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Zai Lab Limited
再鼎醫藥有限公司 *

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9688)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Company hereby announces the unaudited condensed consolidated results of the Company for the Reporting Period, together with the comparative figures for the corresponding period in 2023, which have been prepared in accordance with U.S. GAAP and reviewed by the Audit Committee. This announcement, which contains the full text of the 2024 interim report of the Company, complies with the relevant requirements of the HK Listing Rules in relation to information to accompany preliminary announcement of interim results.

FINANCIAL HIGHLIGHTS

Six months ended June 30, 2024 vs. six months ended June 30, 2023 (in U.S. dollars)

- Net product revenue increased by \$55.6 million, or 42%, to \$187.3 million, primarily driven by increased sales for VYVGART[®] (efgartigimod alfa injection) since its launch in September 2023 and NRDL listing in January 2024 and increased sales for ZEJULA[®], NUZYRA[®], and QINLOCK[®].
- Research and development expenses decreased by \$8.9 million, or 7%, to \$116.3 million, primarily due to decreased upfront and milestone payments for our license and collaboration agreements, partially offset by increases in CROs/CMOs/Investigators expenses and other costs related to ongoing and newly initiated clinical trials.
- Selling, general and administrative expenses increased by \$18.5 million, or 14%, to \$148.9 million, primarily due to higher general selling expenses and personnel compensation and related costs to support VYVGART, partially offset by a decrease in professional services fees.
- Net loss decreased by \$36.3 million, or 21%, to \$133.7 million, primarily due to revenues growing faster than net operating expenses and decreased foreign currency losses.
- Basic and diluted loss per share was \$0.14, representing a decrease of 22% from \$0.18.



Incorporated in the Cayman Islands
with limited liability

HKEX: 9688

NASDAQ: ZLAB

2024 Interim Report

CONTENTS

CORPORATE INFORMATION	2
FORWARD-LOOKING STATEMENTS	4
MANAGEMENT DISCUSSION AND ANALYSIS	7
OTHER INFORMATION	26
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS	49
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS	51
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS	52
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY	53
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	54
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	56
DEFINITIONS	71
GLOSSARY OF TECHNICAL TERMS	74

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Dr. Samantha Du (*Chairperson and Chief Executive Officer*)

Independent Directors

Dr. John Diekman (*Lead Independent Director*)

Professor Kai-Xian Chen

Dr. Richard Gaynor

Ms. Nisa Leung

Mr. William Lis

Mr. Scott W. Morrison

Mr. Leon O. Moulder, Jr.

Mr. Michel Vounatsos

Mr. Peter Wirth

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Grand Cayman KY1-1106

Cayman Islands

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P.R. China

AUDIT COMMITTEE

Mr. Scott W. Morrison (*Chairperson*)
Dr. John Diekman
Mr. Peter Wirth

COMPENSATION COMMITTEE

Mr. Peter Wirth (*Chairperson*)
Dr. John Diekman
Mr. Leon O. Moulder, Jr.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Mr. Leon O. Moulder, Jr. (*Chairperson*)
Dr. John Diekman
Mr. William Lis

RESEARCH AND DEVELOPMENT COMMITTEE

Dr. Richard Gaynor (*Chairperson*)
Professor Kai-Xian Chen
Dr. Samantha Du
Mr. Michel Vounatsos

COMMERCIAL COMMITTEE

Mr. Michel Vounatsos (*Chairperson*)
Dr. Samantha Du
Mr. Leon O. Moulder, Jr.

JOINT COMPANY SECRETARIES

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AUDITORS

As to Hong Kong financial reporting audit
KPMG

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

As to United States financial reporting audit
KPMG LLP

A public accounting firm registered with the U.S. Public Company Accounting Oversight Board

STOCK CODES

HKEX: 9688
NASDAQ: ZLAB

COMPANY WEBSITE

<http://www.zailaboratory.com/>

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements, including statements relating to our strategy and plans; potential of and expectations for our business, commercial products, and pipeline programs; the market for our commercial and pipeline products; capital allocation and investment strategy; clinical development programs and related clinical trials; clinical trial data, data readouts, and presentations; risks and uncertainties associated with drug development and commercialization; regulatory discussions, submissions, filings, and approvals and the timing thereof; the potential benefits, safety, and efficacy of our products and product candidates and those of our collaboration partners; the anticipated benefits and potential of investments, collaborations, and business development activities; our profitability and timeline to profitability; and our future financial and operating results. All statements, other than statements of historical fact, included in this report are forward-looking statements, and can be identified by words such as “aim,” “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “plan,” “possible,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will,” “would,” or the negative of these terms or similar expressions. Such statements constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not guarantees or assurances of future performance. Forward-looking statements are based on our expectations and assumptions as of the date of this report and are subject to inherent uncertainties, risks, and changes in circumstances that may differ materially from those contemplated by the forward-looking statements. We may not actually achieve the plans, carry out the intentions, or meet the expectations or projections disclosed in our forward-looking statements, and you should not place undue reliance on these forward-looking statements. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including but not limited to the following:

- Our ability to successfully commercialize and generate revenue from our approved products;
- Our ability to obtain funding for our operations and business initiatives;
- The results of our clinical and pre-clinical development of our product candidates;
- The content and timing of decisions made by the relevant regulatory authorities regarding regulatory approvals of our product candidates;
- Changes in U.S. and China trade policies and relations, as well as relations with other countries, and/or changes in regulations and/or sanctions;
- Actions the Chinese government may take to intervene in or influence our operations;
- Economic, political, and social conditions in mainland China, as well as governmental policies;
- Uncertainties in the Chinese legal system, including with respect to the anti-corruption enforcement efforts in China and the Counter-Espionage Law, the Data Security Law, the Cyber Security Law, the Cybersecurity Review Measures, the Personal Information Protection Law, the Regulation on the Administration of Human Genetic Resources, the Biosecurity Law, the Measures on Security Assessment of Cross-Border Data Transfer, and other future laws and regulations or amendments to such laws and regulations;

FORWARD-LOOKING STATEMENTS

- Approval, filing, or procedural requirements imposed by the China Securities Regulatory Commission or other Chinese regulatory authorities in connection with issuing securities to foreign investors under Chinese law;
- Any violation or liability under the U.S. Foreign Corrupt Practices Act or Chinese anti-corruption laws;
- Restrictions on currency exchange;
- Limitations on the ability of our Chinese subsidiaries to make payments to us;
- Chinese requirements on the ability of residents in mainland China to establish offshore special purpose companies;
- Chinese regulations regarding acquisitions of companies based in mainland China by foreign investors;
- Any issues that our Chinese manufacturing facilities may have with operating in conformity with established Good Manufacturing Practices and international best practices, and with passing FDA, NMPA, and EMA inspections;
- Expiration of, or changes to, financial incentives or discretionary policies granted by local governments in mainland China;
- Restrictions or limitations on the ability of overseas regulators to conduct investigations or collect evidence within mainland China;
- Business disruptions caused by pandemics such as COVID-19, international war or conflict such as the Russia/Ukraine and Israel/Hamas wars, natural disasters, extreme weather events, and other significant disruptions outside of our control;
- Unfavorable tax consequences to us and our non-Chinese shareholders or ADS holders if we were to be classified as a Chinese resident enterprise for Chinese income tax purposes;
- Failure to comply with applicable Chinese, U.S., and Hong Kong regulations that could lead to government enforcement actions, fines, other legal or administrative sanctions, and/or harm to our business or reputation;
- Review by the U.S. Committee on Foreign Investment in our investments or other delays or obstacles for closing transactions;
- Any inability to renew our current leases on desirable terms or otherwise locate desirable alternatives for our leased properties;
- Any inability of third parties on whom we rely to conduct our pre-clinical and clinical trials to successfully carry out their contractual duties or meet expected deadlines; and
- Any inability to obtain or maintain sufficient patent protection for our products and product candidates.

FORWARD-LOOKING STATEMENTS

These factors should not be construed as exhaustive and should be read with the other cautionary statements and information in the 2023 Annual Report, Annual Report on Form 10-K for 2023, Quarterly Report on Form 10-Q for the first quarter of 2024, Quarterly Report on Form 10-Q for the second quarter of 2024, and this report. Forward-looking statements are based on our management's beliefs and assumptions and information currently available to our management. These statements, like all statements in this report, speak only as of their date. We anticipate that subsequent events and developments will cause our expectations and assumptions to change, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by law. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with our 2023 Annual Report and our unaudited condensed consolidated financial statements and the accompanying notes thereto included in this report.

OVERVIEW

We are a patient-focused, innovative, commercial-stage, global biopharmaceutical company with a substantial presence in both Greater China and the United States. We are focused on discovering, developing, and commercializing products that address medical conditions with significant unmet needs in the areas of oncology, immunology, neuroscience, and infectious disease. We intend to leverage our competencies and resources to positively impact human health in Greater China and worldwide. We currently have five commercial products — ZEJULA®, OPTUNE, QINLOCK®, NUZYRA®, and VYVGART® — that have received marketing approval and that we have commercially launched in one or more territories in Greater China. OPTUNE refers to Tumor Treating Fields devices marketed under various brand names, including OPTUNE GIO® for GBM. We also have multiple programs in late-stage product development and a number of ongoing pivotal trials across our portfolio.

Since our inception, we have incurred net losses and negative cash flows from our operations. Substantially all of our losses have resulted from funding our research and development programs and selling, general and administrative costs associated with our operations. Developing high quality product candidates requires significant investment in our research and development activities over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. Our ability to generate profits and positive cash flow from operations over the next several years depends upon our ability to successfully market our commercial products and to successfully expand the indications for these products and develop and commercialize our other product candidates. As discussed further below, we expect to continue to incur substantial costs related to our research and development and commercialization activities.

As we pursue our corporate strategic goals, we anticipate that our financial results will fluctuate from quarter to quarter and year to year depending in part on the balance between the success of our commercial products and the level of our research and development expenses. We cannot predict whether or when our product candidates will receive regulatory approval. Further, if we receive such regulatory approval, we cannot predict whether or when we may be able to successfully commercialize such products or whether or when such products may become profitable.

Recent Developments

Commercial Products

Net product revenue was \$187.3 million for the six months ended June 30, 2024, an increase of 42% compared to the prior year period, primarily driven by increased sales for VYVGART since its launch in September 2023 and NRDL listing in January 2024 and increased sales for ZEJULA, NUZYRA, and QINLOCK. The NRDL listing for ZEJULA as a maintenance treatment was renewed in the first quarter of 2024, and ZEJULA continues to be the leading PARP inhibitor in hospital sales for ovarian cancer in mainland China. Increased sales for NUZYRA were supported by the inclusion in the NRDL for its IV formulation in the first quarter of 2023 and for its oral formulation in the first quarter of 2024 and for QINLOCK by its inclusion in the NRDL in the first quarter of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Product Candidates

We continued to advance our product candidates through our research and development activities, including the following developments with respect to our clinical trials and regulatory approvals:

Oncology

- **Repotrectinib:** In May 2024, the NMPA approved the NDA for repotrectinib for the treatment of adult patients with locally advanced or metastatic *ROS1*-positive NSCLC. The approval was based on the global Phase I/II TRIDENT-1 study that evaluated repotrectinib in TKI naïve and TKI-pretreated patients with *ROS1*-positive NSCLC. We participated in the Greater China portion of this study. In June 2024, our partner BMS announced that the FDA had granted accelerated approval of repotrectinib for the treatment of patients with NTRK-positive locally advanced or metastatic solid tumors.
- **Niraparib (PARP):** In July 2024, data from a Zai-supported study was published in *Cell* that provides new insights with potential to improve treatment of HRD-positive ovarian cancers, including through neoadjuvant monotherapy with niraparib and a combination of niraparib and ZL-1218, our investigational CCR8 antibody.
- **Tisotumab Vedotin:** In April 2024, our partner Pfizer Inc. and Genmab A/S announced that the FDA approved the supplemental Biologics License Application granting full approval for Tisotumab Vedotin (or TIVDAK®) for the treatment of patients with recurrent or metastatic cervical cancer with disease progression on or after chemotherapy. We are participating in the global Phase III innovaTV 301 trial and extension study in Greater China.
- **Tumor Treating Fields:** In March 2024, our partner NovoCure Limited announced that the Phase III METIS clinical trial met its primary endpoint, demonstrating a statistically significant improvement in time to intracranial progression for adult patients treated with Tumor Treating Fields therapy and supportive care compared to supportive care alone in the treatment of patients with 1–10 brain metastases from NSCLC following stereotactic radiosurgery. The METIS trial demonstrated 21.9 months median time to intracranial progression for patients treated with Tumor Treating Fields and supportive care compared to 11.3 months for patients treated with supportive care alone. We are participating in the METIS trial.
- **Adagrasib:** We are evaluating the clinical data of the global Phase III KRYSTAL-12 study evaluating adagrasib in previously treated patients with KRAS^{G12C}-mutated NSCLC as we decide on next steps in the development of this product across indications.
- **Early-Stage Global Oncology Pipeline:** We are currently enrolling patients in the United States and Greater China in the global Phase I study of ZL-1310 (DLL3 ADC) for relapsed and refractory second-line+ small cell lung cancer who have progressed after platinum-based treatment. We are also enrolling patients in the United States, Europe, and Greater China in the global Phase I study of ZL-1218 (CCR8) as a single agent and in combination with pembrolizumab in patients with advanced solid tumor malignancies.

