on a recognized securities exchange.

1.2 For purposes of this Agreement and Appendix B, 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 such 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.

2. Demand Registration.

2.1 Request by Holders.

If the Company shall, at any time after the earlier of (i) five (5) years after the Series A+ Closing or (ii) six (6) months following the taking effect of a registration statement for the Company's initial public offering, receive a written request from the Holders of at least ten percent (10%) of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act covering the registration of at least fifteen percent (15%) of the Registrable Securities pursuant to this Section 2, then the Company shall, within ten (10) business days of the receipt of such written request, give written notice of such request (the "**Request Notice**") to all Holders, and use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all 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 2; provided that the Company shall not be obligated to effect any such registration if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act pursuant to this Section 2 or Section 4 or in which the Holders had an opportunity to participate pursuant to the provisions of Section 3, other than a registration from which the Registrable Securities of the Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Sections 2.2(b) or 3.2(b).

2.2 Underwriting.

(a) If the Holders initiating the registration request under this Section 2 (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 2 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.

(b) Notwithstanding any other provision of this Section 2, 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 (i) first, to the Investors on a pro rata basis according to the number of Registrable Securities then outstanding held by each Investor requesting registration and (ii) then, to the other Holders of Registrable Securities on a pro rata basis according to the number of Registrable Securities then outstanding held by each such Holder requesting registration; provided, however, that the number of shares 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, without limitation, all shares that are not Registrable Securities and are held by any other person, including, without limitation, 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 shares of 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.

2.3 Maximum Number of Demand Registrations.

The Company shall not be obligated to effect more than three (3) such registrations pursuant to this Section 2.

2.4 Deferral.

Notwithstanding the foregoing, if the Company shall furnish to Holders requesting registration pursuant to this Section 2, 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 not be deemed to have been exercised until such deferred registration shall have been effected.

3. Piggyback Registrations.

3.1 The Company shall notify all 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, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any registration under Section 2 or Section 3 of this Agreement or to any employee benefit plan or a corporate reorganization) 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, 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 with respect to offerings of its securities, all upon the terms and conditions set forth herein.

3.2 Underwriting.

(a) If a registration statement under which the Company gives notice under this Section 3 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 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 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.

(b) 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 Investors 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 Investor, third, to the other 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 fourth, to holders of other securities of the Company; provided, however, that the right of the underwriter(s) to exclude shares (including 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 thirty percent (30%) of the aggregate number of shares of Registrable Securities for which inclusion has been requested; and (ii) all shares that are not Registrable Securities and are held by any other person, including, without limitation, 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, unless otherwise approved by the holders of a majority of the Registrable Securities. 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.

3.3 Not Demand Registration.

Registration pursuant to this Section 3 shall not be deemed to be a demand registration as described in Section 2 above. There shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 3.

4. Form F-3 Registration.

In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration on Form F-3 (or an equivalent registration in a jurisdiction outside of the United States) 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:

4.1 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

4.2 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 Holders 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 4.1; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 4:

(a) if Form F-3 is not available for such offering by the Holders;

(b) 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$500,000;

(c) if the Company shall furnish 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 of Directors of the Company, it would be materially detrimental to the Company and its shareholders for such Form F-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 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 under this Section 4; provided that the Company shall not register any of its other shares during such sixty (60) day period.

(d) 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 Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Sections 2.2 and 3.2; or

(e) 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.

4.3 Not a Demand Registration.

Form F-3 registrations shall not be deemed to be demand registrations as described in Section 2 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 4.

4.4 Underwriting.

If the Holders of Registrable Securities requesting registration under this Section 4 intend to distribute the Registrable Securities covered by their request by means of an underwriting, the provisions of Section 2.2 shall apply to such registration.

5. Expenses.

All Registration Expenses incurred in connection with any registration pursuant to Sections 2, 3 or 4 (but excluding Selling Expenses) shall be borne by the Company. Each Holder participating in a registration pursuant to Sections 2, 3 or 4 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 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 2 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered, unless the Holders of a majority of the Registrable Securities then outstanding agree that such registration constitutes the use by the Holders of one (1) demand registration pursuant to Section 2 (in which case such registration shall also constitute the use by all Holders of Registrable Securities of one (1) such demand registration); provided further, however, 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 known to 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 use of a demand registration pursuant to Section 2.

6. 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:

6.1 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 under Form F-3 in accordance with Rule 415 under the Securities Act or a successor rule, until the distribution contemplated in the registration statement has been completed; 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 ninety (90) day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold.

6.2 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.

6.3 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.

6.4 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.

6.5 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.

6.6 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.

6.7 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 (1) the effective date of the registration statement covering such Registrable Securities and (2) the closing date of the offering 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.

7. Furnish Information.

It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2, 3 or 4 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.

8. Indemnification.

In the event any Registrable Securities are included in a registration statement under Sections 2, 3 or 4:

8.1 By the Company.

To the extent permitted by law and its memorandum and articles of association as from time to time altered by special resolution, the Company will indemnify and hold harmless each Holder, 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, or liabilities (joint or several) 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, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "**Violation**"):

(a) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

(b) 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

(c) 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, its partner, officer, director, legal counsel, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 8.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action 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 or action 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 or any partner, officer, director, counsel, underwriter or controlling person of such Holder.

8.2 By Selling Holders.

To the extent permitted by law, each selling Holder will, if Registrable Securities held by 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 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 or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, partner or director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other United States federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) 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, underwriter or other Holder, partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 8.2 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further, that in no event shall any indemnity under this Section 8.2 exceed the net proceeds received by such Holder in the registered offering out of which the applicable Violation arises.

8.3 Notice.

Promptly after receipt by an indemnified party under this Section 8 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 indemnified party under this Section 8, 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 of the commencement of any such action shall relieve such indemnifying party of liability to the indemnified party under this Section 8 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 liability that it may have to any indemnified party otherwise than under this Section 8.

8.4 Contribution.

In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any indemnified party makes a claim for indemnification pursuant to this Section 8 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 8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any indemnified party in circumstances for which indemnification is provided under this Section 8; then, and in each such case, the indemnified party and the indemnifying party will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that a Holder (together with its related persons) is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and the Company and other selling Holders are responsible for the remaining portion. 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 untrue or alleged untrue statement of a material fact or the omission to state a material fact 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 statement or omission; provided, however, that, in any such case: (A) 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 (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

8.5 Survival.

The obligations of the Company and Holders under this Section 8 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.

9. No Registration Rights to Third Parties.

Without the prior written consent of the Holders of a majority in interest of the Registrable Securities then outstanding, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any person or entity any registration rights of any kind (whether similar to the demand, "piggyback" or Form F-3 registration rights described in this Appendix B, or otherwise) relating to any securities of the Company which are senior to, or on a parity with, those granted to the Holders of Registrable Securities.

10. Rule 144 Reporting.

With a view to making available the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the 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:

10.1 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 under the Securities Act filed by the Company for an offering of its securities to the general public;

10.2 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 it has become subject to such reporting requirements); and

10.3 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 (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.

11. Market Stand-Off.

Each Shareholder agrees that, so long as it holds any voting securities of the Company, upon request by the Company or the underwriters managing the initial public offering of the Company's securities, it will not sell or otherwise transfer or dispose of an interest in any shares of the Ordinary Shares of the Company (other than those permitted to be included in the registration and other transfers to Affiliates permitted by law) without the prior written consent of the Company or such underwriters, as the case may be, for a period of time specified by the representative of the underwriters not to exceed one hundred and eighty (180) days from the effective date of the registration statement covering such initial public offering or the pricing date of such offering as may be requested by the underwriters; provided that (a) the forgoing provisions of this Section shall not apply to the sale of any securities of the Company to an underwriter pursuant to any underwriting agreement, and shall not be applicable to any Holder unless all directors, officers and all other holders of at least one percent (1%) of the outstanding share capital of the Company (calculated on an as converted to Ordinary Share basis) must be bound by restrictions at least as restrictive as those applicable to any such Holder pursuant to this Section, (b) this Section shall not apply to a Holder in whole or in part to the extent that any other Person subject to substantially similar restrictions is released in whole or in part, and (c) to the extent not otherwise objected by the underwriters, the lockup agreements shall permit a Holder to transfer its Registrable Securities to its Affiliates so long as the transferees enter into the same lockup agreement. The Investors agree to execute and deliver to the underwriters a lock-up agreement containing substantially similar terms and conditions as those contained herein. In order to enforce the foregoing covenant, the Company may place restrictive legends on the certificates and impose stop-transfer instructions with respect to the Registrable Securities of each shareholder (and the shares or securities of every other Person subject to the foregoing restriction) until the end of such period.

SCHEDULE I-A-1

List of Founder

Founder	PRC ID Card/Passport Number
HAN Yusheng (汉雨生)	460100197806106115

SCHEDULE I

SCHEDULE I-A-2

List of Holding Entities

Holding Entities	Place of Incorporation
Quantum Boundary Holdings Limited	The British Virgin Islands
Golden Dusk International Limited	The British Virgin Islands
Miraculous Dream International Limited	The British Virgin Islands
Zephyr Guardian International Limited	The British Virgin Islands
Silver Cygnus Holdings Limited	The British Virgin Islands
Quantum Intelligence Holding Limited	The British Virgin Islands
Loving Marvin Holdings Limited	The British Virgin Islands
Quantum Intelligence Group Limited	The British Virgin Islands
Winter Elves International Limited	The British Virgin Islands
Winter Elves Holdings Limited	The British Virgin Islands
Quantum Intelligence Developments Limited	The British Virgin Islands
Interstellar Gate Holdings Limited	The British Virgin Islands
Gentle Drizzle Group Limited	The British Virgin Islands
Gentle Drizzle International Limited	The British Virgin Islands

SCHEDULE I-B

Part I: List of Management Shareholders

Management Shareholder	PRC ID Card/Passport Number
SHAO Liang (邵量)	341102197710086478
ZHOU Dan (周丹)	411282198012090322
CHUAI Shaokun (揣少坤)	120104197904106829
WU Zhigang (吴志刚)	320682197811038955

Part II:

Shareholder	PRC ID Card/Passport Number
YIN Dong (尹东)	220102196905153391
SI Peijing (斯佩静)	339011197610088202

SCHEDULE I-C

List of A Round Financing Investors

Investor	Number of Series A Preferred Shares	Percentage after the Closing (on fully-diluted basis)
Northern Light Venture Capital III, Ltd.	27,285,130	15.117%
Crest Top Developments Limited	8,321,965	4.611%
Quantum Boundary Holdings Limited	3,274,216	1.814%
Miraculous Dream International Limited	2,046,385	1.134%
Zephyr Guardian International Limited	1,364,256	0.756%
Silver Cygnus Holdings Limited	1,364,256	0.756%
Quantum Intelligence Holding Limited	682,128	0.378%
Loving Marvin Holdings Limited	682,128	0.378%
Winter Elves Holdings Limited	409,277	0.227%
Total	**45,429,741**	**25.170%**

SCHEDULE I-D

List of A+ Round Financing Investors

Investor	Number of Series A+ Preferred Shares	Percentage after the Closing (on fully-diluted basis)
LYFE Capital Stone (Hong Kong) Limited	7,301,587	4.045%
SCC Venture V Holdco I, Ltd.	5,555,556	3.078%
Crest Top Developments Limited	1,746,032	0.967%
Anssence Investments Limited	634,921	0.352%
Quantum Boundary Holdings Limited	2,304,434	1.277%
Miraculous Dream International Limited	374,953	0.208%
Zephyr Guardian International Limited	224,972	0.125%
Silver Cygnus Holdings Limited	812,398	0.450%
Quantum Intelligence Holding Limited	124,984	0.069%
Loving Marvin Holdings Limited	637,420	0.353%
Quantum Intelligence Group Limited	30,256	0.017%
Winter Elves Holdings Limited	1,422,946	0.788%
Total	**21,170,459**	**11.729%**

SCHEDULE I-E

List of B Round Financing Investors

Investor	Number of Series B Preferred Shares	Percentage after the Closing (on fully-diluted basis)
SCC Venture VI Holdco, Ltd.	8,077,148	4.475%
SCC Venture V Holdco I, Ltd.	1,595,448	0.884%
LYFE Capital Stone (Hong Kong) Limited	5,897,359	3.267%
Crest Top Developments Limited	574,361	0.318%
Anssence Investments Limited	59,450	0.033%
EverGreen SeriesC Limited Partnership	8,991,900	4.982%
Winter Elves Holdings Limited	305,676	0.169%
Winter Elves International Limited	36,089	0.020%
Total	**25,537,431**	**14.149%**

SCHEDULE I-F

List of C Round Financing Investors

Investor	Number of Series C Preferred Shares	Percentage after the Closing (on fully-diluted basis)
Owap Investment Pte Ltd	8,519,600	4.720%
Owap Investment Pte Ltd (assuming the GIC Warrant has been exercised)	2,129,900	1.180%
EverGreen SeriesC Limited Partnership	4,066,970	2.253%
CMBI Private Equity Series SPC on behalf of and for the account of Biotechnology Fund IV SP	2,129,900	1.180%
LAV Biosciences Fund V, L.P.	3,194,850	1.770%
SCC Venture VI Holdco, Ltd.	638,970	0.354%
LYFE Capital Stone (Hong Kong) Limited	532,475	0.295%
LYFE Mount Whitney Limited	3,194,850	1.770%
A5J Ltd	532,475	0.295%
Unique Invest Co., Ltd	212,990	0.118%
Miraculous Dream International Limited	78,918	0.044%
Silver Cygnus Holdings Limited	63,134	0.035%
Quantum Intelligence Group Limited	9,470	0.005%
Winter Elves Holdings Limited	1,652,550	0.916%
Quantum Intelligence Developments Limited	9,470	0.005%
Interstellar Gate Holdings Limited	170,392	0.094%
Ampere Partners Holdings Limited	42,598	0.024%
Total	**27,179,512**	**15.059%**

SCHEDULE I-G

List of C+ Round Financing Investors

Investor	Number of Series C+ Preferred Shares	Percentage after the Closing (on fully-diluted basis)
OrbiMed Partners Master Fund Limited	752,657	0.417%
Worldwide Healthcare Trust PLC	1,413,528	0.783%
The Biotech Growth Trust PLC	624,155	0.346%
OrbiMed Genesis Master Fund, L.P.	146,861	0.081%
Casdin Partners Master Fund, L.P.	734,300	0.407%
LAV Biosciences Fund V, L.P.	587,440	0.325%
Total	**4,258,941**	**2.360%**

SCHEDULE II

Notices

If to the Group Companies:

Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

If to the Founder/Holding Entities:

HAN Yusheng (汉雨生)

Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

If to the Management Shareholders:

SHAO Liang (邵量)

Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

ZHOU Dan (周丹)

Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

CHUAI Shaokun (揣少坤)

Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

WU Zhigang (吴志刚)

Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

YIN Dong (尹东):

Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention:

SI Peijing (斯佩静):

Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

If to C+ Round Financing Investors:

OrbiMed:

The notice information of OrbiMed will be separately provided to the Company by OrbiMed.

Casdin Partners Master Fund, L.P.:

Address: 1350 Avenue of the Americas, Suite 2600, New York, New York 10019
Attention: Eli Casdin

SCHEDULE II

LAV:

Address: Unit 1109-10, Two Chinachem Central, 26 Des Voeux Road Central, Hong Kong
Tel: (+86)136-3639-4346
Fax: +852-2293 2248
Attention: Stella Shi

If to C Round Financing Investors:

GIC:

The notice information of GIC will be separately provided to the Company by GIC.

CMBI:

Address: 46/F, Champion Tower, 3 Garden Road, Central, Hong Kong
Tel: 0852 3900 0815
Fax: 0852 3900 0845
Attention: Leroy FAN

LAV:

Address: Unit 1109-10, Two Chinachem Central, 26 Des Voeux Road Central, Hong Kong
Tel: (+86)136-3639-4346
Fax: +852-2293 2248
Attention: Stella Shi

SEQUOIA:

Address: Suite 3613, 36/F Two Pacific Place, 88 Queensway Road, Hong Kong
Tel: +852 2501 8989
Fax: +852 2501 5249
Attention: Kok Wai Yee

LYFE and LYFE II:

Address: 1804 Zhongxin Plaza, 1468 Nanjing West Road, Shanghai (上海南京西路1468号中欣大厦1804室)，200040
Tel: +86 138 1610 7603
Attention: ZHAO Jin

SCHEDULE II

Unique:

Address: Room 4605, T1, Plaza 66, No. 1266, West Nanjing Rd, Shanghai, 200040
Tel: 021-62379368
Fax: 021-62379386
Attention: Elva Zhou

Axiom:

Address: c/o 16 Collyer Quay, #11-02, Singapore 049318
Tel: +65 6336 8886
Attention: Edmond NG

Ampere Partners:

Address: Room 2317, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong
Tel: +852 9613 9030; +86 198 9651 2670
Attention: Thomas Crawford Jamieson

If to B Round Financing Investors:

SEQUOIA:

Address: Suite 3613, 36/F Two Pacific Place, 88 Queensway Road, Hong Kong
Tel: +852 2501 8989
Fax: +852 2501 5249
Attention: Kok Wai Yee

LYFE:

Address: 1804 Zhongxin Plaza, 1468 Nanjing West Road, Shanghai (上海南京西路1468号中欣大厦1804室)，200040
Tel: +86 138 1610 7603
Attention: ZHAO Jin

Anssence Investments Limited:

Address: Room1208, Block C, Rongke Zixun Centre, No.2 Xueyuan South Road, Hiadian District, Beijing (北京市海淀区科学院南路2号融科资讯中心C座南楼1208室)
Tel: (86)10-82862230 / 15011156465
Fax: (86)10-68790727
Attention: Long Hai (龙海)

SCHEDULE II

CTD:

Address: 4F, 39 Haidian West Street, Haidian District Beijing (北京市海淀区海淀西大街39号四层), 100080
Tel: 010-82982587
Fax: 010—82982500
Attention: LENG Yan

EverGreen:

Address: Units 1803-4, 18/F, Bank of America Tower,12 Harcourt Road, Central, Hong Kong
Tel: 0852 3900 0817
Fax: 0852 3900 0845
Attention: Gary WONG

If to A+ Round Financing Investors:

LYFE:

Address: 1804 Zhongxin Plaza, 1468 Nanjing West Road, Shanghai (上海南京西路1468号中欣大厦1804室)，200040
Tel: +86 138 1610 7603
Attention: ZHAO Jin

SEQUOIA:

Address: Suite 3613, 36/F Two Pacific Place, 88 Queensway Road, Hong Kong
Tel: +852 2501 8989
Fax: +852 2501 5249
Attention: Kok Wai Yee

CTD:

Address: 4F, 39 Haidian West Street, Haidian District Beijing (北京市海淀区海淀西大街39号四层), 100080
Tel: 010-82982587
Fax: 010—82982500
Attention: LENG Yan

Anssence Investments Limited:

Address: Room1208, Block C, Rongke Zixun Centre, No.2 Xueyuan South Road, Hiadian District, Beijing (北京市海淀区科学院南路2号融科资讯中心C座南楼1208室)
Tel: (86)10-82862230 / 15011156465
Fax: (86)10-68790727
Attention: Long Hai (龙海)

SCHEDULE II

If to A Round Financing Investors:

NLVC:

Address: Suite 1720, Hutchison House 10 Harcourt Road, Central, Hong Kong
Tel: (852) 22816200
Fax: (852) 25373299
Attention: LEE Jeffrey

CTD:

Address: C701, Raycom Info Tech Park No.2, Ke Xue Yuan Nanlu Haidian District Beijing (北京市海淀区科学院南路2号融科资讯中心C座南楼701), 100190
Tel: 010—62509487
Fax: 010—62509359
Attention: LENG Yan

SCHEDULE II

EXHIBIT A

ADHERENCE AGREEMENT

This Adherence Agreement ("**Adherence Agreement**") is executed by the undersigned (the "**Transferee**") pursuant to the terms of that certain Fifth Amended and Restated Shareholders Agreement dated as of January 10, 2020 (the "**Agreement**") by and among Burning Rock Biotech Limited, a Cayman Islands exempted company (the "**Company**") and certain of its shareholders and certain other parties named thereto, and in consideration of the Shares acquired by the Transferee thereunder and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Agreement. By the execution of this Adherence Agreement, the Transferee agrees as follows:

1. Acknowledgment. Transferee acknowledges that Transferee is acquiring [number] [Preferred/Ordinary] shares of the Company (the "**Shares**") from [name of transferor] (the "**Transferor**"), subject to the terms and conditions of the Agreement.