MANAGEMENT DISCUSSION AND ANALYSIS

Immunology, Neuroscience, and Infectious Disease

- **Efgartigimod:** In May 2024, the NMPA accepted for priority review a supplemental Biologics License Application for efgartigimod SC for the treatment of patients with CIDP. In June 2024, our partner argenx announced that the FDA approved efgartigimod SC, under the brand name VYVGART® Hytrulo, for this indication.

In July 2024, the NMPA approved a Biologics License Application for efgartigimod SC as an add on to standard therapy for the treatment of adult patients with gMG who are anti-acetylcholine receptor (AChR) antibody positive.

- **Sulbactam-Durlobactam (SUL-DUR):** In May 2024, the NMPA approved the NDA for SUL-DUR for the treatment of adult patients with hospital-acquired bacterial pneumonia and ventilator-associated bacterial pneumonia caused by susceptible isolates of *Acinetobacter baumannii-calcoaceticus* complex.
- **Xanomeline-Trospium (KarXT):** In April 2024, our partner BMS presented new interim long-term data from the Phase III EMERGENT program for the treatment of schizophrenia. In the new interim analysis of long-term efficacy data from the Phase 3 EMERGENT-4 open-label extension trial, KarXT was associated with significant improvement in symptoms of schizophrenia across all efficacy measures at 52 weeks, and in the new pooled interim long-term safety and metabolic outcomes from the Phase III EMERGENT-4 and EMERGENT-5 trials, KarXT demonstrated a favorable long-term metabolic profile where most patients experienced stability or improvements on metabolic parameters over 52 weeks of treatment. We are conducting a registrational bridging study in mainland China.

In July 2024, Zai Lab joined the global Phase III ADEPT-2 study evaluating the safety and efficacy of KarXT for the treatment of Alzheimer’s disease with psychosis in Greater China.

- **Early-Stage Global Pipeline:** In May 2024, we initiated a global Phase II clinical trial evaluating the safety and efficacy of ZL-1102, an anti-IL-17 investigational therapy that we are internally developing, for the treatment of chronic plaque psoriasis.

Corporate Updates

We continue to enhance our portfolio through strategic partnerships and to strengthen our organizational structure to support the evolving needs of our business:

- **Business Development:** In July 2024, we entered into a strategic partnership and global license agreement with MabCare Therapeutics Co., Ltd. Through this collaboration, we expanded our global oncology pipeline with a next generation antibody-drug conjugate targeting ROR1, ZL-6301. ZL-6301 has the potential to be used in the treatment of solid tumors where ROR1 is commonly expressed and in hematological malignancies where ROR1 is a validated target. ZL-6301 has demonstrated an encouraging pre-clinical profile, and it is currently in the IND-enabling stage. We plan to focus on advancing its global development.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Organizational Updates:** In April 2024, Andrew Zhu joined Zai Lab as our Chief Commercial Officer in Greater China. Mr. Zhu's rich experience in building innovative business models and resource integration will help us further enhance our commercial operations and drive sales and profit growth across Greater China. He joins us from Simcere Zaiming, where he most recently served as Chief Operating Officer responsible for the commercial and pharmaceutical business. He previously served in various operational, sales, and marketing leadership roles at leading global biopharmaceutical companies, including AstraZeneca, Roche, Sanofi, and BMS. In addition, Dr. Rafael Amado was appointed President, Head of Global Research and Development, expanding his role to encompass R&D efforts all of our therapeutic areas upon Dr. Harald Reinhart's retirement on June 30, 2024.

Factors Affecting Our Results of Operations

Our Commercial Products

We generate product revenue through the sale of our commercial products in Greater China, net of any related sales returns and rebates to distributors. Our cost of product revenue mainly consists of the costs of manufacturing ZEJULA and NUZYRA, costs of purchasing OPTUNE, QINLOCK, and VYVGART from our collaboration partners, any royalty fees incurred as a result of sales of our commercial products under our license and collaboration agreements, and amortization of any sales-based milestone fees incurred under our license and collaboration agreements. We expect our product revenue to increase in coming years as we continue to focus on increasing patient access to our existing commercial products, such as through NRDL listing or increased supplemental insurance coverage in the private-pay market, and as we launch additional commercial products, if and when we obtain required regulatory approvals. We expect our cost of product revenue to increase as the volume of products sold increases.

Research and Development Expenses

We believe our ability to successfully develop product candidates will be the primary factor affecting our long-term competitiveness, as well as our future growth and development. Developing high quality product candidates requires a significant investment of resources over a prolonged period of time. We are committed to advancing and expanding our pipeline of potential best-in-class and first-in-class products, such as through clinical and pre-clinical trials and business development activities. As a result, we expect to continue making significant investments in research and development, including internal discovery activities.

Elements of research and development expenditures primarily include:

- payroll and other related costs of personnel engaged in research and development activities;
- fees for exclusive development rights of products granted to the Company;
- costs related to pre-clinical testing of the Company's technologies and clinical trials, such as payments to CROs and CMOs, investigators, and clinical trial sites that conduct our clinical studies; and
- costs to produce the product candidates, including raw materials and supplies, product testing, depreciation, and facility-related expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling, General, and Administrative Expenses

Our selling, general, and administrative expenses consist primarily of personnel compensation and related costs, including share-based compensation for commercial and administrative personnel. Other selling, general, and administrative expenses include product distribution and promotion costs, and professional service fees for legal, intellectual property, consulting, auditing, and tax services as well as other direct and allocated expenses for rent and maintenance of facilities, insurance, and other supplies used in selling, general, and administrative activities. We expect these costs to continue to be significant to support sales of our commercial products and preparation to launch and subsequent sales of additional product candidates if and when approved.

Our Ability to Commercialize Our Product Candidates

We have multiple product candidates in late-stage clinical development and various others in clinical and pre-clinical development in Greater China and the United States. Our ability to generate revenue from our product candidates is dependent on our receipt of regulatory approvals for and successful commercialization of such product candidates, which may not occur. Certain of our product candidates may require additional pre-clinical and/or clinical development, regulatory approvals in multiple jurisdictions, manufacturing supply, and significant marketing efforts before we generate any revenue from product sales.

License and Collaboration Arrangements

Our results of operations have been, and will continue to be, affected by our license and collaboration agreements. In accordance with these agreements, we may be required to make upfront payments and milestone payments upon the achievement of certain development, regulatory, and sales-based milestones for the relevant products as well as certain royalties at tiered percentage rates based on annual net sales of the licensed products in the licensed territories. As of June 30, 2024, we may be required to pay development and regulatory milestone payments of up to an additional aggregate amount of \$294.5 million for our current clinical programs and \$561.2 million for other programs, and such payments are contingent on the progress of our product candidates prior to commercialization. As of June 30, 2024, we also may be required to pay sales-based milestone payments of up to an additional aggregate amount of \$1,980.0 million as well as certain royalties at tiered percentage rates on annual net sales that are contingent on product performance. If these milestones or royalties do occur, we view related payments as favorable because such payments signify that the product or product candidate is achieving higher sales levels or advancing toward potential commercial launch.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE AND OUTLOOK

Our mission is to be a leading global biopharmaceutical company focused on discovering, developing, and commercializing innovative therapies that improve the lives of patients.

To execute on that mission, we have developed a corporate strategy with the following three pillars to help us drive innovation in China and beyond:

Accelerate Medicines to Patients: We seek to advance our product pipeline by continuing to invest in research and development, including internal discovery activities;

Expanding Our Pipeline: We seek to continue to expand and strengthen our differentiated product pipeline through synergistic regional and global collaborations and corporate development activities; and

Continue Our Commercial Excellence and Execution: We seek to continue delivering strong financial performance, including by increasing access to our existing commercial products and driving further increases in our efficiency and productivity as we continue preparations to launch multiple additional products or new indications for existing products in Greater China in the next 2–3 years. Through our efforts, we seek to achieve overall corporate profitability by the end of 2025.

We also seek to build and maintain the trust of our stakeholders, including through our Trust for Life strategy, which includes three commitments: improve human health, create better outcomes, and act right now with ethical business practices and strong corporate governance. As part of our corporate strategy, and the actions taken in support of our corporate goals, we will continue to develop and integrate our Trust for Life strategy into our business and operations.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Components of Results of Operations

In this section, we discuss our results of operations for the six months ended June 30, 2024 compared to the same period in 2023.

The following table presents our results of operations (\$ in thousands):

	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Revenues				
Product revenue, net	187,255	131,661	55,594	42 %
Collaboration revenue	398	—	398	NM
Total revenues	187,653	131,661	55,992	43 %
Expenses				
Cost of product revenue	(68,767)	(45,100)	(23,667)	52 %
Cost of collaboration revenue	(85)	—	(85)	NM
Research and development	(116,270)	(125,153)	8,883	(7)%
Selling, general, and administrative	(148,904)	(130,430)	(18,474)	14 %
Gain on sale of intellectual property	—	10,000	(10,000)	(100)%
Loss from operations	(146,373)	(159,022)	12,649	(8)%
Interest income	18,988	20,321	(1,333)	(7)%
Interest expense	(605)	—	(605)	NM
Foreign currency losses	(6,176)	(31,167)	24,991	(80)%
Other income, (expenses), net	418	(171)	589	(344)%
Loss before income tax	(133,748)	(170,039)	36,291	(21)%
Income tax expense	—	—	—	— %
Net loss	(133,748)	(170,039)	36,291	(21)%

NM — Not Meaningful

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Product Revenue, Net

The following table presents the components of the Company's product revenue (\$ in thousands):

	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Product revenue — gross	199,723	146,222	53,501	37 %
Less: Rebates and sales returns	(12,468)	(14,561)	2,093	(14)%
Product revenue — net	187,255	131,661	55,594	42 %

Our product revenue is derived from the sales of our commercial products primarily in mainland China, net of sales returns and rebates to distributors with respect to the sales of these products.

Our net product revenue increased by \$55.6 million in the six months ended June 30, 2024, primarily driven by increased sales for VYVGART since its launch in September 2023 and NRDL listing in January 2024. Net product revenue growth was also supported by increased sales volumes for ZEJULA, NUZYRA and QINLOCK in the six months ended June 30, 2024. ZEJULA sales remained strong as it continued to be the leading PARP inhibitor in hospital sales for ovarian cancer in mainland China following the renewal of its NRDL listing as a maintenance treatment in the first quarter of 2024. The growth in NUZYRA sales was supported by the inclusion in the NRDL for its IV formulation in the first quarter of 2023 and for its oral formulation in the first quarter of 2024. Similarly, QINLOCK sales were supported by its inclusion in the NRDL in the first quarter of 2023.

The following table presents net revenue by product (\$ in thousands):

	Six Months Ended June 30,		Change	
	2024	2023	\$	%
ZEJULA	90,500	85,637	4,863	6 %
OPTUNE	25,064	27,034	(1,970)	(7)%
QINLOCK	13,131	8,833	4,298	49 %
NUZYRA	22,208	10,105	12,103	120 %
VYVGART	36,352	52	36,300	69808 %
Total product revenue, net	187,255	131,661	55,594	42 %

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Product Revenue

Cost of product revenue increased by \$23.7 million in the six months ended June 30, 2024, primarily due to increasing sales volumes and shifts in product sales mix.

Collaboration Revenue and Cost of Collaboration Revenue

Collaboration revenue was \$0.4 million and cost of collaboration revenue was \$0.1 million in the six months ended June 30, 2024, and related to promotional activities in mainland China. We had no such collaboration revenue in the prior year period.

Research and Development Expenses

The following table presents the components of our research and development expenses (\$ in thousands):

	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Personnel compensation and related costs	59,217	58,034	1,183	2 %
Licensing fees	—	19,282	(19,282)	(100)%
CROs/CMOs/Investigators expenses	44,209	36,065	8,144	23 %
Other costs	12,844	11,772	1,072	9 %
Total	116,270	125,153	(8,883)	(7)%

Research and development expenses decreased by \$8.9 million in the six months ended June 30, 2024, primarily due to:

- a decrease of \$19.3 million, in licensing fees as a result of decreased upfront and milestone payments for our license and collaboration agreements; partially offset by
- an increase of \$9.2 million, in CROs/CMOs/Investigators expenses and other costs related to ongoing and newly initiated clinical trials.