2. Agreement. Immediately upon transfer of the Shares, Transferee (i) agrees that the Shares acquired by Transferee shall be bound by and subject to the terms of the Agreement applicable to the Transferor, and (ii) hereby adopts the Agreement with the same force and effect as if Transferee were originally a/an [Ordinary Shareholder thereunder *(if transferor is an Ordinary Shareholder)*]/[Key Holder thereunder *(if transferor is a Key Holder)*]/[Investor thereunder *(if transferor is an Investor)*].

3. Notice. Any notice required or permitted by the Agreement shall be given to Transferee at the address listed beside Transferee's signature below.

4. Governing Law. This Adherence Agreement shall be governed in all respects by the Laws of the Hong Kong Special Administrative Region without regard to conflicts of law principles.

EXECUTED AND DATED this _____ day of _____, ____.

TRANSFEREE:

By: _____
Name:
Title:
Attn:
Address:
Tel:
Fax:
Email:

SERIES C+ PREFERRED SHARE PURCHASE AGREEMENT

This SERIES C+ PREFERRED SHARE PURCHASE AGREEMENT (the "**Agreement**") is made and entered into on December 30, 2019 by and among:

1. Burning Rock Biotech Limited, an exempted company duly incorporated and validly existing under the Laws of the Cayman Islands (the "**Company**");
2. BR Hong Kong Limited, a limited liability company incorporated under the Laws of Hong Kong (the "**HK Company**");
3. Beijing Burning Rock Biotech Limited (北京博宁洛克生物科技有限公司), a wholly foreign owned enterprise duly incorporated and validly existing under the Laws of the PRC (the "**WFOE**");
4. Burning Rock Biotechnology (Shanghai) Co., Ltd. (燃石生物科技（上海）有限公司), a company duly incorporated and validly existing under the Laws of the PRC (the "**Shanghai Subsidiary**");
5. Burning Rock (Beijing) Biotechnology Co., Ltd. (燃石（北京）生物科技有限公司), a company duly incorporated and validly existing under the Laws of the PRC (the "**Beijing Subsidiary**");
6. Guangzhou Burning Rock Dx Co., Ltd. (广州燃石医学检验所有限公司), a company duly incorporated and validly existing under the Laws of the PRC and a wholly-owned subsidiary of the Beijing Subsidiary (the "**Guangzhou Laboratories Subsidiary**");
7. Guangzhou Burning Rock Biotechnology Co., Ltd. (广州燃石生物科技有限公司), a company duly incorporated and validly existing under the Laws of the PRC and a wholly-owned subsidiary of the Beijing Subsidiary (the "**Guangzhou Biotechnology Subsidiary**");
8. Guangzhou Burning Rock Medical Equipment Co., Ltd. (广州燃石医疗器械有限公司), a company duly incorporated and validly existing under the Laws of the PRC and a wholly-owned subsidiary of the Beijing Subsidiary (the "**Guangzhou Equipment Subsidiary**"), together with the Shanghai Subsidiary, the Beijing Subsidiary, the Guangzhou Laboratories Subsidiary, and the Guangzhou Biotechnology Subsidiary, the "**Domestic Companies**", and each a "**Domestic Company**", the Domestic Companies together with the Company, HK Company and WFOE and any subsidiary or affiliate of the foregoing (if any), collectively the "**Group Companies**");
9. The individual listed on Schedule I-A-1 attached hereto (the "**Founder**");
10. Each of the individuals listed on Schedule I-B attached hereto (each such individual, "**Management Shareholder**" and, collectively, the "**Management Shareholders**", and together with the Founder, the "**Key Holders**" and each a "**Key Holder**"); and

11. Each of the Persons listed on Schedule II attached hereto (each such Person, an "**Investor**", collectively, the "**Investors**").

Each of the parties to this Agreement is referred to herein individually as a "**Party**" and collectively as the "**Parties**". Capitalized terms used herein shall have the meaning set forth in Schedule III attached hereto.

RECITALS

WHEREAS, the Company owns 100% equity interest in the HK Company, the HK Company owns 100% of the equity interest of the WFOE which in turn Controls the Beijing Subsidiary by Captive Structure.

WHEREAS, the WFOE and the Domestic Companies are mainly engaged in the business of biological science (the "**Business**"). The Company seeks expansion capital to grow the Business and, correspondingly, seeks to secure an investment from the Investors, on the terms and conditions set forth herein.

WHEREAS, the Investors desire to purchase from the Company the Series C+ Closing Shares (as defined in Section 1.1) and the Company desires to sell the Series C+ Closing Shares to the Investors pursuant to the terms and subject to the conditions of this Agreement.

WHEREAS, the Parties desire to enter into this Agreement and make the respective representations, warranties, covenants and agreements set forth herein on the terms and conditions set forth herein.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. ISSUANCE OF SERIES C+ PREFERRED SHARES.

1.1 **Sale and Issuance of the Series C+ Closing Shares**.

Subject to the terms and conditions of this Agreement, at the Closing (as defined below), each Investor, severally and not jointly, agrees to subscribe for and purchase, and the Company agrees to issue and sell to the Investors, that number of series C+ preferred share of par value of US$ 0.0001 (the "**Series C+ Closing Shares**") set forth opposite such Investor's name with the purchase price per share on Schedule II attached hereto, with each Investor to pay as consideration for such Series C+ Closing Shares the aggregate purchase price set forth opposite such Investor's name on Schedule II attached hereto (the "**Purchase Price**"). The Series C+ Preferred Shares shall have the rights and privileges as set forth in the Amended M&A.

1.2 **Capitalization Table**.

The capitalization table of the Company immediately prior to and after the Closing is enclosed hereto as Schedule I-C and Schedule I-D respectively.

1.3 **Closing**.

(a) **Closing**. Subject to the fulfillment of the conditions set forth in Section 2 and Section 3 below (other than conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or waiver of such conditions), the consummation of the sale of the Series C+ Closing Shares (the "**Closing**") shall take place remotely via the exchange of documents and signatures on January 10, 2020 at such time and place as the Company and the Investors may mutually agree upon. The Parties hereby agree that all elements of the Closing shall be deemed to occur concurrently, and if less than all steps are completed, the Closing shall not occur.

(b) **Delivery by the Company at Closing**. At the Closing, in addition to any items the delivery of which is made an express condition to the Investor's obligations at the Closing pursuant to Section 2 below, the Company shall deliver to each Investor:

(i) a copy of the updated register of members of the Company, certified by the registered agent of the Company, reflecting the issuance to such Investor of the Series C+ Closing Shares being purchased by such Investor at the Closing;

(ii) the copies of the duly executed and sealed certificate or certificates issued in the name of such Investor representing the Series C+ Closing Shares being purchased by such Investor at the Closing;

(iii) a copy of a compliance certificate executed by the chief executive officer of the Company dated as of the Closing in the form attached hereto as Exhibit C, stating that the conditions specified in this Section 2 have been fulfilled as of the Closing; and

(iv) the copies of the board and/or members resolutions (as appropriate) of the applicable Group Companies approving the Transaction Documents and transactions contemplated herein.

(c) **Payment by the Investors**. On the date of Closing, each Investor shall deposit its respective portion of the Purchase Price as indicated opposite such Investor's name on Schedule II by wire transfer of immediately available U.S. dollar funds into the Closing Account.

(d) **Closing Account**. Except as provided otherwise herein, payment of the Purchase Price by the Investors to the Company shall be made by remittance of immediately available funds to the bank account designated by the Company as detailed in Schedule VIII hereof (the "**Closing Account**").

(e) **Several and Not Joint Obligations**. The Investors' respective obligations, undertakings, warranties, representations and liabilities under this Agreement are several and not joint. In the event that an Investor fails to or decides not to close the purchase and sale of the applicable Series C+ Closing Shares contemplated hereunder, each of the other Investors may elect at its sole discretion to proceed or not to proceed with the Closing, provided that if such other Investor elects to proceed with the Closing, the relevant provisions under the Transaction Documents shall be or have been adjusted accordingly as appropriate.

2. CONDITIONS TO THE OBLIGATIONS OF THE INVESTORS AT CLOSING.

The obligations of each Investor to purchase the applicable Series C+ Closing Shares at the Closing are subject to the fulfillment, to the satisfaction of such Investor on or before the Closing, of each of the following conditions, unless otherwise waived, severally and not jointly, in writing by such Investor:

2.1 **Representations and Warranties**.

The representations and warranties of the Warrantors contained in Schedule V shall be true, complete and correct in all material respects when made and shall be true, complete and correct in all material respects on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing, except for those representations and warranties (i) that already contain any materiality qualification, which such representations and warranties, to the extent already so qualified, shall instead be true and correct in all respects as so qualified as of such date and (ii) that address matters only as of a particular date, which representations will have been true and correct in all material respects (subject to clause (i)) as of such particular date.

2.2 **Performance.**

Each Warrantor shall have performed and complied with all obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by them, on or before the Closing.

2.3 **No Prohibition; Authorizations**.

No provision of any applicable Laws shall prohibit the consummation of any transactions contemplated by the Transaction Documents. The Warrantors shall have obtained all authorizations, approvals, waivers or permits of any Person or any Governmental Authority necessary for the consummation of all of the transactions contemplated by this Agreement and other Transaction Documents, including without limitation any authorizations, approvals, waivers or permits that are required in connection with the lawful issuance of the Series C+ Closing Shares, and all such authorizations, approvals, waivers and permits shall be effective as of the Closing, and the evidence of all the foregoing shall have been delivered to such Investor prior to the Closing and shall be in form and substance reasonably satisfactory to such Investor. The Company shall have fully satisfied (including with respect to rights of timely notification) or obtained enforceable waivers in respect of any preemptive rights or similar rights directly or indirectly affecting any of its shares or securities, as applicable.

2.4 **Proceedings and Documents**.

All corporate and other proceedings of each Group Company in connection with the transactions contemplated at the Closing and all documents incidental thereto, including without limitation, written approval from all of the current directors and/or shareholders or holders of equity interests of each Group Company, as applicable, with respect to the Transaction Documents and the transactions contemplated thereby, shall be reasonably satisfactory in form and substance to such Investor, and such Investor (or their legal counsel) shall have received all such counterpart original and certified or other copies of such documents as reasonably requested.

2.5 **No Material Adverse Effect**.

Since the Statement Date through the date of the Closing, no event, circumstance or change shall have occurred that, individually or in the aggregate with one or more other events, circumstances or changes, have had or reasonably could be expected to have a Material Adverse Effect on the Company or any other Group Company.

2.6 **Investment Committee Approval**.

Such Investor's investment committee (or similar governance body) shall have approved the execution of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby.

2.7 **Corporate Approval and Documents**.

Such Investor shall have received true, complete and correct copies of the resolutions of the board of directors and/or shareholders (as appropriate) of each of the Group Companies and such other agreements, schedules, exhibits, certificates, documents, financial information and filings which are reasonably required in connection with or relating to the transactions contemplated hereby, all in form and substance satisfactory to such Investor.

2.8 **Constitutive Documents**.

The Company shall have delivered to such Investor (a) copies of the current articles of association (or other comparable corporate Charter Documents), including all amendments thereto, of the Group Companies, and (b) current business licenses or incorporation certificate of the Group Companies.

2.9 **Amended and Restated Memorandum and Articles**.

The current effective memorandum and articles of association of the Company shall have been amended and restated as set forth in the form attached hereto as Exhibit A (the "**Amended M&A**"). Such Amended M&A shall have been duly adopted by all necessary actions of the Board of Directors and/or the members of the Company, and such adoption shall have become effective on or prior to the Closing with no alternation or amendment as of the Closing.

2.10 **Amended and Restated Shareholders' Agreement**.

The Company, the Key Holders, and the Investors and certain other parties shall have executed and delivered a Fifth Amended and Restated Shareholders' Agreement (the "**Restated Shareholders' Agreement**") in the form attached hereto as Exhibit B.

2.11 **Compliance Certificate**.

Such Investor shall have received a certificate executed and delivered by the chief executive officer of the Company dated as of the Closing in the form attached hereto as Exhibit C, stating that the conditions specified in this Section 2 (exclusive of Section 2.6 and Section 2.7) have been fulfilled as of the Closing.

2.12 **Closing Deliveries.**

The Company shall have delivered all of the various items required to be delivered to such Investor at the Closing under Section 1.3.

3. CONDITIONS OF THE OBLIGATIONS OF THE COMPANY AT CLOSING.

The obligations of the Company to issue and sell the Series C+ Closing Shares to an Investor at the Closing are subject to the fulfillment by such Investor, on or before the Closing, of each of the following conditions, unless otherwise waived by writing:

3.1 **Representations and Warranties**.

The representations and warranties of such Investor contained in Schedule VI shall be true, complete and correct in all material respects as of the Closing.

3.2 **Performance**.

Such Investor shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

3.3 **Execution of Transaction Documents**.

Such applicable Investor shall have executed and delivered to the Company the applicable Transaction Documents, to which such applicable investor is a party, on or prior to the Closing.

4. REPRESENTATIONS AND WARRANTIES OF THE WARRANTORS.

The Warrantors, jointly and severally and with respect to itself only, represent and warrant to the Investors that the statements contained in Schedule V attached hereto are true, correct and complete with respect to (i) each Warrantor, on and as of the Execution Date, and (ii) each Warrantor, on and as of the Closing (with the same effect as if made on and as of the date of the Closing).

5. REPRESENTATIONS AND WARRANTIES OF THE INVESTORS.

Each Investor, severally but not jointly, represents and warrants to the Company that the statements contained in Schedule VI attached hereto are true, correct and complete with respect to such Investor as of the Execution Date and the Closing.

6. UNDERTAKINGS.

6.1 **Facilitating the Closing**.

Each Warrantor shall use its best efforts to cause the satisfaction of all the conditions precedent set forth in Section 2 (exclusive of Section 2.6 and Section 2.7) hereof.

6.2 **Ordinary Course of Business**.

From the Execution Date until the earlier of the Termination Date or the Closing, the Warrantors shall cause each of the Group Companies (a) to be conducted in the ordinary course of Business and shall use its commercially reasonable efforts to maintain the present character and quality of the business, including without limitation, its present operations, physical facilities, working conditions, goodwill and relationships with lessors, licensors, suppliers, customers, employees and independent contractors, (b) to pay or perform its debts, taxes, and other obligations when due, (c) to maintain its assets in a condition comparable to their current condition, reasonable wear, tear and depreciation excepted, (d) to report to the relevant Investors concerning the status of its business, operations and finance upon a reasonable request by an Investor, and (e) to take all actions reasonably necessary to consummate the transactions contemplated by this Agreement and the other Transaction Documents promptly, including the taking of all reasonable acts necessary to cause all of the conditions precedent (exclusive of Section 2.6 and Section 2.7) of the Investors to be satisfied.

6.3 **Exclusivity**.

From the Execution Date until the earlier of the Termination Date or the Closing, Warrantors shall not, and they shall not permit any of their representatives or any Group Company to, directly or indirectly (i) discuss the sale of any Equity Securities or any other instruments convertible into the Equity Securities of any Group Company with any third party, or (ii) provide any information with respect to any Group Company to a third party in connection with a potential investment by such third party in any Equity Securities or any other instruments convertible into the Equity Securities of such Group Company, or (iii) close any financing transaction of any Equity Securities or any other instruments convertible into the Equity Securities of any Group Company with any third party (the "**Exclusivity Period**"). This Section 6.3 shall terminate and be of no further force and effect immediately following the Closing.

6.4 **Use of Proceeds**.

In accordance with the directions of the Company's Board of Directors, as it shall be constituted in accordance with the Restated Shareholders' Agreement, the Company will use the proceeds from the sale of the Series C+ Closing Shares for general working capital, ordinary business expansion and other general corporate purposes for the Group Companies in accordance with the budget plans and business plans of the Group Companies.

6.5 **Notice of Certain Events**.

If at any time before the Closing, any Warrantor comes to know of any material fact or event which: (i) is in any way inconsistent with any of the representations and warranties in this Agreement; (ii) suggests that any fact warranted hereunder may not be as warranted or may be misleading; (iii) any Action commenced or threatened in writing against any Group Company; or (iv) might affect the willingness of a prudent investor to purchase the shares of the Company on the terms contained in the Transaction Documents or the amount of the consideration a prudent investor would be prepared to pay for the shares of the Company; then the Warrantors shall immediately notify each of the Investors in writing, describing the fact or event in reasonable detail.

6.6 **Compliance**.

The Company and each Group Company shall comply with all applicable laws and regulations of any jurisdiction in all material respects, including without limitation compliance with applicable PRC Laws relating to the Business, Intellectual Property, taxation, employment, anti-bribery (including FCPA), contributions required to be made under the PRC social insurance and the PRC housing schemes and requirements under the Employee Benefit Plans, and shall provide satisfactory evidence of the same to the Investors as may be requested by such Investors. Without prejudicing the generality of the foregoing, after the Closing, the relevant Group Company shall, and the Warrantors shall cause such Group Company to, use reasonable best efforts to rectify any non-compliance with applicable Laws.

6.7 **Filing of Amended M&A**.

The Company shall submit the Amended M&A for filing with the Registrar of Companies of the Cayman Islands and obtain the duly filed and stamped Amended M&A as soon as possible after the Closing, but in no event later than fifteen (15) Business Days after the Closing.

6.8 **Circular 37 Registration.**

Notwithstanding anything to the contrary contained in this Agreement and the other Transaction Documents, as soon as practicable after the Closing but in no event later than twelve (12) months following the Closing, if any holder or beneficial owner of any equity security of the Company (other than any direct or indirect holder or beneficial owner of the Investors and other exiting investors of the Company) (each, a "**Security Holder**") is a "Domestic Resident" as defined in Circular 37 and is subject to the SAFE registration or reporting requirements under Circular 37, the Warrantors shall cause such Security Holder to comply with the applicable SAFE registration or reporting requirements under SAFE Rules and Regulations., including but not limitation, (i) the application of the SAFE registration certificate, and (ii) to the extent practicable, the amendment of his/her existing SAFE registration certificates with the applicable Governmental Authorities in accordance with applicable Laws.

6.9 **Licenses and Permits**.

(a) As soon as practicable but in no event later than twelve (12) months after a medical device product of the Group Companies (including but not limited to the in vitro diagnostic kits products) meets all of the following conditions, the Domestic Companies shall, and the Warrantors shall procure the Domestic Companies to, use its commercially best effort to apply for applicable medical device registration certificates (医疗器械注册证) or medical device filing certificates (医疗器械备案凭证) from competent Governmental Authorities in relation to such medical device product of the Group Companies in accordance with applicable Laws: (i) such medical device product has met all application requirements of medical device registration certificates (医疗器械注册证) or medical device filing certificates (医疗器械备案凭证) under the applicable Laws and regulations, and (ii) such medical device product is ready to be launched to the market.

(b) To the extent permitted by the applicable laws and commercially practicable, the WFOE shall, and the Warrantors shall procure the WFOE to, (a) use commercially reasonable efforts to cease the distribution business of medical devices, including but not limited to the vitro diagnostic kits and the gene sequencing equipment, and transfer such business to the Guangzhou Equipment Subsidiary; or (b) apply for and obtain the Medical Device Operation License (医疗器械经营许可证) or other applicable licenses or filings with competent Governmental Authorities, and extend the business scope of the WFOE to include such business.

6.10 **Intellectual Property Right Registration**

As soon as practicable after the Closing, the Group Companies shall, and the Warrantors shall procure the Group Companies to, complete the application of software copyright registration of the information systems relating to the operation of the Business, including but not limited to LAVA, FIRE and EDC (Burning Rock follow-up system).

6.11 **Social Insurance Benefit and Housing Fund**

(a) within two (2) months following the Closing or any longer time period approved by all the Investors, each Domestic Company shall, and the Warrantors shall procure each Domestic Company to obtain the registration of relevant social insurance in accordance with applicable Laws.

(b) as soon as practicable after the Closing, the Group Companies shall comply with all applicable PRC labor Laws in all material respects, including without limitation (i) complying with all Laws pertaining to income tax (including individual income tax), welfare funds, social insurance benefits, medical benefits, insurance, retirement benefits and pensions, and (ii) making contributions for all underpaid statutory social insurance benefits, housing provident funds and individual income tax for all of their employees as required by PRC Laws in the past (including, without limitation, all unpaid statutory social insurance benefits and housing provident funds for formal employees during the probation period as required by applicable Laws).

7. CURE OF BREACHES; INDEMNITY.

7.1 In the event of:

(a) any material breach or violation of, or inaccuracy or misrepresentation in, any representation or warranty made by the Warrantors contained herein or any of the other Transaction Documents;

(b) any material breach or violation of any covenant or agreement contained herein or any of the other Transaction Documents;

(c) any undisclosed liabilities with respect to any Group Company which incurred prior to the Closing, regardless of whether such non-disclosure constitutes a breach of representation or warranties of the Warrantors hereunder;

(d) any material dispute with or claim by any employee of the Domestic Companies including, without limitation, any severance or similar payment required to be made by any Group Company to its former employees, any underpayment of social insurance and housing schemes and any omission or failure on the part of the Domestic Companies to pay any social insurance or any housing schemes or enter into the relevant employment agreements with such employees under the applicable Laws which incurred on or before the Closing (except for those disclosed in the Private Placement Memorandum);

(e) any material fines, penalties and interest imposed on any Group Company by relevant Governmental Authority as a result of using agency to pay social insurance benefits and housing provident funds;

(f) any material dispute with or claim by the contracting party of any Group Company in connection with any agreements or contracts that any Group Company has entered into prior to the Closing (except for those disclosed in the Private Placement Memorandum);

(g) any material non-compliance by the Group Companies and the Key Holders with PRC Laws of foreign exchange in connection to the Company's operation and business prior to the Closing; or

(h) any material liability resulting from the operating the Business by the Group Companies without appropriate permits, licenses or authorizations for such Business on or before the Closing, including but not limited to (a) the failure to obtain applicable medical device registration certificates (医疗器械注册证) or medical device filing certificates (医疗器械备案证) for the medical device products of the Group Companies; (b) the use of unregistered medical devices by the Group Companies; (c) Guangzhou Laboratories Subsidiary's failure to obtain the qualification of Pilot Entities for the Clinical Application of High Throughput-Sequencing (高通量基因测序技术临床应用试点单位) or other equivalent qualifications for the clinical technology application of high throughput-sequencing testing; (d) the WFOE's engaging of distribution business in relation to the medical devices without Medical Device Operation License (医疗器械经营许可证); (e) the Group Companies' conducting of business outside of the registered scope of the Medical Institution Practicing License (医疗机构执业许可证), including but not limited to pathologic diagnosis, or (f) the sale of products or provision of services in violation of the fair competition and non-donation requirements under applicable Laws, including but not limited to adopting "linkage sales" model.

(each of (a) - (h), a "**Breach**") the Warrantors shall, jointly and severally and to the extent commercially and legally practicable, cure such Breach (to the extent that such Breach is curable) to the satisfaction of the Investors (it being understood that any cure shall be without recourse to cash or assets of any of the Group Companies). Notwithstanding the foregoing, the Warrantors shall also, jointly and severally, indemnify the Investors and their respective Affiliates, limited partners, members, stockholders, directors employees, agents and representatives (each, an "**Indemnitee**") for any and all, directly or indirectly, losses, liabilities, diminution in value, damages, liens, claims, obligations, settlements, deficiencies, penalty or settlement of any kind or nature imposed on or otherwise incurred or suffered by the Indemnitees, costs and expenses, including without limitation reasonable advisor's fees and other reasonable expenses of investigation, defense and resolution of any Breach paid, suffered, sustained or incurred by the Indemnitees (each, an "**Indemnifiable Loss**"), resulting from, or arising out of, or due to, any Breach. Notwithstanding the foregoing, in the event that a Breach has been disclosed in the Private Placement Memorandum, the indemnification liabilities as set forth in this Section 7 shall not apply to any Key Holder.

7.2 Notwithstanding the foregoing, the Warrantors shall, jointly and severally, indemnify and keep indemnified the Indemnitees and hold them harmless against any and all Indemnifiable Losses resulting from, or arising out of, or due to, any claim for tax which has been made or may hereafter be made against the Domestic Companies and any other Group Company wholly or partly in respect of or in consequence of any event occurring or any income, profits or gains earned, accrued or received by the Domestic Companies and any Group Company on or before the Closing and any reasonable costs, fees or expenses incurred and other liabilities which the Domestic Companies and any Group Company may properly incur in connection with the investigation, assessment or the contesting of any claim, the settlement of any claim for tax, any legal proceedings in which the Domestic Companies claims in respect of the claim for tax and in which an arbitration award or judgment is given for the Domestic Companies or Group Company and the enforcement of any such arbitration award or judgment, provided, however, that the Key Holders shall be under no liability in respect of the following taxation items:

(a) that is promptly cured without recourse to cash or other assets of any Group Company;

(b) to the extent that provision, reserve or allowance has been made for such tax in the Financial Statements;

(c) if it has arisen in and relates to the ordinary course of business of the Domestic Companies since the Statement Date;

(d) to the extent that the liability arises as a result only of a provision or reserve in respect of the liability made in the Financial Statements being insufficient by reason of any increase in rates of tax announced after the Closing with retrospective effect; or

(e) to the extent that the liability arises as a result of legislation which comes into force after the Closing and which is retrospective in effect.

The survival period for any indemnity obligation relating to claims for tax matters arising under this Section 7.2 shall be the applicable statute of limitations for tax claims.

7.3 Subject to the second paragraph of Section 7.1, in the event that an Indemnitee suffers an Indemnifiable Loss as provided in Section 7.1 or Section 7.2 and the Group Companies are either unwilling or unable to fulfill their obligations under Section 7.1 or Section 7.2 to indemnify the Indemnitees for the full amount of such Indemnifiable Loss within sixty (60) days of receipt of written notice thereof from the Investors (the "**Grace Period**"), then the Key Holders, shall indemnify the Indemnitees such that the Indemnitees shall receive the full amount of such Indemnifiable Loss, provided that, to the extent such Indemnitees have recovered any Indemnifiable Loss from the Group Companies before the expiration of the Grace Period, the Key Holders shall not be obligated to indemnify the Indemnified Party with respect to such amount; provided, further, that the failure of any Group Company to pay any Indemnifiable Loss to such Indemnitees is not solely due to disapproval of such payment by the Investors or the director appointed by the Investors.

7.4 If an Investor or other Indemnitee believes that it has a claim that may give rise to an obligation of any Warrantor pursuant to this Section 7, it shall give prompt notice thereof to the Warrantors and the other Investors stating specifically the basis on which such claim is being made, the material facts related thereto, and the amount of the claim asserted. Any dispute related to this Section 7 shall be resolved pursuant to Section 8.15.

7.5 Notwithstanding any other provision of this Agreement or the other Transaction Documents but subject to Section 7.6 of this Agreement, except for any fraud, willful misconduct or willful concealment by any of the Warrantors, the maximum aggregate liability of Group Companies for indemnification to any Indemnitee under this Section 7 shall be limited to the aggregate Purchase Price paid by the Indemnitee or its Affiliates (as the case may be) plus all dividends accrued and unpaid with respect to such shares held by the Indemnitee or its Affiliates); the maximum aggregate liability of each Key Holder for indemnification to any Indemnitee under this Section 7 shall be limited to the equity interest of such Key Holder in the Group Companies.

7.6 Notwithstanding Section 7.5 or anything contrary in the Transaction Documents, in the event of any fraud, willful misconduct or willful concealment by any of the Warrantors, the aggregate liability of the Key Holders shall not exceed 3 times of the aggregate Purchase Price paid by the Indemnitee or its Affiliates (as the case may be) plus all dividends accrued and unpaid with respect to such shares held by the Indemnitee or its Affiliates.

8. MISCELLANEOUS.

8.1 **Survival of Warranties**.

Unless otherwise set forth in this Agreement, the representations and warranties of the Warrantors contained in or made pursuant to this Agreement shall survive for two (2) years from the Closing and shall in no way be affected by any investigation or knowledge of the subject matter thereof made by or on behalf of the Investors or the Company.

8.2 **Confidentiality**.

(a) **Disclosure of Terms**. The terms and conditions of this Agreement, any term sheet or memorandum of understanding entered into pursuant to the transactions contemplated hereby, all exhibits and schedules attached hereto and thereto, and the transactions contemplated hereby and thereby (collectively, the "**Transaction Terms**"), including their existence, shall be considered confidential information and shall not be disclosed by any Party (including its respective shareholders and representatives) hereto to any third party except as permitted in accordance with the provisions set forth below.

(b) **Permitted Disclosures**. Notwithstanding the foregoing, the Company may disclose (i) the existence of the investment to its bona fide prospective investors, employees, bankers, lenders, accountants, legal counsels and business partners, or to any person or entity to which disclosure is approved in writing by the Investors, such approval not to be unreasonably withheld; and (ii) the transaction terms to its current shareholders, employees, bankers, lenders, accountants and legal counsels, in each case only where such persons or entities are under appropriate nondisclosure obligations substantially similar to those set forth in this Section 8.2, or to any person or entity to which disclosure is approved in writing by the Investors, which such approval is not to be unreasonably withheld. The Investors may disclose (i) the existence of the investment and the Transaction Terms to to its Affiliate, such Investor/or its fund manager's and/or its Affiliate's legal counsel, fund manager, auditor, insurer, accountant, consultant or to an officer, director, general partner, limited partner, its fund manager, shareholder, investment counsel or advisor, or employee of such Investor and/or its Affiliate (ii) any information for fund and inter-fund reporting purposes; (iii) any information as required by law, Governmental Authorities, exchanges and/or regulatory bodies, including by the Securities and Exchange Commission (or equivalent for other venues); (iv) any information to bona fide prospective purchasers/investors of any share, security or other interests in the Company; and (v) the fact of the investment to the public, in each case as it deems appropriate in its sole discretion. Any Party hereto may also provide disclosure in order to comply with applicable Laws, as set forth in Section 8.2(c) below.

(c) **Legally Compelled Disclosure**. In the event that any Party is requested or becomes legally compelled (including without limitation, pursuant to any applicable tax, securities, or other Laws and regulations of any jurisdiction) to disclose the existence of this Agreement or content of any of the Transaction Terms as confirmed by advice from counsel, such party (the "**Disclosing Party**") shall, if and to the extent that it can lawfully do so, provide the other parties with prompt written notice of that fact and shall consult with the other parties regarding such disclosure. At the request of another party, the Disclosing Party shall, to the extent reasonably possible and with the cooperation and reasonable efforts of the other parties, seek a protective order, confidential treatment or other appropriate remedy. In any event, the Disclosing Party shall furnish only that portion of the information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

(d) **Other Exceptions**. Notwithstanding any other provision of this Section 8.2, the confidentiality obligations of the Parties shall not apply to: (i) information which a restricted Party learns from a third party having the right to make the disclosure, provided the restricted Party complies with any restrictions imposed by the third party; (ii) information which is rightfully in the restricted Party's possession prior to the time of disclosure by the protected Party and not acquired by the restricted Party under a confidentiality obligation; or (iii) information which enters the public domain without breach of confidentiality by the restricted Party.

(e) **Press Releases, Etc**. No announcements regarding the Investors' investment in the Company may be made by any Party hereto in any press conference, professional or trade publication, marketing materials or otherwise to the public without the prior written consent of the Investors and the Company, ***provided***, that any such announcement made by any partner, limited partner, bona fide potential partner or bona fide potential limited partner of the Investors shall not be subject to the consent of the Company.

(f) **Other Information**. The provisions of this Section 8.2 shall terminate and supersede the provisions of any separate nondisclosure agreement executed by any of the Parties with respect to the transactions contemplated hereby.

8.3 **Transfer**; **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. Save as expressly provided in this Agreement, nothing in this Agreement, express or implied, is intended to confer upon any party other than the Parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement. This Agreement and the rights and obligations therein may not be assigned by the Key Holders and the Group Companies without the written consent of the Investors; provided, however, that each Investor may assign this Agreement or any of its rights and obligations hereunder to one or more Affiliated Funds of such Investor without the consent of the Key Holders and the Group Companies.

8.4 **Governing Law**.

This Agreement shall be governed by and construed in accordance with the Law of Hong Kong as to matters within the scope thereof, without regard to its principles of conflicts of laws.

8.5 **Counterparts; Facsimile**.

This Agreement may be executed and delivered by facsimile or other electronic signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.6 **Titles and Subtitles**.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.7 **Notices**.

All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been delivered by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after delivery by an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on Schedule VII, or to such e-mail address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 8.7.

8.8 **No Finder's Fees**.

Each Party represents that it neither is nor will be obligated for any finder's fee or commission in connection with this transaction.

8.9 **Fees and Expenses**.

Each Party shall pay all of its own costs and expenses incurred in connection with the negotiation, execution, delivery and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby.

8.10 **Attorney's Fees**.

If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of any of the Transaction Documents, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

8.11 **Amendments and Waive**

Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of (i) the Company and (ii) the Investor(s) that would purchase fifty percent (50%) or more of the Series C+ Preferred Shares to be issued in accordance with this Agreement. Any amendment or waiver effected in accordance with this paragraph shall be binding upon the Company, the Investors and all the other Parties. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereunder may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, termination or waiver applies to all Investors in the same fashion. The Company shall give prompt written notice of any amendment or termination hereof or waiver hereunder to any Party hereto that did not consent in writing to such amendment, termination or waiver. Any amendment, termination or waiver effected in accordance with this Section 8.11 shall be binding on all Parties hereto, even if they do not execute such consent. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

8.12 **Severability**.

The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

8.13 **Delays or Omissions**.

No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

8.14 **Entire Agreement**.

This Agreement (including the Schedules and Exhibits hereto) and the other Transaction Documents constitute the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties are expressly canceled.

8.15 **Dispute Resolution**.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall first be subject to resolution through consultation of the parties to such dispute, controversy or claim. Such consultation shall begin within seven (7) days after one Party hereto has delivered to the other Parties involved a written request for such consultation. If within thirty (30) days following the commencement of such consultation the dispute cannot be resolved, the dispute shall be submitted to arbitration upon the request of any Party with notice to the other Parties.

(b) The arbitration shall be conducted in Hong Kong under the auspices of the Hong Kong International Arbitration Centre (the "**HKIAC**"). There shall be three arbitrators. The complainant and the respondent to such dispute shall each select one arbitrator within thirty (30) days after giving or receiving the demand for arbitration. Such arbitrators shall be freely selected, and the Parties shall not be limited in their selection to any prescribed list. The chairman of the HKIAC shall select the third arbitrator. If either party to the arbitration does not appoint an arbitrator who has consented to participate within thirty (30) days after selection of the first arbitrator, the relevant appointment shall be made by the chairman of the HKIAC.

(c) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the Arbitration Rules of the HKIAC in effect at the time of the arbitration. However, if such rules are in conflict with the provisions of this Section 8.15, including the provisions concerning the appointment of arbitrators, the provisions of this Section 8.15 shall prevail.

(d) The arbitrators shall decide any dispute submitted by the parties to the arbitration strictly in accordance with the substantive Law of Hong Kong and shall not apply any other substantive law.

(e) Each Party hereto shall cooperate with any party to the dispute in making full disclosure of and providing complete access to all information and documents requested by such party in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on the Party receiving the request.

(f) The award of the arbitration tribunal shall be final and binding upon the disputing parties, and any party to the dispute may apply to a court of competent jurisdiction for enforcement of such award.

(g) Any party to the dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

8.16 **No Commitment for Additional Financing**.

The Company acknowledges and agrees that no Investor has made any representation, undertaking, commitment or agreement to provide or assist the Company in obtaining any financing, investment or other assistance, other than the purchase of the Series C+ Preferred Shares as set forth herein and subject to the conditions set forth herein. In addition, the Company acknowledges and agrees that (i) no oral statements made by any Investor or its representatives on or after the date of this Agreement shall create an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment, (ii) the Company shall not rely on any such statement by any Investor or its representatives and (iii) an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment may only be created by a written agreement, signed by such Investor and the Company, setting forth the terms and conditions of such financing or investment and stating that the parties intend for such writing to be a binding obligation or agreement. Each Investor shall have the right, in its sole and absolute discretion, to refuse or decline to participate in any other financing of or investment in the Company, and shall have no obligation to assist or cooperate with the Company in obtaining any financing, investment or other assistance.