The following table presents our research and development expenses by program (\$ in thousands):

	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Clinical programs	40,136	44,989	(4,853)	(11)%
Pre-clinical programs	5,188	13,239	(8,051)	(61)%
Unallocated research and development expenses	70,946	66,925	4,021	6 %
Total	116,270	125,153	(8,883)	(7)%

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development expenses attributable to clinical programs decreased by \$4.9 million in the six months ended June 30, 2024, primarily driven by a decrease of \$8.3 million in licensing fees, offset by an increase of \$3.4 million in CROs/CMOs/Investigators expenses due to newly initiated studies and progress of existing studies. Research and development expenses attributable to pre-clinical programs decreased by \$8.1 million in the six months ended June 30, 2024, primarily due to a decrease of \$11.0 million in licensing fees, offset by an increase of \$2.9 million in CROs/CMOs/Investigators expenses related to newly initiated studies and progress of existing studies.

Although we manage our external research and development expenses by program, we do not allocate our internal research and development expenses by program because our employees and internal resources may be engaged in projects for multiple programs at any given time.

Selling, General, and Administrative Expenses

The following table presents our selling, general and administrative expenses by program (\$ in thousands):

	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Personnel compensation and related costs	94,173	83,788	10,385	12 %
Professional service fees	9,054	14,348	(5,294)	(37)%
Other costs	45,677	32,294	13,383	41 %
Total	148,904	130,430	18,474	14 %

Selling, general, and administrative expenses increased by \$18.5 million in the six months ended June 30, 2024, primarily due to:

- an increase of \$13.4 million in other costs, primarily related to higher general selling expenses for VYVGART which was launched in September 2023.
- an increase of \$10.4 million in personnel compensation and related costs, primarily driven by headcount growth mainly to support VYVGART; partially offset by
- a decrease of \$5.3 million in professional service fees, primarily related to decreased legal, finance, and human resources administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Gain on Sale of Intellectual Property

We had a gain on sale of intellectual property of \$10.0 million in the second quarter of 2023 in connection with our sale of certain patent rights and related know-how to a third party. We had no such gain or loss in the current year period.

Interest Income

Interest income decreased by \$1.3 million in the six months ended June 30, 2024, primarily due to decreased cash and cash equivalents.

Interest Expense

Interest expense increased by \$0.6 million in the six months ended June 30, 2024, primarily due to interest expense on short-term debt we entered into in the first half year of 2024. We had no such interest expense in the prior year period.

Foreign Currency Losses

Foreign currency losses decreased by \$25.0 million in the six months ended June 30, 2024, due to the decreased level of depreciation of the RMB against the U.S. dollar.

Other Income (Expenses), Net

Other income, net was \$0.4 million in the six months ended June 30, 2024, compared to other expenses, net of \$0.2 million in the six months ended June 30, 2023, primarily due to an increase of \$3.2 million in government grants, an increase of \$1.2 million in other miscellaneous gain primarily driven by an increase in sublease rental income, offset by an increase of \$3.8 million in loss of our equity investment in MacroGenics, Inc. as a result of changes in its stock price.

Income Tax Expense

Income tax expense was nil in both the six months ended June 30, 2024 and 2023.

Net Loss

Net loss was \$133.7 million in the six months ended June 30, 2024, or a loss per ordinary share attributable to common stockholders of \$0.14 (or loss per ADS of \$1.37), compared to a net loss of \$170.0 million in the six months ended June 30, 2023, or a loss per ordinary share of \$0.18 (or loss per ADS of \$1.77).

MANAGEMENT DISCUSSION AND ANALYSIS

Discussion of Certain Key Balance Sheet Items

This section includes discussion of certain key balance sheet items as of June 30, 2024 compared to December 31, 2023.

Cash, Cash Equivalents, and Restricted Cash

As of June 30, 2024, the Company's cash, cash equivalents, and restricted cash amounted to \$731.2 million and primarily comprised of (1) \$708.7 million denominated in U.S. dollars; (2) \$21.1 million denominated in RMB; and (3) \$1.4 million in aggregate denominated in HK dollars, Australian dollars, and Taiwan dollars.

Short-Term Investments

As of December 31, 2023, the Company's short-term investments were \$16.3 million, which primarily comprised of time deposits with original maturities between three months and one year. We did not have such short-term investments as of June 30, 2024.

Accounts Receivable

Accounts receivable increased by \$10.4 million to \$69.6 million as of June 30, 2024, primarily due to increased product sales.

Inventories, Net

Inventories decreased by \$3.0 million to \$41.8 million as of June 30, 2024, primarily due to product sales.

Property and Equipment, Net

Property and equipment, net decreased by \$3.1 million to \$50.6 million as of June 30, 2024, primarily due to depreciation.

Intangible Assets, Net

Intangible assets, net increased by \$30.7 million to \$44.1 million as of June 30, 2024, primarily due to an increase in capitalized regulatory milestone fees.

Accounts Payable

Accounts payable increased by \$14.4 million to \$127.3 million as of June 30, 2024, primarily due to increases in accrued regulatory milestone fees and inventory purchases, partially offset by decreases in accrued sales-based milestone fees and research and development expenses as results of payments.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Current Liabilities

Other current liabilities decreased by \$36.5 million to \$46.5 million as of June 30, 2024, primarily due to payments of employee bonuses, withholding taxes, accrued professional service fees, and rebates to distributors in connection with NRDL-related price reductions.

Liquidity, Financial Resources, and Capital Structure

The following table represents our cash and cash equivalents, short-term investments, and current restricted cash (\$ in thousands):

	June 30, 2024	December 31, 2023
Cash and cash equivalents	630,048	790,151
Restricted cash, current	100,000	—
Short-term investments	—	16,300
Restricted cash, non-current	1,116	1,113
Total	731,164	807,564

To date, we have financed our activities primarily through private placements, our September 2017 initial public offering and various follow-on offerings on Nasdaq, and our September 2020 secondary listing and initial public offering on the Hong Kong Stock Exchange. In addition, we have raised approximately \$164.6 million in private equity financing and approximately \$2,462.7 million in net proceeds after deducting underwriting commissions and the offering expenses payable by us in our initial public offering and subsequent follow-on offerings on Nasdaq and our initial public offering on the Hong Kong Stock Exchange. Our operations have consumed substantial amounts of cash since inception. The net cash used in our operating activities was \$132.3 million and \$128.0 million in the six months ended June 30, 2024 and 2023, respectively. For information on our research and development activities and related expenditures, see the Research and Development Expenses, Selling, General, and Administrative Expenses, License and Collaboration Arrangements, and Results of Operations sections above. In addition, as of June 30, 2024, we had commitments for capital expenditures of \$1.0 million, mainly for the purpose of plant construction and installation.

As of June 30, 2024, we had cash and cash equivalents, current restricted cash, and short-term investments of \$730.0 million, which we expect will enable us to meet our cash requirements including the funding of operating expenses, capital expenditures, and debt obligations for at least the next 12 months.

Although we believe that we have sufficient capital to fund our operations for at least the next twelve months, we may, from time to time, identify opportunities to access capital through debt arrangements on favorable commercial terms. In February 2024, we entered into three such debt arrangements with Chinese financial institutions that allow certain of our subsidiaries to borrow up to approximately \$164.5 million (or RMB1,171.7 million) to support our working capital needs in mainland China. As of June 30, 2024, we had short-term debt of approximately \$70.3 million (or RMB501.0 million) denominated in RMB pursuant to these debt arrangements. Approximately \$14.0 million (or RMB100.0 million) of such short-term debt carries a fixed interest rate of 3.45%, and approximately \$56.3 million (or RMB401.0 million) carries a floating interest rate of approximately 2.95% which is subject to adjustment every

MANAGEMENT DISCUSSION AND ANALYSIS

six months. In addition, in July 2024, we entered into an additional such debt arrangement with a Chinese financial institution that would allow Zai Lab Shanghai to borrow up to RMB250.0 million (approximately \$34.4 million) to support our working capital needs in mainland China. In July and August 2024, we borrowed an additional aggregate amount of approximately \$33.9 million (or RMB242.8 million) denominated in RMB under these debt arrangements, and the related loans carry floating interest rates from 2.85% to 3.15%. These debt arrangements will provide us with additional capital capacity that gives us enhanced flexibility to execute on our corporate strategic goals. For more information, see *Note 11* and *Note 18* to the unaudited condensed consolidated financial statements.

We may consider, or we may ultimately need, additional funding sources to bring to fruition our strategic objectives, and there can be no assurances that such funding will be made available to us on acceptable terms or at all.

The following table presents information regarding our cash flows (\$ in thousands):

	Six Months Ended June 30,		Change
	2024	2023	\$
Net cash used in operating activities	(132,279)	(127,989)	(4,290)
Net cash provided by (used in) investing activities	2,446	(11,252)	13,698
Net cash provided by (used in) financing activities	69,870	(5,379)	75,249
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(137)	(3,707)	3,570
Net decrease in cash, cash equivalents and restricted cash	(60,100)	(148,327)	88,227

Net Cash Used in Operating Activities

Net cash used in operating activities increased by \$4.3 million in the six months ended June 30, 2024, primarily due to a decrease of \$31.4 million in net changes in operating assets and liabilities, a decrease of \$9.2 million in adjustments to reconcile net loss to net cash used in operating activities, partially offset by a decrease of \$36.3 million in net loss.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities was \$2.4 million in the six months ended June 30, 2024, compared to net cash used in investing activities of \$11.3 million in the six months ended June 30, 2023. This shift was primarily due to a decrease of \$100.0 million in purchases of short-term investments, and a decrease of \$3.5 million in purchases of property and equipment, partially offset by a decrease of \$68.2 million in proceeds from the maturity of short-term investments, an increase of \$11.5 million from acquisition of intangible assets as we made a sales-based milestone payment which was capitalized as intangible assets in the fourth quarter of 2023, and a decrease of \$10.0 million in proceeds from sale of intellectual property.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was \$69.9 million in the six months ended June 30, 2024, compared to net cash used in financing activities of \$5.4 million in the six months ended June 30, 2023. This shift was primarily due to \$69.8 million in short-term debt proceeds net of related issuance costs as we entered into certain debt arrangements in the first half of 2024, partially offset by decreases of \$7.1 million in taxes paid related to settlement of equity awards and \$1.7 million in proceeds from exercises of stock options.

Effect of Exchange Rates on Cash

We have substantial operations in mainland China, which generate a significant amount of RMB-denominated cash from product sales and require a significant amount of RMB-denominated cash to pay our obligations. Since the reporting currency of the Company is the U.S. dollar, periods of volatility in exchange rates may have a significant impact on our consolidated cash balances.

Operating Capital Requirements

We may require or seek to obtain additional funding in connection with our operations through public or private equity offerings, debt financing, collaborations or licensing arrangements, or other sources. If we are unable to raise capital when needed or on acceptable terms, we could incur losses or be forced to delay, reduce, or terminate certain programs or activities.

Although we believe our cash and cash equivalents and short-term investments as of June 30, 2024 will enable us to fund our operating expenses and capital expenditure requirements for at least the next twelve months. Our future capital requirements will depend on many factors, including:

- revenues from our approved commercial products and related product costs;
- the cost and timing of future commercialization activities for our products and any other product candidates for which we receive regulatory approval;
- the cost, timing, and outcome of seeking, obtaining, and maintaining regulatory approval for our products and product candidates;
- the scope, progress, timing, results, and costs of researching and developing our product candidates, including additional indications for our existing commercial products, and conducting pre-clinical and clinical trials;
- our ability to establish and maintain strategic partnerships, including collaboration, licensing, or other arrangements and the economic and other terms, timing, and success of such arrangements, such as with respect to any upfront fees, development and regulatory milestones that may be payable prior to commercialization or before we have generated any revenue from the related product, and sales-based milestones or royalty payments;

MANAGEMENT DISCUSSION AND ANALYSIS

- the cost, timing, and outcome of preparing, filing, and prosecuting patent applications, maintaining and enforcing our intellectual property rights, and defending any intellectual property related claims;
- cash requirements of any future acquisitions;
- resources and costs required to promote compliance with applicable laws and regulations by us and our third-party partners;
- costs of our personnel; and
- the costs of operating as a public company in both the United States and Hong Kong.

Contractual Obligations and Commitments

As of June 30, 2024, we had purchase commitments of \$1.0 million related to the purchase of property and equipment contracted and expected to be incurred within one year. We do not have any other purchase commitments beyond one year.

Disclosures About Market Risk

We are exposed to market risk including foreign exchange risk and credit risk.

Foreign Exchange Risk

Renminbi, or RMB, is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the PBOC, controls the conversion of RMB into foreign currencies. The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. The cash and cash equivalents of the Company included aggregated amounts of \$21.1 million and \$25.1 million, which were denominated in RMB, representing 3% of the cash and cash equivalents as of both June 30, 2024 and December 31, 2023, respectively.

While our financial statements are presented in U.S. dollars, our business mainly operates in mainland China with a significant portion of our transactions settled in RMB, and as such, we do not believe that we currently have significant direct foreign exchange risk and have not used derivative financial instruments to hedge our exposure to such risk. Although, in general, our exposure to foreign exchange risk should be limited, the value of your investment in our ADSs and ordinary shares will be affected by the exchange rate between the U.S. dollar and the RMB and between the HK dollar and the RMB, respectively, because the value of our business is effectively denominated in RMB, while ADSs and ordinary shares are traded in U.S. dollars and HK dollars, respectively.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in Greater China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC.

MANAGEMENT DISCUSSION AND ANALYSIS

The value of our ADSs and our ordinary shares will be affected by the foreign exchange rates between U.S. dollars, HK dollars, and the RMB. For example, to the extent that we need to convert U.S. dollars or HK dollars into RMB for our operations or if any of our arrangements with other parties are denominated in U.S. dollars or HK dollars and need to be converted into RMB, appreciation of the RMB against the U.S. dollar or the HK dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars or HK dollars for the purpose of making payments for dividends on ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar or the HK dollar against the RMB would have a negative effect on the conversion amounts available to us.

Since 1983, the HKMA has pegged the HK dollar to the U.S. dollar at the rate of approximately HK\$7.80 to US\$1.00. However, there is no assurance that the HK dollar will continue to be pegged to the U.S. dollar or that the HK dollar conversion rate will remain at HK\$7.80 to US\$1.00. If the HK dollar conversion rate against the U.S. dollar changes and the value of the HK dollar depreciates against the U.S. dollar, our assets denominated in HK dollars will be adversely affected. Additionally, if the HKMA were to repeg the HK dollar to, for example, the RMB rather than the U.S. dollar, or otherwise restrict the conversion of HK dollars into other currencies, then our assets denominated in HK dollars will be adversely affected.

Credit Risk

Financial instruments that are potentially subject to significant concentration of credit risk consist of cash and cash equivalents, short-term investments, accounts receivable, and notes receivable.

The carrying amounts of cash and cash equivalents and short-term investments represent the maximum amount of losses due to credit risk. As of June 30, 2024 and December 31, 2023, we had cash and cash equivalents of \$630.0 million and \$790.2 million, respectively, and short-term investments of nil and \$16.3 million, respectively. As of June 30, 2024 and December 31, 2023, all of our cash and cash equivalents and short-term investments were held by major financial institutions located in mainland China and international financial institutions outside of mainland China which we believe are of high credit quality and for which we monitor continued credit worthiness.

Accounts receivable are typically unsecured and are derived from product revenue and collaborative arrangements. We manage credit risk related to our accounts receivable through ongoing monitoring of outstanding balances and limiting the amount of credit extended based upon payment history and credit worthiness. Historically, we have collected receivables from customers within the credit terms with no significant credit losses incurred. As of June 30, 2024, our two largest customers accounted for approximately 23% of our total accounts receivable collectively.

Certain accounts receivable balances are settled in the form of notes receivable. As of June 30, 2024, such notes receivable included bank acceptance promissory notes that are non-interest bearing and due within six months. These notes receivable were used to collect the receivables based on an administrative convenience, given these notes are readily convertible to known amounts of cash. In accordance with the sales agreements, whether to use cash or bank acceptance promissory notes to settle the receivables is at our discretion, and this selection does not impact the agreed contractual purchase prices.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

The gearing ratio of the Company, which is calculated by dividing total interest-bearing loans by total shareholders' equity as of the end of the period, was 10.0% and nil as of June 30, 2024 and December 31, 2023, respectively.

Significant Investments Held

Except the equity investment as disclosed in *Note 2* to the unaudited condensed consolidated financial statements, we did not hold any significant investments as of June 30, 2024 and December 31, 2023.

Future Plans for Material Investments and Capital Assets

We did not have any future plans for material investments or capital assets as of June 30, 2024.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the first half of 2024, we did not have any material acquisitions or disposals of subsidiaries, associates, or joint ventures.

Employee and Remuneration Policy

As of June 30, 2024, we had a global team of 2,010 full-time employees, which decreased from 2,148 full-time employees as of December 31, 2023.

The remuneration policy for our employees is periodically reviewed by the Compensation Committee. Employee remuneration packages are determined in consideration of a variety of factors, including our pay-for-performance compensation model and market data for companies in similar industries and with similar complexity and size. In addition to cash compensation and benefits, we may issue share options, share appreciation rights, restricted shares, unrestricted shares, share units including restricted share units, performance awards, and other types of awards to our employees in accordance with our equity incentive plans. For more details about share-based compensation, please refer to the section headed "Equity Incentive Plans" and *Note 13* to the unaudited condensed consolidated financial statements contained in this report.

The total remuneration cost incurred by the Company was \$153.4 million and \$141.4 million for the first half of 2024 and 2023, respectively.

Charges on Group Assets

As of June 30, 2024 and December 31, 2023, we did not have any charge on group assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As of June 30, 2024 and December 31, 2023, we did not have any material contingent liabilities. See *Note 14* to the unaudited condensed consolidated financial statements for contractual obligations under licenses and collaborative agreements.

Interim Dividend

The Board did not recommend any interim dividend for the first half of 2024 and 2023.

Recent Accounting Pronouncements

See *Note 2* to the unaudited condensed consolidated financial statements included in this report regarding recent accounting pronouncements.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As of June 30, 2024, so far as was known to the Directors and chief executive of the Company, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares, and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, which were required to be (a) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or were deemed to have under such provisions of the SFO); (b) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of holding ⁽¹⁾
Samantha (Ying) Du	Beneficial owner	52,134,752 ⁽²⁾	5.23%
	Beneficiary of a trust (other than a discretionary interest)	4,174,978	0.41%
	Other	3,061,410 ⁽³⁾	0.30%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	198,570 ⁽⁴⁾	0.02%
John David Diekman	Beneficial owner	889,380	0.08%
Kai-Xian Chen	Beneficial owner	685,280	0.06%
Richard Brian Gaynor	Beneficial owner	490,680	0.04%
William David Lis	Beneficial owner	634,860	0.06%
Nisa Bernice Wing-Yu Leung	Beneficial owner	630,950	0.06%
Scott William Morrison	Beneficial owner	475,010	0.04%
Leon Oliver Moulder, Jr.	Beneficial owner	617,710	0.06%
Michel Pericles Vounatsos	Beneficial owner	395,850	0.04%
Peter Karl Wirth	Beneficial owner	3,829,190	0.38%

Notes:

- (1) These calculations are based on the total number of 996,087,670 Shares in issue as of June 30, 2024.
- (2) These Shares include, among others, Dr. Du's entitlements to receive up to (i) 42,951,810 Shares pursuant to share options granted to her and not yet exercised or expired, subject to any applicable conditions thereof; and (ii) 2,692,980 Shares pursuant to non-option awards granted to her and not yet vested, subject to satisfaction of applicable service-based or performance-based conditions thereof.
- (3) These Shares are held by certain other shareholders, including members of the Company's management and their affiliates, who have granted to Dr. Du the right to vote their Shares and for which Dr. Du may be deemed to have an "interest" based on her right to vote such Shares, however Dr. Du has no pecuniary interest therein.
- (4) These Shares are held by Ying Du Revocable Trust for the benefit of Dr. Du, of which Dr. Du is the trustee and is the founder having power to influence the exercise of the trustee's discretion.
- (5) All interests stated above are long positions.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2024, so far as was known to the Directors and based on the information filed with the Disclosure of Interest Online (DION) System, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholders	Capacity/Nature of Interest	Number of Shares Held	L/S/P ⁽¹⁾	Approximate Percentage of Shareholding in the Company ⁽²⁾
JPMorgan Chase & Co.	Interest of corporation controlled by you	18,656,828 ⁽³⁾	(L)	1.87%
	Interest of corporation controlled by you	18,742,607 ⁽³⁾	(S)	1.88%
	Investment manager	184,950 ⁽³⁾	(L)	0.01%
	Person having a security interest in shares	3,403,553 ⁽³⁾	(L)	0.34%
	Trustee	55,970 ⁽³⁾	(L)	0.00%
	Approved lending agent	102,364,135 ⁽³⁾	(L)	10.27%
Wellington Management Group LLP	Investment manager	107,384,700 ⁽⁴⁾	(L)	10.78%
	Investment manager	6,345 ⁽⁴⁾	(S)	0.00%
Qiming Corporate GP IV, Ltd. Qiming GP IV, L.P.	Interest of corporation controlled by you	79,229,320	(L)	7.95%
Qiming Venture Partners IV, L.P.				
QM11 Limited				
The Capital Group Companies, Inc.	Interest of corporation controlled by you	69,183,840 ⁽⁵⁾	(L)	6.94%
BAILLIE GIFFORD & CO ⁽ⁱ⁾	Investment manager	405,906 ⁽⁶⁾	(L)	0.40%
	Interest of corporation controlled by you	5,510,261 ⁽⁶⁾	(L)	5.53%
Citigroup Inc. ⁽ⁱⁱ⁾	Person having a security interest in shares	500 ⁽⁶⁾⁽⁷⁾	(L)	0.00%
	Interest of corporation controlled by you	31,314 ⁽⁶⁾⁽⁷⁾	(L)	0.03%
	Interest of corporation controlled by you	4,202 ⁽⁶⁾⁽⁷⁾	(S)	0.00%
	Approved lending agent	5,200,946 ⁽⁶⁾⁽⁷⁾	(P)	5.22%
Janus Henderson Group PLC	Investment manager	60,199,230	(L)	6.04%

OTHER INFORMATION

Notes:

- (1) Long position (L)/Short position (S)/Lending pool (P)
- (2) These calculations are based on the total number of 996,087,670 Shares in issue as of June 30, 2024.
- (3) According to the Corporate Substantial Shareholder Notice regarding the relevant event dated June 20, 2024 submitted by JPMorgan Chase & Co. to the Hong Kong Stock Exchange on June 25, 2024, an aggregated 124,665,436 Shares (long position), 18,742,607 Shares (short position), and 102,364,135 Shares (lending pool) are held by JPMorgan Chase & Co. indirectly through its certain subsidiaries. Among them, 568,439 Shares (short position) are physically settled unlisted derivatives, 3,531,900 Shares (long position) and 3,909,780 Shares (short position) are cash settled unlisted derivatives.
- (4) According to the Corporate Substantial Shareholder Notice regarding the relevant event dated May 31, 2024 submitted by Wellington Management Group LLP to the Hong Kong Stock Exchange on June 4, 2024, an aggregated 107,384,700 Shares (long position) and 6,345 Shares (short position) are held by Wellington Management Group LLP as investment manager. Among them, 73,273,440 Shares (long position) are physically settled listed derivatives, and 3,735 Shares (long position) and 6,353 Shares (short position) are cash settled listed derivatives.
- (5) According to the Corporate Substantial Shareholder Notice regarding the relevant event dated June 26, 2024 submitted by The Capital Group Companies, Inc. to the Hong Kong Stock Exchange on June 28, 2024, an aggregated 69,183,840 Shares (long position), are held by The Capital Group Companies, Inc. indirectly through its certain subsidiaries. Among them, 61,211,140 Shares (long position) are physically settled listed derivatives.
- (6) As the number of Shares held is based on the Corporate Substantial Shareholder Notice filed to the Hong Kong Stock Exchange before the Share Subdivision, for the purpose of calculating the shareholding percentage in this section, the relevant number of Shares has been adjusted to ten times of the original number of ordinary shares held to reflect the impact of the Share Subdivision.
- (7) According to the Corporate Substantial Shareholder Notice regarding the relevant event dated September 28, 2020 submitted by Citigroup Inc. to the Hong Kong Stock Exchange on October 5, 2020, an aggregated 5,232,760 Shares (long position), 4,202 Shares (short position), and 5,200,946 Shares (lending pool) are held by Citigroup Inc. indirectly through its certain subsidiaries. Among them, 5,080,573 Shares (long position) and 4,202 Shares (short position) are physically settled listed derivatives, and 137 Shares (long position) are cash settled unlisted derivatives.
 - (i) According to the Form 13F filed by Baillie Gifford & Co with the SEC on August 8, 2022 (https://www.sec.gov/Archives/edgar/data/1088875/000108887522000108/xslForm13F_X01/edbgcojun22.xml), as of June 30, 2022, it held 737,152 ADSs of the Company. According to the Form 13F filed by Baillie Gifford & Co with the SEC on July 25, 2024 (https://www.sec.gov/Archives/edgar/data/1088875/000108887524000084/xslForm13F_X02/edbgcojun24.xml), as of June 30, 2024, it did not appear to hold any ADSs of the Company. No corresponding record is found on the DION System.
 - (ii) According to the Form 13F filed by Citigroup Inc with the SEC on August 12, 2024 (https://www.sec.gov/Archives/edgar/data/831001/000083100124000117/xslForm13F_X02/CITIGROUP_13F_HR_INFOTABLE.xml), as of June 30, 2024, it held 105,003 ADSs of the Company. No corresponding record is found on the DION System.