8.17 **Rights Cumulative; Specific Performance**.

Each and all of the various rights, powers and remedies of a Party will be considered to be cumulative with and in addition to any other rights, powers and remedies which such Party may have at law or in equity in the event of the breach of any of the terms of this Agreement. The exercise or partial exercise of any right, power or remedy will neither constitute the exclusive election thereof nor the waiver of any other right, power or remedy available to such Party. Without limiting the foregoing, the Parties hereto acknowledge and agree irreparable harm may occur for which money damages would not be an adequate remedy in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to injunctive relief to address breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

8.18 **No Waiver**.

Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right, power or remedy power hereunder at any one or more times be deemed a waiver or relinquishment of such right, power or remedy at any other time or times.

8.19 **No Presumption**.

The Parties acknowledge that any applicable law that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. If any claim is made by a Party relating to any conflict, omission or ambiguity in the provisions of this Agreement, no presumption or burden of proof or persuasion will be implied because this Agreement was prepared by or at the request of any Party or its counsel.

8.20 **Exculpation Among Investors**; **Independent Nature of Investors' Obligations and Rights**

Each Investor agrees that no Investor nor the respective controlling persons, officers, directors, partners, agents, or employees of any Investor shall be liable to any other Investor for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with the purchase of the Series C+ Preferred Shares. No Investor is responsible in any way for the performance or conduct of any other Investor in connection with the transactions contemplated hereby. Nothing contained herein or in any other Transaction Document, and no action taken by any Investor pursuant hereto or thereto, shall be or shall be deemed to constitute a partnership, association, joint venture, or joint group with respect to the Investors. Each Investor agrees that no other Investor has acted as an agent for such Investor in connection with the transactions contemplated hereby.

8.21 **Third Party Beneficiaries**.

Each of the Indemnitees shall be a third party beneficiary of this Agreement with the full ability to enforce Section 7 of this Agreement as if it were a Party hereto.

8.22 **Termination of Agreement**.

(a) This Agreement may be terminated before the Closing as follows:

(1) by mutual written consent of the Company and all of the Investors as evidenced in writing signed by each of the Company and the Investors;

(2) by all of the Investors in the event of any material breach or violation of any representation or warranty, covenant or agreement contained herein or in any of the other Transaction Documents by any Warrantor;

(3) by all of the Investors if any event, circumstance or change shall have occurred that, individually or in the aggregate with one or more other events, circumstances or changes, have had or reasonably could be expected to have a Material Adverse Effect on the Group Companies; or

(4) by any Investor or the Company with respect to itself only if the Closing shall not have occurred on or before January 17, 2020, provided, however, that the right to terminate this Agreement under this Section 8.22(a)(4) shall not be available to any party whose failure to fulfil any obligation under this Agreement shall have been the principal cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date. For avoidance of doubt, if the Agreement is terminated by an Investor according to this Section 8.22(a)(4), the Agreement shall remain valid and enforceable between the Company and any other Investors who have not elected to terminate this Agreement.

(b) **Effect of Termination**. The date of termination of this Agreement pursuant to Section 8.22(a) hereof shall be referred to as "**Termination Date**". In the event of termination by the Company and/or the Investors pursuant to Section 8.22(a) hereof, written notice thereof shall forthwith be given to the other Party and this Agreement shall terminate, and the purchase of the Series C+ Preferred Shares hereunder shall be abandoned and rescinded, without further action by the Parties hereto. Each of the Parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to the Warrantors or the Investors; provided that no such termination shall relieve any party hereto from liability for any breach of this Agreement. The provisions of this Section 8.22, Section 7, Section 8.2, Section 8.4, Section 8.9, and Section 8.15, hereof shall survive any termination of this Agreement.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

GROUP COMPANIES:

BURNING ROCK BIOTECH LIMITED

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Director

BR HONG KONG LIMITED

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Director

BEIJING BURNING ROCK BIOTECH LIMITED (北京博宁洛克生物科技有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

BURNING ROCK BIOTECHNOLOGY (SHANGHAI) CO., LTD. (燃石生物科技（上海）有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

GROUP COMPANIES:

BURNING ROCK (BEIJING) BIOTECHNOLOGY CO., LTD. (燃石（北京）生物科技有限公司) (Seal)

By: /s/ HAN Yusheng
Name : HAN Yusheng (汉雨生)
Title: Legal Representative

GUANGZHOU BURNING ROCK DX CO., LTD. (广州燃石医学检验所有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

GUANGZHOU BURNING ROCK BIOTECHNOLOGY CO., LTD. (广州燃石生物科技有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

GUANGZHOU BURNING ROCK MEDICAL EQUIPMENT CO., LTD. (广州燃石医疗器械有限公司) (Seal)

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)
Title: Legal Representative

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

FOUNDER:

By: /s/ HAN Yusheng
Name: HAN Yusheng (汉雨生)

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

MANAGEMENT SHAREHOLDERS:

By: /s/ SHAO Liang
Name: SHAO Liang (邵量)

By: /s/ ZHOU Dan
Name: ZHOU Dan (周丹)

By: /s/ CHUAI Shaokun
Name: CHUAI Shaokun (揣少坤)

By :/s/ WU Zhigang
Name: WU Zhigang (吴志刚)

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

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

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

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

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

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

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

INVESTORS:

WORLDWIDE HEALTHCARE TRUST PLC
By: OrbiMed Capital LLC, solely in its capacity as Portfolio Manager

By: /s/ Geoffrey Hsu
Name: Geoffrey Hsu
Title: Member

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

INVESTORS:

CASDIN PARTNERS MASTER FUND, L.P.
By: Casdin Partners GP, LLC, its General Partner

By: /s/ Kevin O'Brien
Name: Kevin O'Brien
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

INVESTORS:

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

SCHEDULE I-A-1

List of Founder

Founder	PRC ID Card/Passport Number
HAN Yusheng (汉雨生)	460100197806106115

SCHEDULE I-A-2

List of Holding Entities

Holding Entities	Place of Incorporation
Quantum Boundary Holdings Limited	The British Virgin Islands
Golden Dusk International Limited	The British Virgin Islands
Miraculous Dream International Limited	The British Virgin Islands
Zephyr Guardian International Limited	The British Virgin Islands
Silver Cygnus Holdings Limited	The British Virgin Islands
Quantum Intelligence Holding Limited	The British Virgin Islands
Loving Marvin Holdings Limited	The British Virgin Islands
Quantum Intelligence Group Limited	The British Virgin Islands
Winter Elves International Limited	The British Virgin Islands
Winter Elves Holdings Limited	The British Virgin Islands
Quantum Intelligence Developments Limited	The British Virgin Islands
Interstellar Gate Holdings Limited	The British Virgin Islands
Gentle Drizzle Group Limited	The British Virgin Islands
Gentle Drizzle International Limited	The British Virgin Islands

SCHEDULE I-A

SCHEDULE I-B

List of Management Shareholders

Management Shareholder	PRC ID Card/Passport Number
SHAO Liang (邵量)	341102197710086478
ZHOU Dan (周丹)	411282198012090322
CHUAI Shaokun (揣少坤)	120104197904106829
WU Zhigang (吴志刚)	320682197811038955

SCHEDULE I-B

SCHEDULE I-C

Capitalization Table of the Company immediately prior to the Closing

Shareholders	Shares	No. of Shares	% fully diluted
Quantum Boundary Holdings Limited	Ordinary Shares	29,071,045	16.496%
	Series A Preferred Shares	3,274,216	1.858%
	Series A+ Preferred Shares	2,304,434	1.308%
Golden Dusk International Limited	Ordinary Shares	6,166,632	3.499%
Miraculous Dream International Limited	Ordinary Shares	2,365,576	1.342%
	Series A Preferred Shares	2,046,385	1.161%
	Series A+ Preferred Shares	374,953	0.213%
	Series C Preferred Shares	78,918	0.045%
Zephyr Guardian International Limited	Ordinary Shares	1,002,587	0.569%
	Series A Preferred Shares	1,364,256	0.774%
	Series A+ Preferred Shares	224,972	0.128%
Silver Cygnus Holdings Limited	Ordinary Shares	1,880,386	1.067%
	Series A Preferred Shares	1,364,256	0.774%
	Series A+ Preferred Shares	812,398	0.461%
	Series C Preferred Shares	63,134	0.036%
Quantum Intelligence Holding Limited	Ordinary Shares	2,125,875	1.206%
	Series A Preferred Shares	682,128	0.387%
	Series A+ Preferred Shares	124,984	0.071%
Loving Marvin Holdings Limited	Ordinary Shares	3,972,049	2.254%
	Series A Preferred Shares	682,128	0.387%
	Series A+ Preferred Shares	637,420	0.362%
Quantum Intelligence Group Limited	Series A+ Preferred Shares	30,256	0.017%
	Series C Preferred Shares	9,470	0.005%
	Ordinary Shares	1,130,468	0.641%
Winter Elves International Limited	Series B Preferred Shares	36,089	0.020%
Winter Elves Holdings Limited	Ordinary Shares	272,851	0.155%
	Series A Preferred Shares	409,277	0.232%
	Series A+ Preferred Shares	1,422,946	0.807%
	Series B Preferred Shares	305,676	0.173%
	Series C Preferred Shares	1,652,550	0.938%
Quantum Intelligence Developments Limited	Series C Preferred Shares	9,470	0.005%
	Ordinary Shares	493,068	0.280%
Interstellar Gate Holdings Limited	Series C Preferred Shares	170,392	0.097%
Option Plan (*reserved*)	Ordinary Shares	6,851,788	3.888%
Gentle Drizzle Group Limited	Ordinary Shares	1,036,901	0.588%

SCHEDULE I-C

Gentle Drizzle International Limited	Ordinary Shares	545,703	0.310%
Northern Light Venture Capital III, Ltd.	Series A Preferred Shares	27,285,130	15.482%
Crest Top Developments Limited	Series A Preferred Shares	8,321,965	4.722%
	Series A+ Preferred Shares	1,746,032	0.991%
	Series B Preferred Shares	574,361	0.326%
LYFE Capital Stone (Hong Kong) Limited	Series A+ Preferred Shares	7,301,587	4.143%
	Series B Preferred Shares	5,897,359	3.346%
	Series C Preferred Shares	532,475	0.302%
SCC Venture V Holdco I, Ltd.	Series A+ Preferred Shares	5,555,556	3.152%
	Series B Preferred Shares	1,595,448	0.905%
Anssence Investments Limited	Series A+ Preferred Shares	634,921	0.360%
	Series B Preferred Shares	59,450	0.034%
SCC Venture VI Holdco, Ltd.	Series B Preferred Shares	8,077,148	4.583%
	Series C Preferred Shares	638,970	0.363%
EverGreen SeriesC Limited Partnership	Series B Preferred Shares	8,991,900	5.102%
	Series C Preferred Shares	4,066,970	2.308%
Owap Investment Pte Ltd	Series C Preferred Shares	8,519,600	4.834%
Owap Investment Pte Ltd (Warrant)	Series C Preferred Shares	2,129,900	1.209%
CMBI Private Equity Series SPC on behalf of and for the account of Biotechnology Fund IV SP	Series C Preferred Shares	2,129,900	1.209%
LAV Biosciences Fund V, L.P.	Series C Preferred Shares	3,194,850	1.813%
LYFE Mount Whitney Limited	Series C Preferred Shares	3,194,850	1.813%
A5J Ltd	Series C Preferred Shares	532,475	0.302%
Unique Invest Co., Ltd	Series C Preferred Shares	212,990	0.121%
Ampere Partners Holdings Limited	Series C Preferred Shares	42,598	0.024%
Total		**/ 176,232,072**	**100.000%**

SCHEDULE I-D

SCHEDULE I-D

Capitalization Table of the Company immediately after the Closing (assuming the GIC Warrant has been exercised)

Shareholders	Shares	No. of Shares	% fully diluted
Quantum Boundary Holdings Limited	Ordinary Shares	29,071,045	16.107%
	Series A Preferred Shares	3,274,216	1.814%
	Series A+ Preferred Shares	2,304,434	1.277%
Golden Dusk International Limited	Ordinary Shares	6,166,632	3.417%
Miraculous Dream International Limited	Ordinary Shares	2,365,576	1.311%
	Series A Preferred Shares	2,046,385	1.134%
	Series A+ Preferred Shares	374,953	0.208%
	Series C Preferred Shares	78,918	0.044%
Zephyr Guardian International Limited	Ordinary Shares	1,002,587	0.555%
	Series A Preferred Shares	1,364,256	0.756%
	Series A+ Preferred Shares	224,972	0.125%
Silver Cygnus Holdings Limited	Ordinary Shares	1,880,386	1.042%
	Series A Preferred Shares	1,364,256	0.756%
	Series A+ Preferred Shares	812,398	0.450%
	Series C Preferred Shares	63,134	0.035%
Quantum Intelligence Holding Limited	Ordinary Shares	2,125,875	1.178%
	Series A Preferred Shares	682,128	0.378%
	Series A+ Preferred Shares	124,984	0.069%
Loving Marvin Holdings Limited	Ordinary Shares	3,972,049	2.201%
	Series A Preferred Shares	682,128	0.378%
	Series A+ Preferred Shares	637,420	0.353%
Quantum Intelligence Group Limited	Series A+ Preferred Shares	30,256	0.017%
	Series C Preferred Shares	9,470	0.005%
	Ordinary Shares	1,130,468	0.626%
Winter Elves International Limited	Series B Preferred Shares	36,089	0.020%

SCHEDULE I-D

Winter Elves Holdings Limited	Ordinary Shares	272,851	0.151%
	Series A Preferred Shares	409,277	0.227%
	Series A+ Preferred Shares	1,422,946	0.788%
	Series B Preferred Shares	305,676	0.169%
	Series C Preferred Shares	1,652,550	0.916%
Quantum Intelligence Developments Limited	Series C Preferred Shares	9,470	0.005%
	Ordinary Shares	493,068	0.273%
Interstellar Gate Holdings Limited	Series C Preferred Shares	170,392	0.094%
Option Plan (*reserved*)	Ordinary Shares	6,851,788	3.796%
Gentle Drizzle Group Limited	Ordinary Shares	1,036,901	0.574%
Gentle Drizzle International Limited	Ordinary Shares	545,703	0.302%
Northern Light Venture Capital III, Ltd.	Series A Preferred Shares	27,285,130	15.117%
Crest Top Developments Limited	Series A Preferred Shares	8,321,965	4.611%
	Series A+ Preferred Shares	1,746,032	0.967%
	Series B Preferred Shares	574,361	0.318%
LYFE Capital Stone (Hong Kong) Limited	Series A+ Preferred Shares	7,301,587	4.045%
	Series B Preferred Shares	5,897,359	3.267%
	Series C Preferred Shares	532,475	0.295%
SCC Venture V Holdco I, Ltd.	Series A+ Preferred Shares	5,555,556	3.078%
	Series B Preferred Shares	1,595,448	0.884%
Anssence Investments Limited	Series A+ Preferred Shares	634,921	0.352%
	Series B Preferred Shares	59,450	0.033%
SCC Venture VI Holdco, Ltd.	Series B Preferred Shares	8,077,148	4.475%
	Series C Preferred Shares	638,970	0.354%
EverGreen SeriesC Limited Partnership	Series B Preferred Shares	8,991,900	4.982%
	Series C Preferred Shares	4,066,970	2.253%
Owap Investment Pte Ltd	Series C Preferred Shares	8,519,600	4.720%
	Series C Preferred Shares (assuming the GIC Warrant has been exercised)	2,129,900	1.180%
CMBI Private Equity Series SPC on behalf of and for the account of Biotechnology Fund IV SP	Series C Preferred Shares	2,129,900	1.180%
LAV Biosciences Fund V, L.P.	Series C Preferred Shares	3,194,850	1.770%
	Series C+ Preferred Shares	587,440	0.325%
LYFE Mount Whitney Limited	Series C Preferred Shares	3,194,850	1.770%

SCHEDULE I-D

A5J Ltd	Series C Preferred Shares	532,475	0.295%
Unique Invest Co., Ltd	Series C Preferred Shares	212,990	0.118%
Ampere Partners Holdings Limited	Series C Preferred Shares	42,598	0.024%
OrbiMed Partners Master Fund Limited	Series C+ Preferred Shares	752,657	0.417%
Worldwide Healthcare Trust PLC	Series C+ Preferred Shares	1,413,528	0.783%
The Biotech Growth Trust PLC	Series C+ Preferred Shares	624,155	0.346%
OrbiMed Genesis Master Fund, L.P.	Series C+ Preferred Shares	146,861	0.081%
Casdin Partners Master Fund, L.P.	Series C+ Preferred Shares	734,300	0.407%
Total	**/**	**180,491,013**	**100.000%**

SCHEDULE I-D

SCHEDULE II

List of Investors

Investor	Number of Series C+ Closing Shares	Purchase Price	Purchase Price Per Share
OrbiMed Partners Master Fund Limited	752,657	US$ 5,124,995	US$6.809203265
Worldwide Healthcare Trust PLC	1,413,528	US$ 9,625,000	US$6.809203265
The Biotech Growth Trust PLC	624,155	US$ 4,249,999	US$6.809203265
OrbiMed Genesis Master Fund, L.P.	146,861	US$ 1,000,006	US$6.809203265
Casdin Partners Master Fund, L.P.	734,300	US$ 5,000,000	US$6.809203265
LAV Biosciences Fund V, L.P.	587,440	US$ 4,000,000	US$6.809203265
Total	4,258,941	US$29,000,000	/

SCHEDULE II

SCHEDULE III

DEFINITIONS

1. "**Accounting Standards**" means generally accepted accounting principles in the People's Republic of China, applied on a consistent basis.

2. "**Action**" means any charge, claim, action, complaint, petition, investigation, appeal, suit, litigation, grievance, inquiry or other proceeding, whether administrative, civil, regulatory or criminal, whether at law or in equity, or otherwise under any applicable Law, and whether or not before any mediator, arbitrator or Governmental Authority.

3. "**Affiliate**" means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any partner, officer, director, member or employee of such Person and any venture capital fund now or hereafter existing that is controlled by or under common control with one or more general partners or managing members of, or shares the same management company with, such Person.

4. "**Affiliated Fund**" shall mean an affiliated fund or entity of any Investor, which means with respect to a limited liability company or a limited liability partnership, a fund or entity managed by the same manager or managing member or general partner or management company or by an entity controlling, controlled by, or under common control with such manager or managing member or general partner or management company.

5. "**Agreement**" has the meaning ascribed to it in the Preamble to this Agreement.

6. "**Amended M&A**" has the meaning ascribed to it in Section 2.9.

7. "**Associate**" means, with respect to any Person, (i) a corporation or organization (other than the Group Companies) of which such Person is an officer or partner or is, directly or indirectly, the record or beneficial owner of five (5) percent or more of any class of Equity Securities of such corporation or organization, (ii) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar capacity, or (iii) any relative or spouse of such Person, or any relative of such spouse.

8. "**Beijing Subsidiary**" has the meaning ascribed to it in the Preamble to this Agreement.

9. "**Benefit Plan**" means any employment Contract, deferred compensation Contract, bonus plan, incentive plan, profit sharing plan, retirement Contract or other employment compensation Contract or any other plan which provides or provided benefits for any past or present employee, officer, consultant, and/or director of a Person or with respect to which contributions are or have been made on account of any past or present employee, officer, consultant, and/or director of such a Person.

10. "**Board**" or "**Board of Directors**" means any of the Group Company's Board of Directors, as the case may be.

11. "**Breach**" has the meaning ascribed to it in Section 7.1.

12. "**Business**" has the meaning ascribed to it in the Recitals to this Agreement.

13. "**Business Day**" means any day, other than a Saturday, Sunday or other day on which the commercial banks in the Cayman Islands, Hong Kong, Singapore or Beijing are authorized or required to be closed for the conduct of regular banking business.

14. "**Captive Structure**" means the structure under which the WFOE Controls the Domestic Companies through the Cooperation Documents.

15. "**CFC**" means a controlled foreign corporation as defined in the Code.

16. "**Charter Documents**" means, with respect to a particular legal entity, the articles of incorporation, certificate of incorporation, formation or registration (including, if applicable, certificates of change of name), memorandum of association, articles of association, bylaws, articles of organization, limited liability company agreement, trust deed, trust instrument, operating agreement, joint venture agreement, business license, or similar or other constitutive, governing, or charter documents, or equivalent documents, of such entity.

17. "**Circular 37**" means the *Circular on the Management of Offshore Investment and Financing and Round-Trip Investment by Domestic Residents through Special Purpose Vehicles issued by the State Administration of Foreign Exchange* issued by SAFE on July 4, 2014, including any of its applicable implementing rules or regulations.

18. "**Closing**" has the meaning ascribed to it in Section 1.3(a).

19. "**Closing Account**" has the meaning ascribed to it in Section 1.3(d).

20. "**Code**" means the Internal Revenue Code of 1986, as amended.

21. "**Company**" has the meaning ascribed to it in the Preamble to this Agreement.

22. "**Company IP**" has the meaning ascribed to it in Section 12.1 of Schedule V.

23. "**Company Law**" means the Companies Law (as amended) of the Cayman Islands.

24. "**Consent**" means any consent, approval, authorization, release, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any Person, including any Governmental Authority.

25. "**Contract**" means a contract, agreement, understanding, indenture, note, bond, loan, instrument, lease, mortgage, franchise, license, commitment, purchase order, and other legally binding arrangement, whether written or oral.

26. "**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, 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 a majority of the board of directors of such Person; the terms "Controlling" and "Controlled" (and their lower-case counterparts) have meanings correlative to the foregoing.

27. "**Cooperation Documents**" means the following set of contracts concluded by the relevant parties: (a) the Exclusive Business Cooperation Agreement (《独家业务合作协议》) entered into by and between Beijing Subsidiary and the WFOE on October 21, 2019; (b) the Equity Interest Pledge Agreement (《股权质押协议》) entered into by and among Beijing Subsidiary, the shareholders of Beijing Subsidiary and the WFOE on October 21, 2019; (c) the Exclusive Option Agreement (《独家购买权合同》) entered into by and among Beijing Subsidiary, the shareholders of Beijing Subsidiary and the WFOE on October 21, 2019; and (d) the Agreement for Power of Attorney (《授权委托协议》) entered into by and between the WFOE and the shareholders of Beijing Subsidiary on October 21, 2019.

28. "**Conversion Shares**" means Ordinary Shares issuable upon conversion of any Preferred Shares.

29. "**Convertible Securities**" means, with respect to any specified Person, securities convertible or exchangeable into any shares of any class of such specified Person, however described and whether voting or non-voting.

30. "**Director**" means the member of the Board of Directors.

31. "**Disclosing Party**" has the meaning ascribed to it in Section 8.2(c).

32. "**Domestic Company**" has the meaning ascribed to it in the Preamble to this Agreement.

33. "**Employee Benefit Plans**" has the meaning ascribed to it in Section 18.6 of Schedule V.

34. "**Equity Securities**" means, with respect to any Person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing, or any Contract providing for the acquisition of any of the foregoing.

35. "**Exclusivity Period**" has the meaning ascribed to it in Section 6.3.

36. "**Execution Date**" shall mean the date of this Agreement.

37. "**FCPA**" means Foreign Corrupt Practices Act of the United States of America, as amended from time to time.

38. "**Financial Statements**" has the meaning ascribed to it in Section 16 of Schedule V.

39. "**Founder**" has the meaning ascribed to it in the Preamble to this Agreement.

40. "**GIC Warrant**" means the warrant issued to Owap Investment Pte Ltd on January 31, 2019, pursuant to which Owap Investment Pte Ltd is entitled to purchase 2,129,900 Series C Preferred Shares at a per share exercise price of US$4.695056 (as may be adjusted from time to time).

41. "**Governmental Authority**" means the government of any nation, province, state, city, locality or other political subdivision of any thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, regulation or compliance, and any corporation or other entity owned or controlled, through share or capital ownership or otherwise, by any of the foregoing.

42. "**Governmental Order**" means any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

43. "**Grace Period**" has the meaning ascribed to it in Section 7.3.

44. "**Group Companies**" has the meaning ascribed to it in the Preamble to this Agreement.

45. "**Guangzhou Biotechnology Subsidiary**" has the meaning ascribed to it in the Preamble to this Agreement.

46. "**Guangzhou Equipment Subsidiary**" has the meaning ascribed to it in the Preamble to this Agreement.

47. "**Guangzhou Laboratories Subsidiary**" has the meaning ascribed to it in the Preamble to this Agreement.

48. "**HK Company**" has the meaning ascribed to it in the Preamble to this Agreement.

49. "**HKIAC**" has the meaning ascribed to it in Section 8.15(b).

50. "**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC.

51. "**Indemnifiable Loss**" has the meaning ascribed to it in Section 7.1.

52. "**Indemnitee**" has the meaning ascribed to it in Section 7.1.

53. "**Intellectual Property**" means any and all (i) patents, patent rights and applications therefor and reissues, reexaminations, continuations, continuations-in-part, divisions, and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, mask works and registrations and applications therefor, author's rights and works of authorship (including artwork, software, computer programs, source code, object code and executable code, firmware, development tools, files, records and data, and related documentation), (iv) URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms and other intellectual property, (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, and (vii) the goodwill symbolized or represented by the foregoing.

54. "**Investors**" has the meaning ascribed to it in the Preamble to this Agreement.

55. "**Key Employee**" means each of the Persons listed in Schedule IV.

56. "**Key Holder**" has the meaning ascribed to it in the Preamble to this Agreement.

57. "**Key Investors' Directors**" means any Director appointed by any investor to the Company holding no less than five percent (5%) of the total issued and outstanding shares of the Company on an as converted and as-exercised basis.

58. "**Knowledge**" including the phrase "to the Warrantors' knowledge" shall mean the actual knowledge after reasonable investigation of the Key Employees and the Founder.

59. "**Law**" or "**Laws**" means any constitutional provision, statute or other law, rule, regulation, official policy or interpretation of any Governmental Authority and any injunction, judgment, order, ruling, assessment or writ issued by any Governmental Authority.

60. "**Lease**" has the meaning ascribed to it in Section 11.2 of Schedule V.

61. "**Licenses**" means, collectively, (a) all licenses, sublicenses, and other Contracts to which any Group Company is a party and pursuant to which any third party is authorized to use, exercise or receive any benefit from any material Company IP, and (b) all licenses, sublicenses and other Contracts to which any Group Company is a party and pursuant to which such Group Company is authorized to use, exercise, or receive any benefit from any material Intellectual Property of another Person, in each case except for (i) agreements involving "off-the-shelf" commercially available software, and (ii) non-exclusive licenses to customers of the Business in the ordinary course of business consistent with past practice.

62. "**Lien**" means any mortgage, pledge, claim, security interest, encumbrance, title defect, lien, charge or other restriction or limitation (whether on voting, sale, transfer, disposition or otherwise), whether imposed by Contract, understanding, law, equity or otherwise.

63. "**Management Shareholders**" has the meaning ascribed to it in the Preamble to this Agreement.

64. "**Material Agreements**" has the meaning ascribed to it in Section 13.1 of Schedule V.

65. "**Material Adverse Effect**" means any (i) event, occurrence, fact, condition, change or development that has had, has, or could reasonably be expected to have, individually or together with other events, occurrences, facts, conditions, changes or developments, a material adverse effect on the business, properties, assets, employees, operations, results of operations, condition (financial or otherwise), prospects, assets or liabilities of the Group Companies taken as a whole, (ii) material impairment of the ability of any Party (other than the Investors) to perform the material obligations of such party under any Transaction Documents, or (iii) material impairment of the validity or enforceability of this Agreement or any other Transaction Document against any Party hereto or thereto (other than the Investors).

66. "**MOFCOM**" means the Ministry of Commerce of the PRC or, with respect to any matter to be submitted for examination and approval by the Ministry of Commerce, any Governmental Authority which is similarly competent to examine and approve such matter under the laws of the PRC.

67. "**OrbiMed**" means OrbiMed Partners Master Fund Limited, Worldwide Healthcare Trust PLC, The Biotech Growth Trust PLC and OrbiMed Genesis Master Fund, L.P.

68. "**OFAC**" has the meaning ascribed to it in Section 20.1(a) of Schedule V.

69. "**OFAC Sanctioned Person**" has the meaning ascribed to it in Section 20.1 of Schedule V.

70. "**OFAC Sanctions**" has the meaning ascribed to it in Section 20.1(a) of Schedule V.

71. "**Option Plan**" means an employee share incentive plan adopted by the Company for the issuances of up to 10,580,468 Ordinary Shares for issuance to officers, directors, employees and consultants of the Company.

72. "**Order**" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Authority.

73. "**Ordinary Shares**" has the meaning specified in Section 2.1(a) of Schedule V.

74. "**Parties**" has the meaning ascribed to it in the Preamble to this Agreement.

75. "**Permitted Liens**" means (i) the Liens for Taxes not yet delinquent or the validity of which are being contested in good faith and for which there are adequate reserves on the applicable financial statements, and (ii) the Liens incurred in the ordinary course of business, which (a) do not individually or in the aggregate materially detract from the value, use, or transferability of the assets that are subject to such Liens, and (b) were not incurred in connection with the borrowing of money.

76. "**Person**" means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

77. "**PFIC**" means a passive foreign investment company as defined in the Code.

78. "**PRC**" means the Peoples' Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan.

79. "**Preferred Shares**" means any and all preferred shares outstanding and to be issued by the Company, including but not limited to Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series C+ Preferred Shares.

80. "**Preferred Shareholders**" means the shareholders who hold Preferred Shares of the Company.

81. "**Public Official**" means an employee of a Governmental Authority, a member of a political party, a political candidate, an officer of a public international organization, or an officer or employee of a state-owned enterprise, including a PRC state-owned enterprise.

82. "**Public Software**" means any software that contains, or is derived in any manner (in whole or in part) from, any software that is distributed as free software, open source software (*e.g.*, Linux) or similar licensing or distribution models, including, without limitation, software licensed or distributed under any of the following licenses or distribution models, or licenses or distribution models similar to any of the following: (A) GNU's General Public License (GPL) or Lesser/Library GPL (LGPL), (B) the Artistic License (e.g., PERL), (C) the Mozilla Public License, (D) the Netscape Public License, (E) the Sun Community Source License (SCSL), (F) the Sun Industry Standards License (SISL), (G) the BSD License, and (H) the Apache License.

83. "**Purchase Price**" has the meaning ascribed to it in Section 1.1.

84. "**Related Party**" has the meaning ascribed to it in Section 14.3 of Schedule V.

85. "**Representatives**" has the meaning ascribed to it in Section 20.2 of Schedule V.

86. "**Required Governmental Consents**" has the meaning ascribed to it in Section 8.3 of Schedule V.

87. "**Restated Shareholders' Agreement**" has the meaning ascribed to it in Section 2.10.

88. "**SAFE**" means the State Administration of Foreign Exchange of the PRC.

89. "**SAFE Rules and Regulations**" mean collectively, the Circular 37 and any other applicable SAFE rules and regulations, as amended.

90. "**SAMR**" means the State Administration for Market Regulation of the PRC or, with respect to the issuance of any business license or filing or registration to be effected by or with the State Administration for Market Regulation, any Governmental Authority which is similarly competent to issue such business license or accept such filing or registration under the laws of the PRC.

91. "**SDN List**" has the meaning ascribed to it in Section 20.1(b) of Schedule V.

92. "**Secretary**" has the meaning ascribed to it in Section 20.1(a) of Schedule V.

93. "**Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (or comparable Laws in jurisdictions other than the United States).

94. "**Security Holder**" has the meaning ascribed to it in Section 6.8.

95. "**Series A Preferred Shares**" has the meaning specified in Section 2.1(b) of Schedule V.

96. "**Series A+ Preferred Shares**" has the meaning specified in Section 2.1(c) of Schedule V.

97. "**Series B Preferred Shares**" has the meaning specified in Section 2.1(d) of Schedule V.

98. "**Series C Preferred Shares**" has the meaning specified in Section 2.1 (e) of Schedule V.

99. "**Series C+ Closing Shares**" has the meaning ascribed to it in Section 1.1.

100. "**Series C+ Preferred Shares**" means the series C+ preferred shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Amended M&A.

101. "**Shanghai Subsidiary**" has the meaning ascribed to it in the Preamble to this Agreement.

102. "**Statement Date**" has the meaning ascribed to it in Section 16 of Schedule V.

103. "**Subsidiary**" or "**subsidiary**" means, as of the relevant date of determination, with respect to any Person (the "subject entity"), (i) any Person (x) more than 50% of whose shares or other interests entitled to vote in the election of directors or (y) more than a 50% interest in the profits or capital of such Person are owned or controlled directly or indirectly by the subject entity or through one (1) or more Subsidiaries of the subject entity, (ii) any Person whose assets, or portions thereof, are consolidated with the net earnings of the subject entity and are recorded on the books of the subject entity for financial reporting purposes in accordance with International Financial Reporting Standards or US GAAP, or (iii) any Person with respect to which the subject entity has the power to otherwise direct the business and policies of that entity directly or indirectly through another subsidiary. For the avoidance of doubt, the Subsidiaries of the Company shall include the Group Companies.

104. "**Tax**" means (a) any national, provincial, municipal, or local taxes, charges, fees, levies, or other assessments, including, without limitation, all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education fees), property (including urban real estate tax and land use fees), documentation (including stamp duty and deed tax), filing, recording, tariffs (including import duty and import value-added tax), and estimated and provisional taxes, charges, fees, levies, or other assessments of any kind whatsoever, (b) all interest, penalties (administrative, civil or criminal), or additional amounts imposed by any Governmental Authority in connection with any item described in clause (a) above, and (c) any form of transferee liability imposed by any Governmental Authority in connection with any item described in clauses (a) and (b) above.

105. "**Tax Liability**" means an amount equal to any and all losses, liabilities, damages, suits, obligations, judgments or settlements or any kind (including all reasonable legal costs, costs of recovery and other expenses incurred by the Investors) resulting from any claim of taxation (including those resulting from cancellation or reclamation of tax benefits of any kind relating to the Group Companies) arising from an event relating to Tax occurring before the Closing.

106. "**Tax Return**" means any return, report or statement showing Taxes, used to pay Taxes, or required to be filed with respect to any Tax (including any elections, declarations, schedules or attachments thereto, and any amendment thereof), including any information return, claim for refund, amended return or declaration of estimated or provisional Tax.

107. "**Termination Date**" has the meaning ascribed to it in Section 8.22(b).

108. "**Transaction Documents**" means this Agreement, the Amended M&A, the Restated Shareholders' Agreement and any other agreements, instruments or documents entered into in connection with this Agreement.

109. "**Transaction Terms**" has the meaning ascribed to it in Section 8.2(a).

110. "**US GAAP**" means generally accepted accounting principles in effect in the United States of America from time to time.

111. "**United States Person**" has the meaning ascribed to such term is Section 20.1(c) of Schedule V.

112. "**US$**" means the United States dollar, the lawful currency of the United States of America.

113. "**Warrantors**" means each of the Group Companies, the Key Holders, and "**Warrantor**" means any one of them.

114. "**WFOE**" has the meaning ascribed to it in the Preamble to this Agreement.

SCHEDULE IV

SCHEDULE OF KEY EMPLOYEES

Name	Title
HAN Yusheng (汉雨生)	Chief Executive Officer
WU Zhigang (吴志刚)	VP of Business Development
SHAO Liang (邵量)	East China Sales Director
ZHOU Dan (周丹)	South China VP of Sales
CHUAI Shaokun (揣少坤)	Chief Operation Officer
ZHOU Nannan (周楠楠)	North China Sales Director
DUAN Feidie (段飞蝶)	Associate Director of Inspection Dept. & Product Center
Zhang Zhihong (张之宏)	Chief Technology Officer
Liu Hao (刘颢)	Chief Medical Officer

SCHEDULE IV

SCHEDULE V

REPRESENTATIONS AND WARRANTIES OF

THE WARRANTORS

1. Organization, Good Standing, Corporate Power and Qualification.

Except as set forth in a private placement memorandum of the Company dated December 2019 which has been circulated to the Investors (the "**Private Placement Memorandum**"), each Group Company is a corporation duly organized, validly existing and in good standing under the Laws of their respective jurisdiction of incorporation and has all requisite corporate power and authority to own its properties and assets, to carry on its business as presently conducted and as proposed to be conducted, and to perform each of its obligations under the Transaction Documents to which it is a party. Each Group Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect. Each Group Company that is a PRC entity has a valid business license issued by the SAMR or its local branch or other relevant Governmental Authorities, and has, since its establishment, carried on its business materially in compliance with the business scope set forth in its business license.