Save as disclosed above and to the best knowledge of the Directors, as of June 30, 2024, the Directors are not aware of any other person (other than the Directors or the chief executive of the Company whose interests are set out in the section headed “*Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of Its Associated Corporations*” above) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EQUITY INCENTIVE PLANS

The Company has 4 equity incentive plans, namely the 2015 Plan, the 2017 Plan, the 2022 Plan, and the 2024 Plan. The 2022 Plan was adopted by the shareholders of the Company and took effect on the Primary Conversion Effective Date, and the Board determined that no new grants would be made under the 2015 Plan and the 2017 Plan after the Primary Conversion Date. The 2024 Plan was adopted by the shareholders of the Company and took effect on June 18, 2024, and the Board determined that no new grants would be made under the 2022 Plan after June 18, 2024.

As at December 31, 2023, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Plan, the 2017 Plan, and the 2022 Plan was 104,584,050. As at 30 June, 2024, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Plan, 2017 Plan, the 2022 Plan, and the 2024 Plan was 121,522,950.

The number of Shares that may be issued in respect of the options and non-option awards granted under the 2022 Plan and the 2024 Plan during the Reporting Period represented 3.74% of the weighted average number of Shares in issue for the Reporting Period.

1. 2015 Plan

The 2015 Plan was approved by the Board on March 5, 2015 and most recently amended with effect on April 10, 2016. The Board determined that no new grants would be made under the 2015 Plan after the Primary Conversion Effective Date. However, for illustration purpose only, as at December 31, 2023 and June 30, 2024, the number of Shares available for future grant under the 2015 Plan was 11,835,790 and 11,835,790 respectively.

OTHER INFORMATION

Details of the outstanding options under the 2015 Plan are set out below:

Name of grantee	Category of grantees	Date of grant	Vesting period ⁽¹⁾	Exercise period ⁽²⁾	Exercise (grant) price (in \$) ⁽³⁾	Number of shares underlying the options					Outstanding as of June 30, 2024
						Price on day prior to exercise during the Reporting Period (in \$) ⁽⁴⁾	Outstanding as of January 1, 2024	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	
Directors and chief executive of the Company											
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	10/22/2015	5 years	10 years	0.06	—	5,891,650	0	0	0	5,891,650
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	3/9/2016	5 years	10 years	0.12	—	6,043,760	0	0	0	6,043,760
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	8/25/2016	5 years	10 years	0.174	—	9,221,840	0	0	0	9,221,840
Employee Participants (other than chief executive)											
In aggregate	Employee Participants	3/5/2015	5 years	10 years	0.06	—	1,560	0	0	0	1,560
In aggregate	Employee Participants	10/22/2015	5 years	10 years	0.06	—	5,820,170	0	0	0	5,820,170
In aggregate	Employee Participants	3/9/2016	5 years	10 years	0.12	—	262,690	0	0	0	262,690
In aggregate	Employee Participants	8/25/2016	5 years	10 years	0.174	—	1,268,820	0	0	0	1,268,820
In aggregate	Employee Participants	8/25/2016	3 years	10 years	0.174	—	4,160	0	0	0	4,160
In aggregate	Employee Participants	12/6/2016	3 years	10 years	0.174	—	4,160	0	0	0	4,160
In aggregate	Employee Participants	5/12/2017	5 years	10 years	0.3	—	161,670	0	0	0	161,670
In aggregate	Employee Participants	5/12/2017	3 years	10 years	0.3	—	4,160	0	0	0	4,160
Total							28,684,640	0	0	0	28,684,640

Notes:

- (1) The options had been fully vested as at the end of the Reporting Period.
- (2) The relevant portion of the options becomes exercisable upon vesting on each anniversary of the date of grant, with the validity period of the options being ten years from the date of grant.
- (3) The stated exercise (grant) price was determined in good faith by the administrator of the 2015 Plan in the absence of an established market for the Shares.
- (4) There was no exercise of options under the 2015 Plan during the Reporting Period.

2. 2017 Plan

The 2017 Plan was approved by the Board on August 7, 2017. The 2017 Plan provides for the grant of share options, SARs, restricted and unrestricted shares, and share units, performance awards, and other awards that are convertible into or otherwise based on Shares. Dividend equivalents may also be provided in connection with awards under the 2017 Plan. The Board determined that no new grants would be made under the 2017 Plan after the Primary Conversion Effective Date. However, for illustration purpose only, as at December 31, 2023 and June 30, 2024, the number of Shares available for future grant under the 2017 Plan was 71,103,560 and 74,966,150 respectively.

OTHER INFORMATION

Options

Details of the outstanding options under the 2017 Plan are set out below:

Name of grantee	Category of grantees	Date of grant	Vesting period ⁽¹⁾ (2)	Exercise period ⁽⁴⁾	Exercise (grant) price (in \$) ⁽⁵⁾	Price on day prior to exercise during the Reporting Period (in \$) ⁽⁶⁾	Number of shares underlying the options				
							Outstanding as of January 1, 2024	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of June 30, 2024
Directors and chief executive of the Company											
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	3/28/2018	5 years	10 years	2.09	—	3,500,000	0	0	0	3,500,000
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	3/8/2019	5 years	10 years	3.893	—	3,000,000	0	0	0	3,000,000
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	3/12/2020	5 years	10 years	4.494	—	2,500,000	0	0	0	2,500,000
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	4/1/2021	5 years	10 years	13.096	—	870,000	0	0	0	870,000
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	4/1/2022	5 years	10 years	4.547	—	2,820,000	0	0	0	2,820,000
Employee Participants (other than chief executive)											
In aggregate	Employee Participants	9/20/2017	3 years	10 years	1.8	—	75,000	0	0	0	75,000
In aggregate	Employee Participants	9/20/2017	5 years	10 years	1.8	—	407,860	0	0	0	407,860
In aggregate	Employee Participants	1/22/2018	5 years	10 years	2.374	—	390,400	0	0	0	390,400
In aggregate	Employee Participants	1/26/2018	5 years	10 years	2.458	—	370,000	0	0	0	370,000
In aggregate	Employee Participants	3/2/2018	5 years	10 years	2.184	—	3,700,000	0	0	0	3,700,000
In aggregate	Employee Participants	3/22/2018	5 years	10 years	2.074	—	1,300,000	0	0	0	1,300,000
In aggregate	Employee Participants	3/28/2018	5 years	10 years	2.09	—	600,000	0	0	0	600,000
In aggregate	Employee Participants	6/4/2018	5 years	10 years	2.38	—	2,950,000	0	0	0	2,950,000
In aggregate	Employee Participants	8/14/2018	5 years	10 years	2.193	—	495,000	0	0	0	495,000
In aggregate	Employee Participants	11/16/2018	5 years	10 years	1.799	—	300,000	0	0	0	300,000
In aggregate	Employee Participants	11/26/2018	5 years	10 years	1.76	2.1	413,000	25,000	0	0	388,000
In aggregate	Employee Participants	2/25/2019	3 years	10 years	2.912	—	50,000	0	0	0	50,000
In aggregate	Employee Participants	3/8/2019	5 years	10 years	2.775	—	700,000	0	0	30,000	670,000
In aggregate	Employee Participants	3/27/2019	5 years	10 years	2.807	—	1,138,210	0	0	0	1,138,210
In aggregate/	Employee Participants	6/28/2019	5 years	10 years	3.487	—	315,000	0	0	0	315,000
In aggregate	Employee Participants	9/30/2019	5 years	10 years	3.235	—	108,000	0	0	0	108,000
In aggregate	Employee Participants	12/31/2019	5 years	10 years	4.159	—	304,130	0	0	0	304,130
In aggregate	Employee Participants	10/14/2019	5 years	10 years	3.343	—	250,000	0	0	0	250,000
In aggregate	Employee Participants	10/7/2019	3 years	10 years	3.188	—	25,000	0	0	0	25,000

OTHER INFORMATION

Number of shares underlying the options											
Name of grantee	Category of grantees	Date of grant	Vesting period ⁽¹⁾ ⁽²⁾ ⁽³⁾	Exercise period ⁽⁴⁾	Exercise (grant) price (in \$) ⁽⁵⁾	Price on day prior to exercise during the Reporting Period (in \$) ⁽⁶⁾	Outstanding as of January 1, 2024	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of June 30, 2024
In aggregate	Employee Participants	3/12/2020	5 years	10 years	4.494	—	790,000	0	0	60,000	730,000
In aggregate	Employee Participants	3/31/2020	5 years	10 years	5.148	—	2,738,000	0	0	35,000	2,703,000
In aggregate	Employee Participants	6/30/2020	5 years	10 years	8.213	—	536,310	0	0	49,490	486,820
In aggregate	Employee Participants	8/17/2020	5 years	10 years	8.25	—	377,500	0	0	0	377,500
In aggregate	Employee Participants	9/21/2020	5 years	10 years	7.33	—	203,410	0	0	0	203,410
In aggregate	Employee Participants	12/21/2020	5 years	10 years	12.872	—	661,570	0	0	148,000	513,570
In aggregate	Employee Participants	5/1/2021	5 years	10 years	16.621	—	12,000	0	0	0	12,000
In aggregate	Employee Participants	3/1/2021	5 years	10 years	16.202	—	108,000	0	0	50,000	58,000
In aggregate	Employee Participants	4/1/2021	5 years	10 years	13.096	—	2,736,880	0	0	140,400	2,596,480
In aggregate	Employee Participants	6/1/2021	5 years	10 years	18	—	111,000	0	0	38,000	73,000
In aggregate	Employee Participants	7/1/2021	5 years	10 years	17.837	—	24,330	0	0	2,140	22,190
In aggregate	Employee Participants	8/1/2021	5 years	10 years	14.461	—	16,000	0	0	0	16,000
In aggregate	Employee Participants	9/1/2021	5 years	10 years	14.718	—	119,570	0	0	1,500	118,070
In aggregate	Employee Participants	10/1/2021	5 years	10 years	10.275	—	340,670	0	0	70,800	269,870
In aggregate	Employee Participants	11/1/2021	5 years	10 years	10.442	—	34,000	0	0	2,400	31,600
In aggregate	Employee Participants	11/1/2021	4 years	10 years	10.442	—	667,000	0	0	127,000	540,000
In aggregate	Employee Participants	12/1/2021	5 years	10 years	7.123	—	66,790	0	0	0	66,790
In aggregate	Employee Participants	12/1/2021	4 years	10 years	7.123	—	70,500	0	0	2,500	68,000
In aggregate	Employee Participants	12/30/2021	3 years	10 years	6.692	—	29,000	0	0	0	29,000
In aggregate	Employee Participants	1/1/2022	5 years	10 years	6.285	—	13,000	0	0	9,000	4,000
In aggregate	Employee Participants	2/1/2022	5 years	10 years	5.359	—	374,560	0	0	55,600	318,960
In aggregate	Employee Participants	3/1/2022	5 years	10 years	5.255	—	458,890	0	0	32,750	426,140
In aggregate	Employee Participants	4/1/2022	5 years	10 years	4.547	—	9,867,620	0	0	850,880	9,016,740
In aggregate	Employee Participants	5/1/2022	5 years	10 years	3.955	—	467,790	0	0	5,290	462,500
In aggregate	Employee Participants	6/1/2022	5 years	10 years	2.95	—	285,440	0	0	114,780	170,660
Total							47,691,430	25,000	0	1,825,530	45,840,900

Notes:

- (1) Where the vesting period is five years, one-fifth of the options shall vest on each anniversary of the date of grant for the next five years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.
- (2) Where the vesting period is four years, one-fourth of the options shall vest on each anniversary of the date of grant for the next four years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.
- (3) Where the vesting period is three years, one-third of the options shall vest on each anniversary of the date of grant for the next three years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.

OTHER INFORMATION

- (4) The relevant portion of the options becomes exercisable upon vesting on each anniversary of the date of grant, with the validity period of the options being ten years from the date of grant.
- (5) The stated exercise (grant) price was the closing price of the underlying ADSs as quoted on Nasdaq, divided by ten, on the date of grant or the Nasdaq trading day immediately prior to or after the date of grant if the date of grant is not a Nasdaq trading day.
- (6) The stated price was the weighted-average closing price of the underlying ADSs as quoted on Nasdaq, divided by ten, on the trading day immediately prior to the date on which the options were exercised during the Reporting Period.