2. Capitalization.

2.1 **Company**. Immediately prior to the Closing, the Company is authorized to issue up to a maximum of 500,000,000 shares, consisting of the following as further set forth in the capitalization table attached hereto as Schedule I-C:

a) Ordinary Shares. A total of 376,415,039 authorized Ordinary Shares, par value US$0.0001 per share of the Company (each an "**Ordinary Share**"), of which 50,063,141 shares are issued and outstanding, 123,584,961 shares are reserved for the conversion of Preferred Shares, and 10,580,468 shares reserved for the Option Plan;

b) Series A Preferred Shares. A total of 45,429,741 authorized Series A Preferred Shares, par value of US$0.0001 ("**Series A Preferred Shares**", and each a "**Series A Preferred Share**"), all of which are issued and outstanding. The rights, privileges and preferences of the Series A Preferred Shares are as stated in the Amended M&A as provided by the Company Law.

c) Series A+ Preferred Shares. A total of 21,179,336 authorized Series A+ Preferred Shares, par value of US$0.0001 ("**Series A+ Preferred Shares**, and each a "**Series A+ Preferred Share**"), all of which are issued and outstanding. The rights, privileges and preferences of the Series A+ Preferred Shares are as stated in the Amended M&A as provided by the Company Law.

d) Series B Preferred Shares. A total of 25,537,431 authorized Series B Preferred Shares, par value of US$0.0001 ("**Series B Preferred Shares**, and each a "**Series B Preferred Share**"), all of which are issued and outstanding. The rights, privileges and preferences of the Series B Preferred Shares are as stated in the Amended M&A as provided by the Company Law.

e) Series C Preferred Shares. A total of 27,179,512 authorized Series C Preferred Shares, par value of US$0.0001 ("**Series C Preferred Shares**, and each a "**Series C Preferred Share**"), 25,049,612 of which are issued and outstanding. The rights, privileges and preferences of the Series C Preferred Shares are as stated in the Amended M&A as provided by the Company Law.

f) Series C+ Preferred Shares. A total of 4,258,941 authorized Series C+ Preferred Shares, none of which has been issued.

g) Options, Warrants and Reserved Shares. The Company has reserved 123,584,961 Ordinary Shares for the conversion of Preferred Shares and 10,580,468 Ordinary Shares for the Option Plan. Except for (i) the conversion privileges of the Preferred Shares, the Option Plan and the GIC Warrant, (ii) the pre-emptive rights provided in the Restated Shareholders' Agreement to be entered into upon the Closing, and (iii) other rights provided under applicable laws of the PRC, there are no other options, warrants, conversion privileges or other rights, or agreements with respect to the issuance thereof, presently outstanding to purchase any of the Equity Securities of the Company. Except as noted in this Section 2.1 and the rights provided in the Restated Shareholders' Agreement, no Equity Securities of the Company's outstanding share capital, or shares issuable upon exercise or exchange of any outstanding options or other shares issuable by the Company, are subject to any encumbrance, preemptive rights, rights of first refusal or other rights to purchase such shares (whether in favor of the Company or any other person).

h) Principal Shareholders. A complete list of (i) each director and executive officer of the Company, and (ii) each person known to the Company to own beneficially more than 5% or more of each class of the voting securities of the Company as of the date of the Private Placement Memorandum, indicating the type and number of shares, options or other Equity Securities held by each such shareholder, has been set forth in the Private Placement Memorandum.

2.2 **HK Company**. The authorized share capital of the HK Company is and immediately prior to and following the Closing shall be HK$1, divided into 1 share of HK$1 each, all of which is issued and outstanding and held by the Company.

2.3 **No Other Securities**. Except for (a) the conversion privileges of the Series C+ Closing Shares to be issued under this Agreement, the Series A Preferred Shares, the Series A+ Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares, (b) the right provided in the GIC Warrant, (c) the rights provided in the Amended M&A and the Restated Shareholders' Agreement and the Cooperation Documents, and (d) the Ordinary Shares to be issued under Option Plan, there are no and at the Closing there shall be no other authorized or outstanding Equity Securities of any Group Company, including but not limited to options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from the Company any Ordinary Share, Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Share, Series C Preferred Share or Series C+ Preferred Share, or any securities convertible into or exchangeable for Ordinary Shares, Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C Preferred Shares or Series C+ Preferred Shares of the Company, or to purchase or acquire from the other Group Companies any Equity Securities. All of the Company's issued and outstanding Ordinary Shares and all the Company's underlying outstanding options are subject to (i) a right of first refusal in favor of the Company upon any proposed transfer (other than transfers for estate planning purposes); and (ii) a lock-up or market standoff agreement of not less than 180 days following the Company's initial public offering pursuant to a registration statement filed with the SEC under the Securities Act. Except as contemplated under the Transaction Documents and except as set forth in the Private Placement Memorandum, there are no voting or similar agreements which relate to the share capital or registered capital of any Group Company. No Group Company is a party or subject to any Contract that affects or relates to the voting or giving of written consents with respect to, or the right to cause the redemption, or repurchase of, any Equity Security of such Group Company.

2.4 **Issuance and Status**. All presently outstanding Equity Securities of each Group Company were duly and validly issued (or subscribed for) in compliance with all applicable Laws, preemptive rights of any Person, and applicable Contracts. All share capital or registered capital, as the case may be, of each Group Company have been duly and validly issued and fully paid (or subscribed for), is nonassessable, and is and as of the Closing shall be free of any and all Liens (except for any restrictions on transfer under the Transaction Documents, the Cooperation Documents and other ancillary agreements and applicable Laws). Except as contemplated under the Transaction Documents, there are no (a) resolutions pending to increase the share capital or registered capital of any Group Company or cause the liquidation, winding up, or dissolution of any Group Company, nor has any distress, execution or other process been levied against any Group Company, (b) dividends which have accrued or been declared but are unpaid by any Group Company, (c) obligations, contingent or otherwise, of any Group Company to repurchase, redeem, or otherwise acquire any Equity Securities, or (d) outstanding or authorized equity appreciation, phantom equity, equity plans or similar rights with respect to any Group Company. All dividends (if any) or distributions (if any) declared, made or paid by each Group Company, and all repurchases and redemptions of Equity Securities of each Group Company (if any), have been declared, made, paid, repurchased or redeemed, as applicable, in accordance with its Charter Documents and all applicable Laws. Each Group Company is the sole record and beneficial holder of all of its Equity Securities, free and clear of all Liens of any kind other than those arising under applicable Law or as set forth in the Cooperation Documents.

3. Corporate Structure; Subsidiaries.

The description of the corporate structure of the Company as set forth in the Private Placement Memorandum is true and accurate in all material respects and nothing has been omitted from such description which would make it misleading. There is no other material agreement, contract or other document relating to the corporate structure or the operation of the Company which has not been disclosed in the Private Placement Memorandum. The Company was formed solely to acquire and hold the equity interests in the HK Company and the HK Company was formed solely to acquire and hold the equity interests in the WFOE. Neither the Company nor the HK Company has engaged in any other business and has not incurred any material liability since its formation. The WFOE is engaged in the Business as set forth in the Recitals and has no other business. No Key Holder and no Person owned or controlled by any Key Holder (other than a Group Company), is engaged in the Business or has any assets in relation to the Business or any Contract with any Group Company.

The WFOE has been lawfully incorporated under the laws of the PRC. The Company, the HK Company, the Key Holders, the Holding Entities as listed in Schedule I-A-2 attached hereto, the Beijing Subsidiary and the WFOE have completed the key documentation in connection with the transactions, and each of the Cooperation Documents has been executed and delivered. Except as set forth in the Private Placement Memorandum, each direct and indirect equity interest holder or beneficial owner of the Company has complied with the registration requirements under Circular 37 or any successor rule or regulation under PRC law, in relation to the transactions contemplated under this Agreement, and has made all oral or written filings, registrations, reporting or any other communications required by SAFE or any of its local branches. No Group Company has, nor has any Security Holder, received any oral or written inquiries, notifications, orders or any other form of official correspondence from SAFE or any of its local branches with respect to any actual or alleged non-compliance with SAFE Rules and Regulations.

4. Authorization.

Each Warrantor has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. All corporate action required to be taken by each Group Company's board of directors and shareholders in order to authorize each respective Group Company to enter into the Transaction Documents to which each such Group Company is a party, and to carry out and perform its obligations thereunder, including but not limited to the issuance of the Series C+ Closing Shares at the Closing. All action on the part of the officers of each Group Company necessary for the authorization, execution and delivery of the Transaction Documents, the performance of all obligations of such Group Company under the Transaction Documents to be performed as of the Closing, and the authorization, issuance, sale and delivery of the Series C+ Closing Shares, has been taken or will be taken prior to the Closing. All action on the part of the officers of each Group Company necessary for the performance of all obligations of such Group Company under the Transaction Documents to be performed as of the Closing has been taken or will be taken prior to the Closing. The Transaction Documents, when executed and delivered by each Group Company, shall constitute valid and legally binding obligations of each Group Company, enforceable against each Group Company in accordance with their respective terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, or (iii) to the extent the indemnification provisions contained in the Restated Shareholders' Agreement may be limited by applicable securities laws. For the purpose only of this Agreement, "**reserve**", "**reservation**" or similar words with respect to a specified number of Ordinary Shares, Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C Preferred Shares or Series C+ Preferred Shares of the Company shall mean that the Company shall, and the Board of Directors of the Company shall procure that the Company shall, refrain from issuing such number of shares so that such number of shares will remain in the authorized but unissued share capital of the Company until the conversion rights of the holders of any Convertible Securities exercisable for such shares are exercised in accordance with the Amended M&A or otherwise.

5. Valid Issuance of Shares.

5.1 The Series C+ Closing Shares, when issued, sold and allotted in accordance with the terms and for the consideration set forth in this Agreement and registered on the register of members of the Company, will be duly and validly issued, fully paid and nonassessable and free of any restriction on transfer other than restrictions on transfer under this Agreement, the Restated Shareholders' Agreement, applicable securities laws and liens or encumbrances created by or imposed by the Investors. Subject in part to the accuracy of the representations of the Investors in Schedule VI of this Agreement, the Series C+ Closing Shares will be issued in compliance with all applicable Laws. The Conversion Shares have been duly reserved for issuance, and upon issuance in accordance with the terms of the Amended M&A, will be validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the Transaction Documents, applicable Laws and liens or encumbrances created by or imposed by the Investors. The issuance of any Series C+ Closing Shares is not subject to any preemptive rights or rights of first refusal, or if any such preemptive rights or rights of first refusal exist, waiver of such rights has been obtained from the holders thereof. The Conversion Shares will be issued in compliance with all applicable securities laws.

5.2 All presently outstanding shares of the Company were duly and validly issued, fully paid and non-assessable, and are free and clear of any liens and free of restrictions on transfer (except for any restrictions on transfer under applicable securities laws) and have been issued in compliance in all material respects with the requirements of all applicable securities laws and regulations, including, to the extent applicable, the Securities Act.

6. Governmental Consents and Filings.

All the Consents from or filings with any Governmental Authority or any other Person required in connection with the valid execution, delivery and performance of the Transaction Documents, and the consummation of the transactions contemplated by the Transaction Documents, in any case on the part of any party thereto (other than the Investors) have been duly obtained or completed (as applicable) and are in full force and effect. The execution, delivery and performance of each Transaction Document by each party thereto (other than the Investors) do not, and the consummation by such party of the transactions contemplated thereby will not, (i) result in any violation of, be in conflict with, or constitute a default under, require any Consent under, or give any Person rights of termination, amendment, acceleration or cancellation under, with or without the passage of time or the giving of notice, any Governmental Order, any provision of the Charter Documents of any Group Company, any applicable Laws (including without limitation Order No. 10 and the SAFE Rules and Regulations), or any Material Agreement, (ii) result in any violation of, be in conflict with, or constitute a default under, any termination, modification, cancellation, or suspension of any material right of, or any augmentation or acceleration of any material obligation of, any Group Company (including without limitation, any indebtedness of such Group Company), or (iii) result in the creation of any Lien upon any of the material properties or assets of any Group Company other than Permitted Liens.

7. Offering.

Subject in part to the accuracy of each Investor's representations set forth in Schedule VI of this Agreement, the offer, sale and issuance of the Series C+ Closing Shares are exempt from the qualification, registration and prospectus delivery requirements of the Securities Act and any other applicable securities Laws.

8. Compliance with Laws.

8.1 Except as set forth in the Private Placement Memorandum, each Group Company is, and has been in material compliance with all applicable laws applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets or properties.

8.2 Except as set forth in the Private Placement Memorandum, no event has occurred and no circumstance exists that to the Warrantors' knowledge (i) constitutes or may constitute or result in a violation by any Group Company, or a failure on the part of any Group Company to comply with any law, or (ii) may give rise to any obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature, except for such violations or failures by a Group Company that, individually or in the aggregate, would not result in any Material Adverse Effect. None of the Group Companies has received any notice from any Governmental Authority regarding any of the foregoing. No Group Company is under investigation, has received any Government Order, or is subject to any Action with respect to a violation of any Law.

8.3 Except as set forth in the Private Placement Memorandum, all the Consents from or with the relevant Governmental Authority required in respect of the due and proper establishment and operations of each Group Company as now conducted, including but not limited to the Consents from or with MOFCOM, SAMR, SAFE, any Tax bureau, customs authorities, product registration authorities, and health regulatory authorities and the local counterpart thereof, as applicable (or any predecessors thereof, as applicable) (collectively, the "**Required Governmental Consents**"), have been duly obtained or completed in accordance with all applicable Laws.

8.4 No Required Governmental Consent contains any burdensome restrictions or conditions, and each Required Governmental Consent is in full force and effect and will remain in full force and effect upon the consummation of the transactions contemplated hereby. None of the Group Companies is in default under any Required Governmental Consent or has exceeded the permitted scope of activities under any such Required Governmental Consent. To the Knowledge of the Warrantors, there is no reason to believe that any Required Governmental Consent which is subject to periodic renewal will not be granted or renewed. No Group Company has received any letter or other communication from any Governmental Authority threatening or providing notice of revocation of any Required Governmental Consent issued to any Group Company or the need for compliance or remedial actions in respect of the activities carried out directly or indirectly by any Group Company.

8.5 No Group Company has received any written notice from any Governmental Authority regarding (i) any actual, alleged or likely material violation of, or material failure to comply with, any law, or (ii) any actual, alleged or likely material obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

8.6 No Group Company, nor any director, agent, employee or any other person acting for or on behalf of any Group Company, has directly or indirectly (i) made any contribution, gift, bribe, payoff, influence payment, kickback, or any other fraudulent payment in any form, whether in money, property, or services to any Public Official or otherwise (A) to obtain favorable treatment in securing business for a Group Company, (B) to pay for favorable treatment for business secured, or (C) to obtain special concessions or for special concessions already obtained, for or in respect of any Group Company, in each case which would have been in violation of any applicable law or (ii) established or maintained any fund or assets in which any Group Company shall have proprietary rights that have not been recorded in the books and records of a Group Company.

8.7 During the previous five (5) years, the Key Holders have not been (i) subject to voluntary or involuntary petition under any applicable bankruptcy laws or any applicable insolvency law or the appointment of a manager, receiver, or similar officer by a court for his business or property; (ii) convicted in a criminal proceeding or named as a subject of a pending criminal proceeding (excluding traffic violations and other minor offences); (iii) subject to any order, judgment, or decree (not subsequently reversed, suspended, or vacated) of any court of competent jurisdiction permanently or temporarily enjoining him from engaging, or otherwise imposing limits or conditions on his engagement in any securities, investment advisory, banking, insurance, or other type of business or acting as an officer or director of a public company; or (iv) found by a court of competent jurisdiction in a civil action or by any regulatory organization to have violated any applicable securities, commodities or unfair trade practices law whatsoever, which such judgment or finding has not been subsequently reversed, suspended, or vacated.

9. Compliance with Other Instruments.

9.1 The Group Companies and the Key Holders are not in violation or default (i) of any provisions of its memorandum of association (if any), articles of association or any other applicable constitutional document, (ii) of any instrument, judgment, order, writ or decree, (iii) under any note, indenture or mortgage, or (iv) under any material lease, agreement, contract or purchase order to which it is a party or by which it is bound, or (v) of any provision of statute, rule or regulation applicable to such Group Company, the violation of which would either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents will not result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either (i) a default under any such provision, instrument, judgment, order, writ, decree, contract or agreement or (ii) an event which results in the creation of any lien, charge or encumbrance upon any assets of any Group Company or the suspension, revocation, forfeiture, or nonrenewal of any material permit or license applicable to any Group Company, which would either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2 Except as disclosed in the Private Placement Memorandum, there are no material penalties and fines that has ever been imposed on any of the Group Company.

10. Corporate Documents; Books and Records.

The Charter Documents and all other constitutional documents (or analogous constitutional documents) of each Group Company are in the form provided to the Investors. Each Group Company has been in compliance with its constitutional documents (or analogous constitutional documents) in all material respects, and none of the Group Companies has materially violated or breached any of their respective constitutional documents (or analogous constitutional documents). The copy of the minute books of the Company provided to the Investors contains minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since the date of incorporation and accurately reflects in all material respects all actions by the directors (and any committee of directors) and shareholders with respect to all transactions referred to in such minutes. Each Group Company maintains its books of accounts and records in the usual, regular and ordinary manner, on a basis consistent with prior practice, and which permits its financial statements to be prepared in accordance with the applicable Accounting Standards. None of the books of account or records of any Group Company contains any falsified entries. The register of members and directors (or any document to similar effect) of each Group Company is correct, there has been no notice of any proceedings to rectify any such register, and there are no circumstances which might lead to any application for its rectification. Except as set forth in the Private Placement Memorandum, all documents required to be filed by each Group Company with the applicable Governmental Authority in respect of the relevant jurisdiction in which the relevant Group Company is incorporated or established have been properly made up and filed.

11. Title; Properties.

11.1 **Title; Personal Property**. Each Group Company has good and valid title to, or valid leasehold interest in, all of its respective assets, whether tangible or intangible, in each case free and clear of all Liens, other than Permitted Liens. The foregoing assets collectively represent in all material respects all assets (including all rights and properties) necessary for the conduct of the business of each Group Company as presently conducted. Except for leased or licensed assets, no Person other than a Group Company owns any interest in any such assets. All leases of real or personal property to which a Group Company is a party are fully effective and afford the Group Company valid leasehold possession of the real or personal property that is the subject of the lease. All machinery, vehicles, equipment and other tangible personal property owned or leased by a Group Company are (a) in good condition and repair in all material respects (reasonable wear and tear excepted) and (b) not obsolete or in need in any material respect of renewal or replacement, except for renewal or replacement in the ordinary course of business. There are no facilities, services, assets or properties which are used in connection with the business of the Group and which are shared with any other Person that is not a Group Company.

11.2 **Real Property**. Except as set forth in the Private Placement Memorandum, each Group Company holds leased real or personal property under valid and enforceable leases (the "**Leases**") with no terms or provisions that would materially interfere with the use made or to be made thereof by it. There is no material claim asserted or, to the Knowledge of the Warrantors, threatened by any Person regarding the lessor's ownership of the property demised pursuant to each Lease. Each Lease is in compliance in all material respects with applicable Laws, including with respect to the ownership and operation of property and conduct of business as now conducted by the applicable Group Company which is a party to such Lease. Each Group Company which is party to a Lease has accepted possession of the property demised pursuant to the Lease and is in actual possession thereof and has not sublet, assigned or hypothecated its leasehold interest. No Group Company uses any real property in the conduct of its business except insofar as it has secured a Lease with respect thereto. The leasehold interests under the Leases held by each Group Company are adequate for the conduct of the business of such Group Company as currently conducted. To the Knowledge of the Warrantors, there exists no pending or , threatened condemnation, confiscation, eminent domain proceeding, dispute, claim, demand or similar proceeding with respect to, or which could materially and adversely affect, the continued use and enjoyment of such leasehold interests. To the Knowledge of the Warrantors, there are no circumstances that would entitle any Governmental Authority or other Person to take possession or otherwise restrict use, possession or occupation of any property subject to any Leases. The use and operation of the real properties subject to the Leases by the Group Companies is in compliance with all applicable Laws in all material respects, including, without limitation, all applicable building codes, environmental, zoning, subdivision, and land use laws. None of the Group Companies has received notice from any Governmental Authority advising it of a violation (or an alleged violation) of any such laws or regulations.