Non-Option Awards

As of June 30, 2024, the Company had conditionally granted certain non-option awards under the 2017 Plan. The non-option awards include RSUs, PSUs, and RSAs. The purchase price for the grant of such non-option awards under the 2017 Plan was nil.

Details of the unvested non-option awards under the 2017 Plan are set out below:

Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period ⁽¹⁾ (2) (3) (4)	Price on day prior to vesting during the Reporting Period (in \$) ⁽⁵⁾	Number of shares underlying the non-option awards				
						Unvested as of January 1, 2024	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of June 30, 2024
Directors and chief executive of the Company										
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	PSU	12/1/2021	(1)	2.73	631,750	315,870	0	0	315,880
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	4/1/2021	5 years	1.6	102,000	34,000	0	0	68,000
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	4/1/2022	5 years	1.6	432,000	108,000	0	0	324,000
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	6/25/2022	4 years	1.88	1,764,000	588,000	0	0	1,176,000
Mr. Scott W. Morrison	Independent non-executive director	RSA	10/13/2021	3 years	—	24,490	0	0	0	24,490
Dr. Richard Gaynor	Independent non-executive director	RSA	11/19/2021	3 years	—	29,710	0	0	0	29,710
Employee Participants (other than chief executive)										
In aggregate	Employee Participants	PSU	12/1/2021	(1)	2.73	1,052,900	526,420	0	70,200	456,280
In aggregate	Employee Participants	RSU	3/8/2019	5 years	1.92	40,000	40,000	0	0	0
In aggregate	Employee Participants	RSU	12/31/2019	5 years	—	12,000	0	0	0	12,000
In aggregate	Employee Participants	RSU	6/30/2020	5 years	1.73	50,000	15,000	0	20,000	15,000
In aggregate	Employee Participants	RSU	8/17/2020	5 years	—	97,000	0	0	0	97,000
In aggregate	Employee Participants	RSU	12/21/2020	5 years	—	28,000	0	0	16,000	12,000
In aggregate	Employee Participants	RSU	3/1/2021	5 years	2.1	18,000	6,000	0	11,200	800
In aggregate	Employee Participants	RSU	4/1/2021	5 years	1.6	747,410	252,810	0	31,900	462,700

OTHER INFORMATION

Number of shares underlying the non-option awards										
Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period ⁽¹⁾ (2) (3) (4)	Price on day prior	Unvested as of January 1, 2024	Vested during the Reporting Period	Cancelled	Lapsed	Unvested as of June 30, 2024
					to vesting during the Reporting Period (in \$) ⁽⁵⁾			during the Reporting Period	during the Reporting Period	
In aggregate	Employee Participants	RSU	5/1/2021	5 years	1.58	10,200	3,400	0	0	6,800
In aggregate	Employee Participants	RSU	6/1/2021	5 years	1.78	37,800	7,800	0	14,400	15,600
In aggregate	Employee Participants	RSU	7/1/2021	5 years	—	86,630	0	0	78,220	8,410
In aggregate	Employee Participants	RSU	8/1/2021	5 years	—	76,230	0	0	63,000	13,230
In aggregate	Employee Participants	RSU	9/1/2021	5 years	—	127,960	0	0	0	127,960
In aggregate	Employee Participants	RSU	10/1/2021	5 years	—	137,730	0	0	27,300	110,430
In aggregate	Employee Participants	RSU	11/1/2021	5 years	—	22,800	0	0	3,900	18,900
In aggregate	Employee Participants	RSU	11/1/2021	4 years	—	133,260	0	0	35,260	98,000
In aggregate	Employee Participants	RSU	12/1/2021	4 years	—	13,700	0	0	0	13,700
In aggregate	Employee Participants	RSU	12/1/2021	5 years	—	15,060	0	0	0	15,060
In aggregate	Employee Participants	RSU	1/1/2022	5 years	2.73	8,400	2,100	0	1,800	4,500
In aggregate	Employee Participants	RSU	2/1/2022	5 years	2.16	129,320	32,330	0	22,800	74,190
In aggregate	Employee Participants	RSU	3/1/2022	5 years	2.1	184,740	45,980	0	10,180	128,580
In aggregate	Employee Participants	RSU	4/1/2022	5 years	1.6	2,648,130	656,240	0	260,020	1,731,870
In aggregate	Employee Participants	RSU	5/1/2022	5 years	1.58	169,950	42,470	0	4,440	123,040
In aggregate	Employee Participants	RSU	6/1/2022	5 years	1.78	113,030	25,990	0	58,820	28,220
In aggregate	Employee Participants	RSU	6/25/2022	4 years	1.88	11,127,630	3,435,090	0	1,307,620	6,384,920
Total						20,071,830	6,137,500	0	2,037,060	11,897,270

Notes:

- (1) Vesting of PSUs is directly linked to achieving milestone goals. Up to 100% of the PSUs can be earned for maximum performance; 50% for threshold performance; 0% for below threshold performance. Any unearned awards at the end of the performance period from December 1, 2021 to December 31, 2025 will be forfeited.
- (2) Where the vesting period is five years, one-fifth of the RSUs shall vest on each anniversary of the date of grant for the next five years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.
- (3) Where the vesting period is four years, one-fourth of the RSUs shall vest on each anniversary of the date of grant for the next four years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.
- (4) Where the vesting period is three years, such RSAs shall vest ratably over 3 years on the anniversary of the date of grant, subject to the grantee's continued service as a member of the Board through such date.
- (5) The stated price was the weighted-average closing price of the underlying ADSs as quoted on Nasdaq, divided by ten, on the trading day immediately prior to the date on which the applicable non-option awards were vested during the Reporting Period.

3. 2022 Plan

The 2022 Plan was approved at the Company’s 2022 annual general meeting of shareholders on June 22, 2022. Under the 2022 Plan, the Compensation Committee may award share options, share appreciation rights, restricted shares, restricted share units, performance-based awards, unrestricted shares, and cash-based awards subject to such conditions and restrictions as it may determine. Dividend equivalents may also be provided in connection with awards under the 2022 Plan. The Board determined that no new grants would be made under the 2022 Plan upon the adoption of the 2024 Plan.

As at January 1, 2024 and June 30, 2024, the number of options and non-option awards available for grant under the 2022 Plan is 57,670,923 Shares and 25,154,563 Shares, respectively.

Options

Details of the outstanding options under the 2022 Plan are set out below:

Name of grantee	Category of grantees	Date of grant	Vesting period ⁽¹⁾⁽²⁾⁽³⁾	Exercise period ⁽⁴⁾	Exercise (grant) price (in \$) ⁽⁵⁾	Price on day prior to exercise during the Reporting Period (in \$) ⁽⁶⁾	Outstanding as of January 1, 2024	Number of shares underlying the options			
								Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of June 30, 2024
Directors and chief executive of the Company											
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	4/3/2023	4 years	10 years	3.395	—	3,773,910	0	0	0	3,773,910
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	4/3/2024	4 years	10 years	1.618	—	0	0	0	0	5,330,650
Employee Participants (other than chief executive)											
In aggregate	Employee Participants	8/15/2022	5 years	10 years	4.578	—	1,418,950	0	0	650	1,418,300
In aggregate	Employee Participants	9/12/2022	5 years	10 years	5.169	—	26,440	0	0	0	26,440
In aggregate	Employee Participants	10/3/2022	5 years	10 years	3.672	—	162,500	0	0	0	162,500
In aggregate	Employee Participants	11/14/2022	5 years	10 years	3.695	—	1,105,910	0	0	1,880	1,104,030
In aggregate	Employee Participants	12/12/2022	5 years	10 years	3.518	—	108,000	0	0	76,000	32,000
In aggregate	Employee Participants	12/30/2022	5 years	10 years	3.07	—	1,837,000	0	0	0	1,837,000
In aggregate	Employee Participants	3/6/2023	5 years	10 years	3.986	—	92,640	0	0	0	92,640
In aggregate	Employee Participants	4/3/2023	4 years	10 years	3.395	—	17,665,610	0	0	1,462,570	16,203,040
In aggregate	Employee Participants	4/7/2023	3 years	10 years	3.351	—	29,000	0	0	0	29,000
In aggregate	Employee Participants	5/15/2023	4 years	10 years	3.602	—	435,720	0	0	0	435,720
In aggregate	Employee Participants	6/7/2023	4 years	10 years	3.403	—	225,940	0	0	0	225,940
In aggregate	Employee Participants	7/3/2023	4 years	10 years	2.877	—	50,000	0	0	0	50,000
In aggregate	Employee Participants	8/14/2023	4 years	10 years	2.571	—	241,710	0	0	0	241,710
In aggregate	Employee Participants	9/18/2023	4 years	10 years	2.593	—	700,000	0	0	0	700,000
In aggregate	Employee Participants	10/2/2023	4 years	10 years	2.466	—	77,730	0	0	0	77,730
In aggregate	Employee Participants	11/13/2023	4 years	10 years	2.852	—	135,000	0	0	0	135,000
In aggregate	Employee Participants	12/4/2023	4 years	10 years	2.76	—	121,920	0	0	66,920	55,000

OTHER INFORMATION

Name of grantee	Category of grantees	Date of grant	Vesting period ⁽¹⁾⁽²⁾⁽³⁾	Exercise period ⁽⁴⁾	Exercise (grant) price (in \$) ⁽⁵⁾	Price on day prior to exercise during the Reporting Period (in \$) ⁽⁶⁾	Outstanding as of January 1, 2024	Number of shares underlying the options				
								Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of June 30, 2024	
In aggregate	Employee Participants	3/4/2024	4 years	10 years	2.127	—	0	0	0	51,000	347,000	
In aggregate	Employee Participants	4/1/2024	4 years	10 years	1.672	—	0	0	290,950	14,193,800		
In aggregate	Employee Participants	5/14/2024	4 years	10 years	2.155	—	0	0	0	504,000		
In aggregate	Employee Participants	6/3/2024	4 years	10 years	1.806	—	0	0	0	22,000		
Total							28,207,980	0	0	1,949,970	46,997,410	

Details of the options granted under the 2022 Plan during the Reporting Period are as follows:

Name of grantee	Category of grantees	Date of grant	Vesting period ⁽¹⁾⁽²⁾⁽³⁾	Exercise period ⁽⁴⁾	Exercise (grant) price (in \$) ⁽⁵⁾	Fair value on day of grant during the Reporting Period (in \$) ⁽⁷⁾	Price on day prior to grant during the Reporting Period (in \$) ⁽⁸⁾	Price on day prior to exercise during the Reporting Period (in \$) ⁽⁶⁾	Number of shares underlying the options						
									Granted during the Reporting Period	Exercised during the Reporting Period ⁽⁶⁾	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of June 30, 2024		
Directors and chief executive of the Company															
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	4/3/2024	4 years	10 years	1.618	1.059	1.604	—	0	5,330,650	0	0	0	0	5,330,650
Employee Participants (other than chief executive)															
In aggregate	Employee Participants	3/4/2024	4 years	10 years	2.127	1.346	2.11	—	0	398,000	0	0	51,000	347,000	
In aggregate	Employee Participants	4/1/2024	4 years	10 years	1.672	1.117	1.602	—	0	14,484,750	0	0	290,950	14,193,800	
In aggregate	Employee Participants	5/14/2024	4 years	10 years	2.155	1.444	2.152	—	0	504,000	0	0	0	504,000	
In aggregate	Employee Participants	6/3/2024	4 years	10 years	1.806	1.203	1.778	—	0	22,000	0	0	0	22,000	
Total									0	20,739,400	0	0	341,950	20,397,450	

Notes:

- (1) Where the vesting period is five years, one-fifth of the options shall vest on each anniversary of the date of grant for the next five years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.
- (2) Where the vesting period is four years, one-fourth of the options shall vest on each anniversary of the date of grant for the next four years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.
- (3) Where the vesting period is three years, one-third of the options shall vest on each anniversary of the date of grant for the next three years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.

OTHER INFORMATION

- (4) The relevant portion of the options becomes exercisable upon vesting on each anniversary of the date of grant, with the validity period of the options, being ten years from the date of grant.
- (5) The stated exercise (grant) price represents the higher of (i) the closing price of the underlying ADSs, divided by ten, on the date of grant, and (ii) the average closing price of the underlying ADSs, divided by ten, for the five Nasdaq trading days immediately preceding the date of grant.
- (6) No options granted under the 2022 Plan during the Reporting Period had been vested and became exercisable as of June 30, 2024, and there was no exercise of options under the 2022 Plan during the Reporting Period.
- (7) The fair value of options at the date of grant was determined on the basis of the Black-Scholes option valuation model, the key inputs into the model are as follows: (i) risk-free rate based on the average daily treasury rate at the time of grant for the period equal to the expected term; (ii) expected volatility primarily based on the historical volatility of the trading of the Shares on Nasdaq; (iii) expected dividends yield of zero as we have never paid dividends and do not currently anticipate paying any in the foreseeable future; and (iv) expected term which is based on the average period the share options are expected to remain outstanding. As the Company does not have sufficient historical information since its IPO to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior, the expected term of options granted is derived from the average midpoint between the weighted average vesting and the contractual term, also known as the simplified method.
- (8) The stated price was the closing price of the underlying ADSs as quoted on Nasdaq, divided by ten, on the trading day immediately prior to the date of grant.

Non-Option Awards

As of June 30, 2024, the Company had conditionally granted certain RSUs and RSAs under the 2022 Plan. The purchase price for the grant of such non-option awards under the 2022 Plan was nil.

Details of the unvested non-option awards under the 2022 Plan are set out below:

Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Price on day prior to vesting during the Reporting Period (in \$) ⁽⁵⁾	Number of shares underlying the non-option awards				
						Unvested as of January 1, 2024	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of June 30, 2024
Directors and chief executive of the Company										
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	6/29/2023	4 years	1.73	718,800	179,700	0	0	539,100
Mr. Michel Vounatsos	Independent non-executive director	RSA	3/3/2023	3 years	2.11	183,320	61,100	0	0	122,220
Prof. Kai-Xian Chen	Independent non-executive director	RSA	6/29/2023	1 year	1.73	189,030	189,030	0	0	0
Dr. John Diekman	Independent non-executive director	RSA	6/29/2023	1 year	1.73	189,030	189,030	0	0	0
Dr. Richard Gaynor	Independent non-executive director	RSA	6/29/2023	1 year	1.73	189,030	189,030	0	0	0
Mr. William Lis	Independent non-executive director	RSA	6/29/2023	1 year	1.73	189,030	189,030	0	0	0

OTHER INFORMATION

Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period ^{(1) (2) (3) (4)}	Price on day prior to vesting during the Reporting Period (in \$) ⁽⁵⁾	Number of shares underlying the non-option awards				
						Unvested as of January 1, 2024	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of June 30, 2024
Mr. Scott W. Morrison	Independent non-executive director	RSA	6/29/2023	1 year	1.73	189,030	189,030	0	0	0
Mr. Leon O. Moulder, Jr.	Independent non-executive director	RSA	6/29/2023	1 year	1.73	189,030	189,030	0	0	0
Mr. Peter Wirth	Independent non-executive director	RSA	6/29/2023	1 year	1.73	189,030	189,030	0	0	0
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	4/3/2024	4 years	—	0	0	0	0	270,000
Employee Participants (other than chief executive)										
In aggregate	Employee Participants	RSU	8/15/2022	5 years	—	719,040	0	0	14,400	704,640
In aggregate	Employee Participants	RSU	9/12/2022	5 years	—	8,080	0	0	0	8,080
In aggregate	Employee Participants	RSU	10/3/2022	5 years	—	99,200	0	0	0	99,200
In aggregate	Employee Participants	RSU	11/14/2022	5 years	—	522,600	0	0	2,320	520,280
In aggregate	Employee Participants	RSU	12/12/2022	5 years	—	244,000	0	0	29,600	214,400
In aggregate	Employee Participants	RSU	12/30/2022	5 years	—	840,000	0	0	0	840,000
In aggregate	Employee Participants	RSU	3/6/2023	5 years	1.89	83,250	16,640	0	0	66,610
In aggregate	Employee Participants	RSU	4/3/2023	4 years	1.6	5,427,480	1,326,150	0	463,820	3,637,510
In aggregate	Employee Participants	RSU	5/15/2023	4 years	2.16	242,580	59,640	0	4,000	178,940
In aggregate	Employee Participants	RSU	6/7/2023	4 years	1.9	120,550	30,130	0	0	90,420
In aggregate	Employee Participants	RSU	7/3/2023	4 years	—	29,000	0	0	4,000	25,000
In aggregate	Employee Participants	RSU	8/14/2023	4 years	—	75,500	0	0	0	75,500
In aggregate	Employee Participants	RSU	9/18/2023	4 years	—	406,000	0	0	2,000	404,000
In aggregate	Employee Participants	RSU	10/2/2023	4 years	—	51,430	0	0	2,000	49,430
In aggregate	Employee Participants	RSU	11/13/2023	4 years	—	54,000	0	0	0	54,000

OTHER INFORMATION

Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period ⁽¹⁾ (2) (3) (4)	Price on day prior to vesting during the Reporting Period (in \$) ⁽⁵⁾	Number of shares underlying the non-option awards				
						Unvested as of January 1, 2024	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of June 30, 2024
In aggregate	Employee Participants	RSU	12/4/2023	4 years	—	59,730	0	0	25,730	34,000
In aggregate	Employee Participants	RSU	3/4/2024	4 years	—	0	0	0	22,000	348,500
In aggregate	Employee Participants	RSU	4/1/2024	4 years	—	0	0	0	401,150	13,246,550
In aggregate	Employee Participants	RSU	5/14/2024	4 years	—	0	0	0	0	373,750
In aggregate	Employee Participants	RSU	6/3/2024	4 years	—	0	0	0	0	36,000
Total						11,207,770	2,996,570	0	971,020	21,938,130

Details of the non-option awards granted under the 2022 Plan during the Reporting Period are as follows:

Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period ⁽¹⁾	Fair value on day of grant during the Reporting Period (in \$) ⁽⁶⁾	Price on day prior to grant during the Reporting Period (in \$) ⁽⁷⁾	Price on day prior to vesting during the Reporting Period (in \$) ⁽⁸⁾	Number of shares underlying the non-option awards					
								Unvested as of January 1, 2024	Granted during the Reporting Period	Vested during the Reporting Period ⁽⁹⁾	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of June 30, 2024
Directors and chief executive of the Company													
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	4/3/2024	4 years	1.59	1.604	—	0	270,000	0	0	0	270,000
Employee Participants (other than chief executive)													
In aggregate	Employee Participants	RSU	3/4/2024	4 years	2.042	2.11	—	0	370,500	0	0	22,000	348,500
In aggregate	Employee Participants	RSU	4/1/2024	4 years	1.672	1.602	—	0	13,647,700	0	0	401,150	13,246,550
In aggregate	Employee Participants	RSU	5/14/2024	4 years	2.155	2.152	—	0	373,750	0	0	0	373,750
In aggregate	Employee Participants	RSU	6/3/2024	4 years	1.8	1.778	—	0	36,000	0	0	0	36,000
Total								0	14,697,950	0	0	423,150	14,274,800

OTHER INFORMATION

Notes:

- (1) Where the vesting period is five years, one-fifth of the RSUs shall vest on each anniversary of the date of grant for the next five years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.
- (2) Where the vesting period is four years, one-fourth of the RSUs shall vest on each anniversary of the date of grant for the next four years, in each case, subject to the grantee's continued employment relationship with the Company on such vesting dates.
- (3) Where the vesting period is three years, such RSAs shall vest ratably over three years on the anniversary of the date of grant, subject to the grantee's continued service as a member of the Board through such date.
- (4) Where the vesting period is one year, such RSAs shall vest in full on the first anniversary of the date of grant, subject to the grantee's continued service as a member of the Board through such date.
- (5) None of the non-option awards granted under the 2022 Plan during the Reporting Period had been vested as of June 30, 2024.
- (6) The fair value of non-option awards at the date of grant was determined based on the closing price of the underlying ADSs as quoted on Nasdaq, divided by ten, on the date of grant or the immediately following trading day if the date of grant is not a Nasdaq trading day.
- (7) The stated price was the closing price of the underlying ADSs as quoted on Nasdaq, divided by ten, on the trading day immediately prior to the date of grant.

4. 2024 Plan

The 2024 Plan was approved at the Company's 2024 annual general meeting of shareholders on June 18, 2024. Under the 2024 Plan, the Compensation Committee may award share options, share appreciation rights, restricted shares, share units (including restricted share units), performance awards, unrestricted shares, and other types of awards that are convertible into or otherwise based on shares subject to such conditions and restrictions as it may determine. Dividend equivalents may also be provided in connection with awards under the 2024 Plan. The 2024 Plan is subject to the requirements under Chapter 17 of the HK Listing Rules, and all types of awards granted under the 2024 Plan which involve the issue of new shares or use of treasury shares (as defined in the HK Listing Rules) shall comply with Chapter 17 of the HK Listing Rules.

As at June 30, 2024, the number of options and non-option awards available for grant under the 2024 Plan is 97,508,503 Shares.

Options

No options were granted during the Reporting Period under the 2024 Plan.

OTHER INFORMATION

Non-Option Awards

As of June 30, 2024, the Company had conditionally granted certain RSAs under the 2024 Plan. The purchase price for the grant of such non-option awards under the 2024 Plan was nil.

Details of the unvested non-option awards under the 2024 Plan are set out below:

Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period ⁽¹⁾	Price on day prior to vesting during the Reporting Period (in \$) ⁽²⁾	Number of shares underlying the non-option awards				
						Unvested as of January 1, 2024	Vested during the Reporting Period ⁽³⁾	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of June 30, 2024
Directors and chief executive of the Company										
Prof. Kai-Xian Chen	Independent non-executive director	RSA	6/18/2024	1 year	—	0	0	0	0	212,530
Dr. John Diekman	Independent non-executive director	RSA	6/18/2024	1 year	—	0	0	0	0	212,530
Dr. Richard Gaynor	Independent non-executive director	RSA	6/18/2024	1 year	—	0	0	0	0	212,530
Mr. William Lis	Independent non-executive director	RSA	6/18/2024	1 year	—	0	0	0	0	212,530
Mr. Scott W. Morrison	Independent non-executive director	RSA	6/18/2024	1 year	—	0	0	0	0	212,530
Mr. Leon O. Moulder, Jr.	Independent non-executive director	RSA	6/18/2024	1 year	—	0	0	0	0	212,530
Mr. Michel Vounatsos	Independent non-executive director	RSA	6/18/2024	1 year	—	0	0	0	0	212,530
Mr. Peter Wirth	Independent non-executive director	RSA	6/18/2024	1 year	—	0	0	0	0	212,530
Total						0	0	0	0	1,700,240

OTHER INFORMATION

Details of the non-option awards granted under the 2024 Plan during the Reporting Period are as follows:

Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period ⁽¹⁾	Fair value on day of grant during the Reporting Period (in \$) ⁽³⁾	Price on day prior to grant during the Reporting Period (in \$) ⁽⁴⁾	Price on day prior to vesting during the Reporting Period (in \$) ⁽²⁾	Unvested as of January 1, 2024	Number of shares underlying the non-option awards					Unvested as of June 30, 2024
									Granted during the Reporting Period	Vested during the Reporting Period ⁽²⁾	Cancelled during the Reporting Period	Lapsed during the Reporting Period		
Directors and chief executive of the Company														
Prof. Kai-Xian Chen	Independent non-executive director	RSA	6/18/2024	1 year	1.882	1.898	—	0	212,530	0	0	0	0	212,530
Dr. John Diekman	Independent non-executive director	RSA	6/18/2024	1 year	1.882	1.898	—	0	212,530	0	0	0	0	212,530
Dr. Richard Gaynor	Independent non-executive director	RSA	6/18/2024	1 year	1.882	1.898	—	0	212,530	0	0	0	0	212,530
Mr. William Lis	Independent non-executive director	RSA	6/18/2024	1 year	1.882	1.898	—	0	212,530	0	0	0	0	212,530
Mr. Scott W. Morrison	Independent non-executive director	RSA	6/18/2024	1 year	1.882	1.898	—	0	212,530	0	0	0	0	212,530
Mr. Leon O. Moulder, Jr.	Independent non-executive director	RSA	6/18/2024	1 year	1.882	1.898	—	0	212,530	0	0	0	0	212,530
Mr. Michel Vounatsos	Independent non-executive director	RSA	6/18/2024	1 year	1.882	1.898	—	0	212,530	0	0	0	0	212,530
Mr. Peter Wirth	Independent non-executive director	RSA	6/18/2024	1 year	1.882	1.898	—	0	212,530	0	0	0	0	212,530
Total								0	1,700,240	0	0	0	0	1,700,240

Notes:

- (1) Where the vesting period is one year, such RSAs shall vest in full on the first anniversary of the date of grant, subject to the grantee's continued service as a member of the Board through such date.
- (2) None of the non-option awards granted under the 2024 Plan during the Reporting Period had been vested as of June 30, 2024.
- (3) The fair value of non-option awards at the date of grant was determined based on the closing price of the underlying ADSs as quoted on Nasdaq, divided by ten, on the date of grant.
- (4) The stated price was the closing price of the underlying ADSs as quoted on Nasdaq, divided by ten, on the trading day immediately prior to the date of grant.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions set forth in Part 2 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the responsibilities of the Chairperson and the Chief Executive Officer should be segregated and should not be performed by the same individual. Our Founder and Chief Executive Officer, Dr. Samantha Du, currently serves as the Chairperson of the Board. The Board believes that Dr. Du is the director best suited to serve as Chairperson. Dr. Du has an extensive understanding of our business and industry, is adept at identifying strategic opportunities, promoting the effective execution of those strategic initiatives, and facilitating the flow of information between management and the Board. The Board also believes that the combined role of Chairperson and Chief Executive Officer promotes effective execution of strategic initiatives and facilitates the flow of information between management and the Board. To promote strong corporate governance while the roles of Chairman and Chief Executive Officer are combined, the Board has established a lead independent director and appointed Dr. John Diekman to serve in this important position. Our lead independent director, among other things, leads meetings of the Board when the Chairperson is not present, serves as liaison between the Chairperson and independent directors, has the authority to call meetings of the independent directors, and, if requested by a significant portion of our shareholders, will be available for consultation and direct communication. While the roles of Chairperson of the Board and Chief Executive officer are combined, the Board believes that the balance of power and authority on the Board will not be impaired due to this arrangement. The Board will continue to review the corporate governance structure and practices from time to time and shall make changes the Board considers appropriate.