12. Intellectual Property.

12.1 **Company IP**. Each Group Company owns or otherwise has sufficient rights (including but not limited to the rights of development, maintenance, licensing and sale) to all Intellectual Property necessary and sufficient to conduct its business as currently conducted by such Group Company ("**Company IP**") without any known conflict with or known infringement of the rights of any other Person.

12.2 **IP Ownership**. All Company IP is owned by and registered or applied for solely in the name of a Group Company, is valid and subsisting and has not been abandoned, and all necessary registration, maintenance and renewal fees with respect thereto and currently due have been satisfied. No Group Company or any of its employees, officers or directors has taken any actions or failed to take any actions that would cause any Company IP to be invalid, unenforceable or not subsisting. No funding or facilities of a Governmental Authority or a university, college, other educational institution or research center was used in the development of any material Company IP. No material Company IP is the subject of any Lien, license or other Contract granting rights therein to any other Person. No Group Company is or has been a member or promoter of, or contributor to, any industry standards bodies, patent pooling organizations or similar organizations that could require or obligate a Group Company to grant or offer to any Person any license or right to any material Company IP. No Company IP is subject to any proceeding or outstanding Governmental Order or settlement agreement or stipulation that (a) restricts in any manner the use, transfer or licensing thereof, or the making, using, sale, or offering for sale of any Group Company's products or services, by any Group Company, or (b) may affect the validity, use or enforceability of such Company IP. Each Key Holder has assigned and transferred to a Group Company any and all of his/her Intellectual Property related to the Business. No Group Company has (i) transferred or assigned any material Company IP; (ii) authorized the joint ownership of, any material Company IP; or (iii) permitted the rights of any Group Company in any material Company IP to lapse or enter the public domain.

12.3 **Infringement, Misappropriation and Claims**. No Group Company has violated, infringed or misappropriated in any material respect any Intellectual Property of any other Person nor has any Group Company received any written notice alleging any of the foregoing. To the Knowledge of the Warrantors, no Person has violated, infringed or misappropriated any material Company IP of any Group Company, and no Group Company has given any written notice to any other Person alleging any of the foregoing. No Person has challenged the ownership or use of any material Company IP by a Group Company. No Group Company has agreed to indemnify any Person for any infringement, violation or misappropriation of any Intellectual Property by such Person.

12.4 **Assignments and Prior IP**. All material inventions and material know-how conceived by employees of a Group Company related to the business of such Group Company are currently owned exclusively by a Group Company. All employees, contractors, agents and consultants of a Group Company who are or were involved in the creation of any Intellectual Property for such Group Company have executed an assignment of inventions agreement that vests in a Group Company exclusive ownership of all right, title and interest in and to such Intellectual Property, to the extent not already provided by Law. All employee inventors of Company IP have received reasonable reward and remuneration from a Group Company for his/her service inventions or service technology achievements in accordance with the applicable PRC Laws. To the Knowledge of the Warrantors, it will not be necessary to utilize any Intellectual Property of any such Persons made prior to their employment by a Group Company, except for those that are exclusively owned by a Group Company, and none of such Intellectual Property has been utilized by any Group Company. To the Knowledge of the Warrantors, none of the employees, consultants or independent contractors, currently or previously employed or otherwise engaged by any Group Company, (a) is in violation of any current or prior confidentiality, non-competition or non-solicitation obligations to such Group Company or to any other Persons, including former employers, or (b) is obligated under any Contract, or subject to any Governmental Order, that would interfere with the use of his or her best efforts to promote the interests of the Group Companies or that would conflict with the business of such Group Company as presently conducted.

12.5 **Licenses**. Except as disclosed in the Private Placement Memorandum, each Group Company possesses, and is in compliance with the terms of, all Licenses in all material respects.

12.6 **Protection of IP**. Each Group Company has taken reasonable and appropriate steps to protect, maintain and safeguard material Company IP and made all applicable filings, registrations and payments of fees in connection with the foregoing. Without limiting the foregoing, all current and former officers, employees, consultants and independent contractors of any Group Company and all suppliers, customers, distributors, and other third parties having access to any material Company IP have executed and delivered to such Group Company an agreement requiring the protection of such Company IP. To the extent that any Company IP has been developed or created independently or jointly by an independent contractor or other third party for any Group Company, or is incorporated into any products or services of any Group Company, such Group Company has a written agreement with such independent contractor or third party and has thereby obtained ownership of, and is the exclusive owner of all such independent contractor's or third party's Intellectual Property in such work, material or invention by operation of law or valid assignment.

12.7 **No Public Software**. No Public Software forms part of any product or service provided by any Group Company or was or is used in connection with the development of any product or service provided by any Group Company or is incorporated into, in whole or in part, or has been distributed with, in whole or in part, any product or service provided by any Group Company. No Software included in any Company IP has been or is being distributed, in whole or in part, or was used, or is being used in conjunction with any Public Software in a manner which would require that such Software be disclosed or distributed in source code form or made available at no charge.

13. Agreements.

13.1 All agreements that are material to the Group Companies' businesses taken as a whole (the "**Material Agreements**") are valid, binding and enforceable obligations of the parties thereto and the terms thereof have been complied with by the relevant Group Company by all the other parties thereto. There are no circumstances likely to give rise to any material breach of such terms, no grounds for rescission, avoidance or repudiation of any of the Material Agreements which would have a Material Adverse Effect and no notice of termination or of intention to terminate has been received in respect of any Material Agreement.

13.2 Save as set out in the Private Placement Memorandum, the Company has not declared or paid any dividends, or authorized or made any distribution upon or with respect to any class of its share capital, and no Group Company has (i) incurred any material indebtedness for money borrowed or incurred any other material liabilities, (ii) made any loans or advances to any person, other than ordinary advances for travel expenses and trade receivables in the ordinary course of business, or (iii) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business or otherwise envisaged in this Agreement. For the purposes of Section 13.1 and Section 13.2 of this Schedule V all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsection.

13.3 Save as set out in the Private Placement Memorandum or in connection with this Agreement and the other Transaction Documents, no Group Company has engaged in the past three (3) months in any discussion with any representative of any corporation, partnership, trust, joint venture, limited liability company, association or other entity, or any individual, regarding (i) a sale of all or substantially all of such Group Company's assets, or (ii) any merger, consolidation or other business combination transaction of such Group Company with or into another corporation, entity or person.

14. Conflict of Interest and Related Party Transactions.

14.1 Other than (i) standard employee benefits generally made available to all employees, (ii) standard director and officer indemnification agreements approved by the Board of Directors, (iii) the purchase of the Company's share capital in accordance with applicable law, and the issuance of options to purchase the Company's Ordinary Shares, and (iv) the transactions contemplated in the Transaction Documents and the Private Placement Memorandum, there are no agreements, understandings or proposed transactions between any Group Company and any of its officers, directors, consultants or employees, or any Affiliate thereof, respectively.

14.2 No Group Company is indebted, directly or indirectly, to any of its directors, officers or employees or to their respective spouses or children or to any Affiliate of any of the foregoing, other than in connection with expenses or advances of expenses incurred in the ordinary course of business or employee relocation expenses. Except as set forth in the Private Placement Memorandum, none of the Group Companies' directors, officers or employees, or any members of their immediate families, or any Affiliate of the foregoing (i) are, directly or indirectly, indebted to any Group Company or, (ii) to the Warrantors' knowledge, have any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which any Group Company has a business relationship, or any firm or corporation which competes with any Group Company except that directors, officers or employees or shareholders of the Company may own shares in (but not exceeding one percent (1%) of the outstanding shares of) publicly traded companies that may compete with any Group Company. To the Warrantors' knowledge, none of the Group Companies' employees or directors or any members of their immediate families or any Affiliate of any of the foregoing are, directly or indirectly, interested in any contract with any Group Company. None of the directors or officers, or any members of their immediate families, has any material commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationship with any of the Group Companies' five (5) largest business relationship partners, service providers, joint venture partners, licensees and competitors.

14.3 Except as disclosed in the Private Placement Memorandum and contemplated under the Transaction Documents, no employee, officer, or director of any Group Company ("**Related Party**") or member of such Related Party's immediate family, or any corporation, limited liability company, partnership or other entity in which such Related Party is an officer, director or partner, or in which such Related Party has significant ownership interests or otherwise controls, loans, or extend or guarantee credit) to any of them. To the Company's knowledge and except as provided in the Private Placement Memorandum, none of such persons has any Contract, understanding, or proposed transaction with, or is indebted to, any Group Company or has any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship (including any Person which purchases from or sells, licenses or furnishes to a Group Company any goods, intellectual or other property rights or services); or in any Contract to which a Group Company is a party or by which it may be bound or affected; or in any firm or corporation that competes with the Company, except that employees, officers, or directors of the Company and members of such Related Party's immediate families may own stock in publicly traded companies that may compete with the Company. Except as provided in the Private Placement Memorandum, no Related Party or member of their immediate family is directly or indirectly interested in any material contract with the Company. None of any Group Company is indebted (or committed to make loans or extend or guarantee credit) to any Related Party (other than for accrued salaries for the current pay period, reimbursable expenses or other standard employee benefits).

15. Rights of Registration and Voting Rights.

Except as provided in the Restated Shareholders' Agreement, no Group Company is under any obligation to register under the Securities Act or any other applicable securities laws, any of its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities. To the Warrantors' knowledge, except as contemplated in the Restated Shareholders' Agreement, no shareholder of any Group Company has entered into any agreements with respect to the voting of shares in the capital of the Company. Except as contemplated by or disclosed in the Transaction Documents or the Private Placement Memorandum, the Founder or his holding entity is not a party to or have any knowledge of any agreements, written or oral, relating to the acquisition, disposition, registration under the Securities Act, or voting of the shares or securities of any Group Company.

16. Financial Statements.

The consolidated financial statements as of December 31, 2017, 2018 and September 30, 2019 (the "**Statement Date**") and for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2018 and 2019 included in the Private Placement Memorandum (the "**Financial Statements**"), together with the related notes and schedules thereto, present fairly the consolidated financial position of the Group Companies as of the dates shown and their results of operations and cash flows for the periods shown, and such Financial Statements have been prepared in compliance as to form with the applicable accounting requirements of the Securities Act and the related rules and regulations adopted by the Securities and Exchange Commission and in conformity with US GAAP on a consistent basis; the Group Companies do not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations) not described in the Private Placement Memorandum.

17. Changes.

Since the Statement Date, the Group (i) has operated its business in the ordinary course consistent with its past practice, (ii) used its reasonable best efforts to preserve its business, (iii) collected receivables and paid payables and similar obligations in the ordinary course of business consistent with past practice, and (iv) not engaged in any new line of business or entered into any agreement, transaction or activity or made any commitment except those in the ordinary course of business consistent with past practice. Since the Statement Date, there has not been any Material Adverse Effect or any material change in the way the Group conducts its business, and there has not been by or with respect to any Group Company:

(a) any change in the assets, liabilities, financial condition or operating results of any Group Company from that reflected in the Financial Statements that would have a Material Adverse Effect on a Group Company;

(b) any damage, destruction or loss, whether or not covered by insurance, that would have a Material Adverse Effect on a Group Company;

(c) any waiver or compromise by any Group Company of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by any Group Company, except in the ordinary course of business and the satisfaction or discharge of which would not have a Material Adverse Effect;

(e) any material change to a material contract or agreement by which any Group Company or any of its assets is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(g) any resignation or termination of employment of any officer or Key Employee of any Group Company;

(h) any mortgage, pledge, transfer of a security interest in, or lien, created by any Group Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair such Company's ownership or use of such property or assets;

(i) any dividend, loans or guarantees made by any Group Company to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(j) any declaration, setting aside or payment or other distribution in respect of any Group Company's share capital, or any direct or indirect redemption, purchase, or other acquisition of any of such shares by any Group Company;

(k) any sale, assignment or transfer of any Group Company Intellectual Property that could reasonably be expected to result in a Material Adverse Effect;

(l) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of any Group Company;

(m) except in the ordinary course of business consistent with its past practice, entry into any closing agreement in respect of material Taxes, settlement of any claim or assessment in respect of any material Taxes, or Consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Taxes, entry or change of any material Tax election, change of any method of accounting resulting in a material amount of additional Tax or filing of any material amended Tax Return;

(n) to the Warrantors' knowledge, any other event or condition of any character, other than events affecting the economy or the Company's industry generally, that could reasonably be expected to result in a Material Adverse Effect;

(o) any change in the approved or registered business scope of any Group Company established in the PRC or any change to any Consent held by such Group Company;

(p) any commencement or settlement of any Action;

(q) any transaction with any Related Party; or

(r) any arrangement or commitment by the Company to do any of the things described in this Section 17.

18. Employee Matters.

18.1 To the Warrantors' knowledge, no employee of any Group Company is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would materially interfere with such employee's ability to promote the interest of the Group Companies or that would conflict with the Group Companies' business. Neither the execution or delivery of the Transaction Documents, nor the carrying on of the Company's business by the employees of the Group Companies, nor the conduct of the business as now conducted and as presently proposed to be conducted, will, to the Warrantors' knowledge, conflict with or result in a breach of the terms, conditions, or provisions of, or constitute a default under, any contract, covenant or instrument under which any such employee is now obligated.

18.2 No Group Company is delinquent in payments to any of its employees, consultants, or independent contractors for any wages, salaries, commissions, bonuses, or other direct compensation for any service performed for it to the date hereof or amounts required to be reimbursed to such employees, consultants, or independent contractors. Except as set forth in the Private Placement Memorandum, each Group Company has complied in all material respects with all applicable laws related to employment, including those related to wages, hours, worker classification, and collective bargaining, and the payment and withholding of taxes and other sums as required by law except where noncompliance with any applicable law would not result in a Material Adverse Effect. Each Group Company has withheld and paid to the appropriate governmental entity or is holding for payment not yet due to such governmental entity all amounts required to be withheld from employees of such Group Company and is not liable for any arrears of wages, taxes, penalties, or other sums for failure to comply with any of the foregoing.

18.3 To the Warrantors' knowledge, no employee intends to terminate employment with any Group Company or is otherwise likely to become unavailable to continue as an employee, nor does any Group Company have a present intention to terminate the employment of any of the foregoing. The employment of each employee of the Company is terminable at the will of the Company. Except as set forth in the Private Placement Memorandum or as required by law, upon termination of the employment of any such employees, no severance or other payments will become due. Except as set forth in the Private Placement Memorandum, the Company has no policy, practice, plan, or program of paying severance pay or any form of severance compensation in connection with the termination of employment services.

18.4 The Company has not made any representations regarding equity incentives to any officer, employees, director or consultant that are inconsistent with the share amounts and terms set forth in the Company's board minutes.

18.5 Except as set forth in the Private Placement Memorandum, each former employee whose employment was terminated by the Company has entered into an agreement with the Company providing for the full release of any claims against the Company or any related party arising out of such employment.

18.6 Except for those required by the applicable laws and regulations, the Private Placement Memorandum sets forth each and every employee benefit plan maintained, established or sponsored by any Group Company, or in which any Group Company participates in or contributes to in any jurisdiction, including without limitation, the PRC (the "**Employee Benefit Plans**"). Save as set out in the Private Placement Memorandum, there is no other pension, retirement, profit-sharing, deferred compensation, bonus, incentive or other employee benefit program, arrangement, agreement or understanding to which any Group Company contributes, is bound, or under which any employees or former employees (or their beneficiaries) are eligible to participate or derive a benefit. Each Group Company has made all required contributions under all the Employee Benefit Plans including without limitation all contributions required to be made under the PRC social insurance and housing schemes, and has complied in all material respects with all applicable laws of any jurisdiction, in relation to the Employee Benefit Plans. Except for required contributions or benefit accruals under the Employee Benefit Plans and salary compensation provided in the employment contracts, no liability has been or is expected to be incurred by any Group Companies under or pursuant to any applicable laws relating to any benefit plan or individual employment compensation agreement, and, to the Knowledge of the Warrantors, no event, transaction or condition has occurred or exists that would result in any such liability to any Group Companies.

18.7 No Group Company is bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the Warrantors' knowledge, has sought to represent any of the employees, representatives or agents of any Group Company. There is no strike or other labor dispute involving any Group Company pending, or to the Warrantors' knowledge, threatened, which could have a Material Adverse Effect, nor is the Company aware of any labor organization activity involving its employees.

18.8 To the Warrantors' knowledge, none of the employees or directors of any Group Company has been (a) subject to voluntary or involuntary petition under any applicable bankruptcy laws or any state insolvency laws or the appointment of manager, a receiver or similar officer by a court for his business or property; (b) convicted in a criminal proceeding or named as a subject of a pending criminal proceeding (excluding traffic violations and other minor offenses); (c) subject to any order, judgment, or decree (not subsequently reversed, suspended, or vacated) of any court of competent jurisdiction permanently or temporarily enjoining him from engaging, or otherwise imposing limits or conditions on his engagement in any securities, investment advisory, banking, insurance, or other type of business or acting as an officer or director of a public company; or (d) found by a court of competent jurisdiction in a civil action or by any relevant regulatory organization to have violated any applicable securities, commodities, or unfair trade practices law, which such judgment or finding has not been subsequently reversed, suspended, or vacated.

18.9 Except as set forth in the Private Placement Memorandum, each Group Company has complied with all applicable Laws related to labor or employment in all material respects, including provisions thereof relating to wages, hours, overtime working, working conditions, benefits, retirement, social welfare, equal opportunity and collective bargaining. There is not pending or to the Knowledge of the Warrantors threatened, and there has not been since the incorporation of such Group Company, any Action relating to any violation or alleged violation of any applicable Laws by any Group Company related to labor or employment, including any charge or complaint filed by an employee with any Governmental Authority or any Group Company. The Group Companies have caused all of their present officers and employees to enter into standard employment agreements with the respective Group Companies.

18.10 There has not been, and there is not now pending or, to the Knowledge of the Warrantors, threatened, any strike, union organization activity, lockout, slowdown, picketing, or work stoppage or any unfair labor practice charge against any Group Company. No Group Company is bound by or subject to (and none of their assets or properties is bound by or subject to) any written or oral contract, commitment or arrangement with any labor union or any collective bargaining agreements.

19. Tax Matters.

19.1 All material Tax Returns required to be filed on or prior to the date hereof with respect to each Group Company has been duly and timely filed by such Group Company within the requisite period and completed on a proper basis in accordance with the applicable Laws in all material respects, and are up to date and correct in all material respects. All Taxes owed by each Group Company (whether or not shown on every Tax Return) have been paid in full or provision for the payment thereof have been made, except such Taxes, if any, as are being contested in good faith and as to which adequate reserves (determined in accordance with the Accounting Standards) have been provided in the Financial Statements. No deficiencies for any Taxes with respect to any Tax Returns have been asserted in writing by, and no notice of any pending action with respect to such Tax Returns has been received from, any Tax authority, and, to the Knowledge of each Group Company, no dispute relating to any Tax Returns has been received from any Tax authority, no dispute relating to any Tax Returns with any such Tax authority is outstanding or threatened. Each Group Company has timely paid all material Taxes owed by it which are due and payable (whether or not shown on any Tax Return) and withheld and remitted to the appropriate Governmental Authority all material Taxes which it is obligated to withhold and remit from amounts owing to any employee, creditor, customer or third party.

19.2 No audit of any Tax Return of each Group Company and, to the Knowledge of each Group Company, no formal investigation with respect to any such Tax Return by any Tax authority is currently in progress and no Group Company has waived any statute of limitations with respect to any Taxes, or agreed to any extension of time with respect to an assessment or deficiency for such Taxes.

19.3 No written claim has been made by a Governmental Authority in a jurisdiction where the Group Company does not file Tax Returns that any Group Company is or may be subject to taxation by that jurisdiction.

19.4 The assessment of any additional Taxes with respect to the applicable Group Company for periods for which Tax Returns have been filed is not expected to exceed the recorded liability therefor in the most recent balance sheet in the Financial Statements, and there are no unresolved questions or claims concerning any Tax Liability of any Group Company. Since the incorporation of the Company, no Group Company has incurred any liability for Taxes outside the ordinary course of business or otherwise inconsistent with past custom and practice and each Group Company has made adequate provisions on its books of account for all Taxes, assessments and governmental charges with respect to its business, properties and operations for such period, whether or not assessed or disputed as of the date of the applicable balance sheet. There is no pending dispute with, or notice from, any Tax authority relating to any of the Tax Returns filed by any Group Company, and to the Knowledge of the Warrantors, there is no proposed liability for a deficiency in any Tax to be imposed upon the properties or assets of any Group Company.

19.5 No Group Company has been the subject of any examination or investigation by any Tax authority relating to the conduct of its business or the payment or withholding of Taxes that has not been resolved or is currently the subject of any examination or investigation by any Tax authority relating to the conduct of its business or the payment or withholding of Taxes. No Group Company is responsible for the Taxes of any other Person by reason of Contract, successor liability or otherwise.

19.6 The Group Companies have been in compliance with all applicable Laws relating to all Tax credits and Tax holidays enjoyed by the Group Companies established under the Laws of the PRC under applicable Laws.

19.7 No Group Company is or has ever been or anticipates that it will become a PFIC or CFC or a U.S. real property holding corporation as of immediately following the Closing.

19.8 No Group Company is treated for any taxation purpose as resident in a country other than the country of its incorporation and no Group Company has, or has had within the relevant statutory limitation period a branch, agency or permanent establishment in a country other than the country of its incorporation. To the Knowledge of each Group Company and subject to any stamp duty (if applicable), each Group Company is only subject to taxation in the country of its incorporation, and each Group Company will conduct Principal Business in a manner such that it will not become subject to taxation in any jurisdiction other than the country of its incorporation.

19.9 Each of the Group Companies is treated as a corporation for U.S. federal income tax purposes.

20. OFAC Compliance.

20.1 Neither the Company nor any Group Company or, to the Company's knowledge, any directors, administrators, officers, board of directors (supervisory and management) members or employees of the Company or any Group Company is an OFAC Sanctioned Person (as defined below). The Group Companies and, to the Company's knowledge, their directors, administrators, officers, administrators, board of directors (supervisory and management) members or employees are in compliance with, and have not previously violated, the USA Patriot Act of 2001, and all other applicable United States and PRC anti-money laundering laws and regulations. To the knowledge of the Company, none of (i) the purchase and sale of the Series C+ Closing Shares, (ii) the execution, delivery and performance of this Agreement or any of the documents in Exhibits attached hereto, or (iii) the consummation of any transaction contemplated hereby or thereby, or the fulfillment of the terms hereof or thereof, will result in a violation by the shareholder or any employee of the Group Companies, of any of the OFAC Sanctions or of any anti-money laundering laws of the United States, the PRC or any other jurisdiction.

For the purposes of this Section 20.1:

(a) "**OFAC Sanctions**" means any sanctions program administered by the Office of Foreign Assets Control of the United States Department of the Treasury ("**OFAC**") under authority delegated to the Secretary of the Treasury (the "**Secretary**") by the President of the United States or provided to the Secretary by statute, and any order or license issued by, or under authority delegated by, the President or provided to the Secretary by statute in connection with a sanctions program thus administered by OFAC. For ease of reference, and not by way of limitation, OFAC Sanctions programs are described on OFAC's website at www.treas.gov/ofac.

(b) "**OFAC Sanctioned Person**" means any government, country, corporation or other entity, group or individual with whom or which the OFAC Sanctions prohibit a United States Person from engaging in transactions, and includes without limitation any individual or corporation or other entity that appears on the current OFAC list of Specially Designated Nationals and Blocked Persons (the "**SDN List**"). For ease of reference, and not by way of limitation, OFAC Sanctioned Persons other than government and countries can be found on the SDN List on OFAC's website at www.treas.gov/offices/enforcement/ofac/sdn.

(c) "**United States Person**" means any United States citizen, permanent resident alien, entity organized under the laws of the United States (including foreign branches), or any person (individual or entity) in the United States, and, with respect to the Cuban Assets Control Regulations, also includes any corporation or other entity that is owned or controlled by one of the foregoing, without regard to where it is organized or doing business.

20.2 Foreign Corrupt Practices Act.

None of the Company or any Group Company or, to the Company's knowledge, any of their directors, administrators, officers, board of directors (supervisory and management) members or employees, independent contractors, representatives, agents and other Persons acting on their behalf (collectively, "**Representatives**") have (i) made, directly or indirectly, any payment or promise to pay, or gift or promise to give or authorized such a promise or gift, of any money or anything of value, directly or indirectly, to (a) any foreign official (as such term is defined in the FCPA) for the purpose of influencing any official act or decision of such official or inducing him or her to use his or her influence to affect any act or decision of a governmental authority, or (b) any foreign political party or official thereof or candidate for foreign political office for the purpose of influencing any official act or decision of such party, official or candidate or inducing such party, official or candidate to use his, her or its influence to affect any act or decision of a foreign governmental authority, in the case of both (a) and (b) above in order to assist the Company or any Group Company to obtain or retain business for, or direct business to the Company or any Group Company, as applicable, which (x) would violate the FCPA, if taken by an entity subject to the FCPA, (y) would violate the U.K. Bribery Act, if taken by an entity subject to the U.K. Bribery Act, or (z) could reasonably be expected to constitute a violation of any applicable law. subject to applicable exceptions and affirmative defenses; (ii) made any false or fictitious entries in the books or records of any Group Company by any Person; or (iii) used any assets of any Group Company for the establishment of any unlawful or unrecorded fund of monies or other assets, or the making of any unlawful or undisclosed payment. None of the Company, any Group Company or, to the Knowledge of the Warrantors, any of their respective Representatives has made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment of funds or received or retained any funds in violation of any law, rule or regulation subject to applicable exceptions and affirmative defenses, or has been investigated or is being investigated or is subject to a pending or threatened investigation in relation to any anti-corruption law by any law enforcement, regulatory or other governmental agency or any customer or supplier, or has admitted to, or been found by a court in any jurisdiction to have engaged in any violation of any anti-corruption laws or been debarred from bidding for any contract or business, and there are no circumstances which are likely to give rise to any such investigation, admission, finding or disbarment. Each Group Company and other Warrantor and, to the Knowledge of the Warrantors, their Affiliates and their respective Representatives are and have been in compliance with all applicable laws in all material respects relating to anti-bribery, anti-corruption, anti-money laundering, record keeping and internal control laws.

21. Insurance.

The Group Companies have insurance covering their respective properties, operations, personal and businesses against such losses and risks and in such amounts that are prudent and customary for the businesses in which they are engaged. No Group Company has done or omitted to do or suffered anything to be done or not to be done other than any acts in the ordinary course of business which has or would render any policies of insurance taken out by it or by any other person in relation to any such Group Company's assets void or voidable or which would result in an increase in the rate of premiums on the said policies and there are no claims outstanding and no circumstances which would give rise to any claim under any such policies of insurance. There is no claim pending thereunder as to which coverage has been questioned, denied or disputed. All premiums due and payable under all such policies and bonds have been timely paid, and each Group Company is otherwise in compliance with the terms of such policies and bonds.

22. Actions.

There is no Action pending or threatened against or affecting any Group Company or any of its officers, directors or employees with respect to its businesses or proposed business activities, or, to the Knowledge of the Warrantors, any officers, directors or employees of any Group Company in connection with such person's respective relationship with such Group Company, or that questions the validity of the Transaction Documents, the right of the Group Companies to enter into the Transaction Documents, or to consummate the transactions contemplated thereunder, or that might result, either individually or in the aggregate, in any material adverse changes in the assets, condition, affairs or prospects of the Group Companies, financially or otherwise, nor to the Knowledge of the Warrantors is there any basis for any of the foregoing. By way of example, but not by way of limitation, there are no Actions pending against any of the Group Companies or threatened against any of the Group Companies, relating to the use by any employee of any Group Company of any information, technology or techniques allegedly proprietary to any of their former employers, clients or other parties. There is no judgment, award, ruling or order including any Government Order unsatisfied against any Group Company, any Key Employee or office or director of any Group Company in connection with such Person's respective relationship with any Group Company which would impact any Group Company, nor is there any Governmental Order in effect and binding on any Group Company or their respective assets or properties. There is no material Action pending by any Group Company against any third party nor does any Group Company intend to commence any such Action. No Governmental Authority has at any time challenged or questioned in writing the legal right of any Group Company to conduct in any material respect its business as presently being conducted.

23. Environmental and Safety Laws.

To the knowledge of the Company, no Group Company is in violation of any applicable statute, law, or regulation relating to the environment or occupational health and safety, except where such failure would not have a material adverse effect on such Group Company's business or properties, and no material expenditures are or will be required in order to comply with any such existing statute, law or regulation.

24. Internal Controls.

Each Group Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (a) transactions by it are executed in accordance with management's general or specific authorization, (b) transactions by it are recorded as necessary to permit preparation of financial statements in conformity with the Accounting Standards and to maintain asset accountability, (c) access to assets of it is permitted only in accordance with management's general or specific authorization, (d) the recorded inventory of assets is compared with the existing tangible assets at reasonable intervals and appropriate action is taken with respect to any material differences, (e) segregating duties for cash deposits, cash reconciliation, cash payment, proper approval is established, and (f) no personal assets or bank accounts of the employees, directors, officers are mingled with the corporate assets or corporate bank account, and no Group Company uses any personal bank accounts of any employees, directors, officers thereof during the operation of the business.

25. Manufacture, Marketing and Development Rights.

No Group Company has granted rights to manufacture, produce, assemble, license, market, or sell its respective products or services to any other person and is not bound by any agreement that affects any Group Company's exclusive rights to develop, manufacture, assemble, distribute, market or sell its respective products or services.

26. Disclosure; Projections.

The Company has made available to the Investors all the information reasonably available to the Company that the Investors have requested for deciding whether to acquire the Series C+ Closing Shares, including certain of financial projections with respect to the Company, each of which were prepared in good faith. To the Warrantors' knowledge, no representation or warranty of any Warrantor contained in this Agreement and no information or materials provided by the Warrantors to the Investors in connection with the negotiation or execution of this Agreement or any agreement contemplated hereby, as qualified by the Private Placement Memorandum, and no information, materials or certificate furnished or to be furnished to the Investors at the Closing contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. Except as set forth in this Agreement or the Private Placement Memorandum, to the Knowledge of the Warrantors, there is no fact or document or matter that the Company has not disclosed to the Investors in writing and of which any of its officers, directors or executive employees has knowledge and that has had or would reasonably be expected to have any Material Adverse Effect or which would could reasonably be expected by any Warrantor, being a business Person, to materially adversely influence the decision of the Investors to invest in the Company.

27. No Brokers.

Neither any Group Company nor any of its Affiliates or any Related Party (on behalf of any Group Company and other than any Investor) has any Contract with any broker, finder or similar agent with respect to the transactions contemplated by this Agreement or by any of the Transaction Documents, or has incurred any liability for any brokerage fees, agents' fees, commissions or finders' fees in connection with any of the Transaction Documents or the consummation of the transactions contemplated therein.

28. Entire Business.

There are no material facilities, services, assets or properties shared or provided with any entity other than the Group Company which are used in connection with the business of the Domestic Companies.

29. Assets and Business of the Founder.

Except as disclosed in the Private Placement Memorandum, the Founder does not hold, own, manage, engage in, operate, control, directly or indirectly, any assets or business that is related to the business of any Group Company or otherwise competes with the Group Companies.

30. No Insolvency.

None of the Group Companies has taken any steps to seek protection pursuant to any bankruptcy, reorganization, insolvency or moratorium Law or any Law for the relief of, or relating to, debtors, nor do the Warrantors have any knowledge that its creditors intend to initiate involuntary bankruptcy proceedings. None of the Group Companies is Insolvent as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the Closing, none of the Group Companies will be Insolvent. For purposes of this Section, "**Insolvent**" means, with respect to each Group Company, (a) the present fair saleable value of such Group Company's assets is less than the amount required to pay such Group Company's total due indebtedness, (b) such Group Company is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, or (c) such Group Company intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature.

31. No Undisclosed Business.

No Group Company shares or provides any facilities, operational services, assets or properties with or to any other entity which is not a Group Company. Except for the Business, neither the Company nor any of its subsidiaries is engaged in insurance, banking and financial services, telecommunications, public utility businesses or any other regulated businesses.

32. No Fiduciary Duty.

The Parties hereto acknowledge and agree that nothing in this Agreement or the other Transaction Documents shall create a fiduciary duty of any Investor or their respective affiliates to any Group Company or its shareholders.

SCHEDULE VI

REPRESENTATIONS AND WARRANTIES OF

THE INVESTORS

1. Authorization.

Each Investor has full power, authority and legal capacity to enter into, deliver and perform the Transaction Documents. The Transaction Documents to which each Investor is a party, when executed and delivered by the Investors, will constitute valid and legally binding obligations of the Investors, enforceable in accordance with their terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other laws of general application affecting enforcement of creditors' rights generally, and as limited by laws relating to the availability of a specific performance, injunctive relief, or other equitable remedies, or (ii) to the extent the indemnification provisions contained in the Restated Shareholders' Agreement may be limited by applicable securities laws.

2. Compliance with other Instruments.

The execution, delivery and performance by the Investors of the Transaction Documents does not and will not contravene, breach or violate the terms of any agreement, document or instrument to which such Investor is a party or by which any of such Investor's assets or properties are bound.

3. Disclosure of Information.

Each Investor has had an opportunity to discuss the Group Companies' business, management, financial affairs and the terms and conditions of the offering of the Series C+ Closing Shares with the Group Companies' management and has had an opportunity to review the Group Companies' facilities. The foregoing, however, does not limit or modify the representations and warranties of the Warrantor in this Agreement, or the right of the Investors to rely thereon save as set forth in the Private Placement Memorandum.

4. Restricted Securities.

Each Investor understands that the Series C+ Preferred Shares have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of each Investor's representations as expressed herein. Each Investor understands that the Series C+ Preferred Shares are "**restricted securities**" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Investors must hold the Series C+ Preferred Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Each Investor acknowledges that the Company has no obligation to register or qualify the Series C+ Preferred Shares or the Conversion Shares for resale except as set forth in the Restated Shareholders' Agreement. Each Investor further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Series C+ Preferred Shares, and on requirements relating to the Company which are outside of each Investor's control, and which the Company is under no obligation and may not be able to satisfy. Each Investor understands that this offering is not intended to be part of the public offering, and that the Investors will not be able to rely on the protection of Section 11 of the Securities Act.

5. No Public Market.

Each Investor understands that no public market now exists for the Series C+ Closing Shares, and that the Company has made no assurances that a public market will ever exist for the Series C+ Closing Shares.

6. Not for Sale or Distribution.

The Series C+ Closing Shares will be acquired by such Investor not with a view to or in connection with the sale or distribution of any part thereof.

7. Legends.

Each Investor understands that the Series C+ Preferred Shares and any securities issued in respect of or exchange for the Shares, may bear one or all of the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

7.1 Any legend set forth in, or required by, the other Transaction Documents.

7.2 Any legend required by the securities laws of any state to the extent such laws are applicable to the Shares represented by the certificate so legended.

SCHEDULE VII

Notices

If to the Group Companies:

Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

If to the Founder/Holding Entities:

HAN Yusheng (汉雨生)
Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

If to the Management Shareholders:

SHAO Liang (邵量)
Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

ZHOU Dan (周丹)
Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

CHUAI Shaokun (揣少坤)
Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

SCHEDULE VII

WU Zhigang (吴志刚)
Address: Guangzhou International Biological Island Luo Xuan Four Road No.7 Standard Industry Unit 2, Building 3, F 6, 601 (广州市国际生物岛螺旋四路7号标准产业单元二期3栋六层601单元), 510300
Tel: 020-31125629
Attention: HAN Yusheng

If to the Investors:

OrbiMed:
The notice information of OrbiMed will be separately provided to the Company by OrbiMed.

Casdin Partners Master Fund, L.P.:
Address: 1350 Avenue of the Americas, Suite 2600, New York, New York 10019
Attention: Eli Casdin

LAV:
Address: Unit 1109-10, Two Chinachem Central, 26 Des Voeux Road Central,

Hong Kong
Tel: (+86)136-3639-4346
Fax: +852-2293 2248
Attention: Stella Shi

SCHEDULE VII

SCHEDULE VIII

Bank Account of the Company

Company name:	BURNING ROCK BIOTECH LIMITED
Company addres	OFFSHORE INC (CAYMAN) LIMITED, FLOOR 4, WILLOW HOUSE, CRICKET SQR, PO BOX 2804, GRAND CAYMAN, CAYMAN ISLANDS KY1-1112
Tel:	020-34037871
Account No:	3301151690
Swift code:	SVBKUS6S
Bank Name:	SILICON VALLEY BANK
Bank Address:	3003 TASMAN DRIVE,SANTA CLARA,CA 95054,USA

SCHEDULE VII

EXHIBIT A

FORM OF EIGHTH AMENDED AND RESTATED MEMORANDUM AND ARTICLES

EXHIBIT

EXHIBIT B

FORM OF FIFTH AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT

EXHIBIT

EXHIBIT C

FORM OF CEO COMPLIANCE CERTIFICATE

EXHIBIT