Except as disclosed above, during the Reporting Period and up to the date of this report, the Company has complied with the code provisions set out in Part 2 of the CG Code.

The Board will continue to periodically review and monitor its corporate governance practices for compliance with the CG Code and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH POLICIES EQUIVALENT TO THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its own securities dealing policies on terms no less exacting than those in the Model Code regarding director dealings in the securities of the Company.

Having made specific enquiry of all the Directors, all of the Directors confirmed that they have complied with the required standards set forth in the Company's securities dealing policies during the Reporting Period.

PURCHASE, SALE, OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, the Company did not purchase, sell, or redeem any of the Company's listed securities.

OTHER INFORMATION

USE OF NET PROCEEDS

Use of Net Proceeds from April 2021 Offering

In April 2021, the Company issued 224,000 ordinary shares (equivalent to 2,240,000 ordinary shares after the Share Subdivision) of the Company at a price of HK\$1,164.20 per share (equivalent to HK\$116.42 per ordinary share after the Share Subdivision) and 5,492,400 ADSs at a price of US\$150.00 per ADS for aggregate cash consideration (before deducting underwriting discounts and commissions and other offering expenses) of approximately \$857.5 million. See *Note 2(a)* to the unaudited condensed consolidated financial statements for additional information on the Share Subdivision.

As of the date of this report, there has been no change in the intended use of net proceeds raised from this offering, which amounted to approximately \$818.0 million, as disclosed in the announcement of the Company dated April 21, 2021:

- Approximately 30.0% to fund new business and corporate development and licensing opportunities;
- Approximately 30.0% to complete clinical trials and advance new drug candidates;
- Approximately 20.0% to expand the Company's commercialization efforts;
- Approximately 15.0% to enhance the Company's global pipeline; and
- Approximately 5.0% for working capital and other general corporate purposes.

The following table sets forth a summary of the utilization of the net proceeds from this offering as of June 30, 2024 (\$ in millions):

Purpose	Percentage to total amount	Net proceeds from the offering	Amount of net proceeds utilized as of January 1, 2024	Amount of net proceeds utilized during the Reporting Period	Actual use of proceeds up to June 30, 2024	Unutilized amount as of June 30, 2024	Expected timeline for use of unutilized proceeds
Fund new business and corporate development and licensing opportunities	30.0%	245.4	245.4	—	—	245.4	By December 2027
Complete clinical trials and advance new drug candidates	30.0%	245.4	—	—	245.4	—	Not applicable
Expand the Company's commercialization efforts	20.0%	163.6	—	—	163.6	—	Not applicable
Enhance the Company's global pipeline	15.0%	122.7	108.6	9.2	23.3	99.4	By December 2027
Working capital and other general corporate purposes	5.0%	40.9	40.9	—	—	40.9	By December 2027
Total	100.0%	818.0	394.9	9.2	432.3	385.7	

The Company plans to gradually utilize the remaining net proceeds from the April 2021 offering in accordance with such intended purpose depending on actual business, which is expected to be fully utilized by the end of 2027. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

Use of Net Proceeds from the Global Offering

Dealings in ordinary shares on the Hong Kong Stock Exchange commenced on September 28, 2020. The net proceeds raised from the Global Offering as described in the Prospectus, after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering, were approximately HK\$6,636.2 million (US\$850.8 million). The intended uses for the net proceeds received by the Company from the Global Offering, as previously disclosed in *"Use of Proceeds"* in the Prospectus and as modified per the Company's announcement dated March 28, 2024, included the following:

- Approximately 7.2% for ZEJULA to seek indication expansion and hire high-caliber R&D staff dedicated to its development, and to develop and improve the Company's manufacturing facilities to bring ZEJULA to commercialization;
- Approximately 6.2% for ongoing and planned clinical trials and preparation for registration filings of Tumor Treating Fields in multiple solid tumor cancer indications;
- Approximately 16.0% for ZEJULA to enhance the Company's commercialization capabilities through increasing its sales and marketing headcounts, among other efforts;
- Approximately 8.0% to strengthen commercialization efforts for Tumor Treating Fields through recruiting key talents in relevant indications to drive sales and future potential product launch;
- Approximately 20.6% to fund the Company's ongoing and planned clinical trials and preparation for registration filings of other drug candidates in the pipeline, especially late-stage drug candidates;
- Approximately 25.0% to explore new global licensing and collaboration opportunities and bring in potentially global best-in-class/first-in-class assets with clinical validation, synergistic with the Company's current pipeline, and aligned to its expertise;
- Approximately 7.0% to continue investing in and expanding the Company's internal discovery pipeline and recruit and train talent globally; and
- Approximately 10.0% to fund working capital and other general corporate purposes.

OTHER INFORMATION

The following table presents a summary of the utilization of the net proceeds from the Global Offering as of June 30, 2024 (\$ in millions):

Purpose	Percentage to total amount	Net proceeds from the offering	Amount of net proceeds unutilized as of January 1, 2024	Amount of net proceeds utilized during the Reporting Period	Actual use of proceeds up to June 30, 2024	Unutilized amount as of June 30, 2024	Expected timeline for use of unutilized proceeds
For ZEJULA to seek indication expansion and hire high-caliber R&D staff dedicated to its development, and to develop and improve the Company's manufacturing facilities to bring ZEJULA to commercialization	7.2%	61.6	—	—	61.6	—	Not Applicable
Fund ongoing and planned clinical trials and preparation for registration filings of Tumor Treating Fields in multiple solid tumor cancer indications	6.2%	52.7	31.6	0.3	21.4	31.3	By December 2027
For ZEJULA to enhance the Company's commercialization capabilities through increasing its sales and marketing headcounts, among other efforts	16.0%	136.1	17.6	9.6	128.1	8.0	By December 2024
Strengthen commercialization efforts for Tumor Treating Fields through recruiting key talents in relevant indications to drive sales and future potential product launch	8.0%	68.1	14.8	3.3	56.6	11.5	By December 2024
Fund the Company's ongoing and planned clinical trials and preparation for registration filings of other drug candidates in the pipeline, especially late-stage drug candidates	20.6%	174.9	74.5	74.5	174.9	—	Not applicable
Explore new global licensing and collaboration opportunities and bring in potentially global best-in-class/ first-in-class assets with clinical validation, synergistic with the Company's current pipeline and aligned to its expertise	25.0%	212.7	25.1	—	187.6	25.1	By December 2025
Continue investing in and expanding the Company's internal discovery pipeline and recruit and train talent globally	7.0%	59.6	—	—	59.6	—	Not applicable
Fund working capital and other general corporate purposes	10.0%	85.1	30.7	—	54.4	30.7	By December 2027
Total	100.0%	850.8	194.3	87.7	744.2	106.6	

During the Reporting Period, except as disclosed in the Company's announcement dated March 28, 2024, there was no change in the intended use of net proceeds as previously disclosed in the section "Use of Proceeds" in the Prospectus.

The Company plans to gradually utilize the remaining net proceeds from the Global Offering in accordance with such intended purposes depending on actual business, which is expected to be fully utilized by the end of 2027. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

DIFFERENCES BETWEEN U.S. GAAP AND IFRS

The financial statements for the six months ended June 30, 2024 are prepared under U.S. GAAP and reviewed by the Audit Committee, and the differences between U.S. GAAP and IFRS have been disclosed in *Note 19* to the Company's unaudited condensed consolidated financial statements.

Basis of Preparation

The Directors of the Company are responsible for the oversight of the Reconciliation Statement, as disclosed in *Note 19* to the Company's unaudited condensed consolidated financial statements in accordance with the relevant requirements of the HK Listing Rules and relevant guidance in HKEX-GL111-22.

Reconciliation Process

The process applied in the preparation of Reconciliation Statement includes:

- (i) Extracting relevant financial information from the Company's unaudited condensed consolidated financial statements for the six months ended June 30, 2024 prepared in accordance with U.S. GAAP as the "Amounts as reported under U.S. GAAP" in respect of the unaudited condensed consolidated statements of operations for the six months ended June 30, 2024 and 2023 and the condensed consolidated balance sheets as of June 30, 2024 (unaudited) and December 31, 2023;
- (ii) Identifying changes to the accounting policies under U.S. GAAP which are considered necessary in order for the accounting policies to conform to the relevant requirements of IFRS and quantifying the financial effects resulting from such changes; and
- (iii) Preparing the description of the reconciling items to explain the differences in the accounting policies.

Limited Assurance Engagement and Results

KPMG was engaged by the Company to conduct work on the Reconciliation Statement and to report thereon in the form of an independent limited assurance conclusion to the Directors based on the evidence obtained in accordance with HKSAE 3000 (Revised) issued by the HKICPA.

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Reconciliation Statement, assessing the suitability of the basis of preparation and the reconciliation process, and applying other procedures. The procedures selected depend on their understanding of the Reconciliation Statement and other engagement circumstances, and the consideration of areas where material misstatements are likely to arise. These procedures included:

- (i) Comparing the financial information in the columns "*Amounts as reported under U.S. GAAP*" as set out in the Reconciliation Statement with the corresponding financial statement line items in the Company's unaudited condensed consolidated financial statements for the six months ended June 30, 2024;
- (ii) Evaluating the adjustments made and evidence supporting the adjustments made in arriving at the "*Amounts as reported under IFRS*" as set out in the Reconciliation Statement with reference to the basis of preparation and the reconciliation process;
- (iii) Checking the arithmetic accuracy of the computation of the "*Amounts as reported under IFRS*" as set out in the Reconciliation Statement; and
- (iv) Reading the description of the material differences to determine whether it is in line with the knowledge obtained in performing the above procedures.

OTHER INFORMATION

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

KPMG's engagement did not involve independent examination of any of the underlying records or other sources from which the Reconciliation Statement was extracted. The procedures performed in accordance with HKSAE 3000 (Revised) is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, KPMG did not express an audit opinion nor a review conclusion on the Reconciliation Statement. KPMG's engagement was intended solely for the use of the Directors in connection with the Company's interim report for the six months ended 30 June, 2024 and may not be suitable for another purpose. Based on the procedures performed and evidence obtained, nothing has come to KPMG's attention that causes them to believe:

- (i) The amounts in the columns "*Amounts as reported under U.S. GAAP*" as set out in the Reconciliation Statement are not in agreement with the amounts of corresponding financial statement line items in the Company's unaudited condensed consolidated financial statements for the six months ended June 30, 2024;
- (ii) The adjustments made in arriving at the "*Amounts as reported under IFRS*" as set out in the Reconciliation Statement are not prepared, in all material respects, in accordance with the basis of preparation and reconciliation process as set out above; and
- (iii) The computation of the amounts in the columns "*Amounts as reported under IFRS*" as set out in the Reconciliation Statement are not arithmetically accurate.

AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS

The Audit Committee oversees the accounting and financial reporting processes of the Company and the audits of the Company's financial statements, including but not limited to assisting the Board in its oversight of the integrity of the consolidated financial statements of the Company, the Company's compliance program, and the Company's risk management and internal control over financial reporting. The Audit Committee consists of three members, namely Mr. Scott W. Morrison, Dr. John Diekman, and Mr. Peter Wirth, all of whom are independent Directors. Mr. Morrison is the chairperson of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements and interim results of the Company for the six months ended June 30, 2024. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal controls with members of senior management and the external auditors of the Company.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Board has a Compensation Committee, a Nominating and Corporate Governance Committee, a Research and Development Committee, and a Commercial Committee.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in *Note 18* to the unaudited condensed consolidated financial statements contained in this report, there were no important events after the Reporting Period and up to the date of this report.

CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of \$, except for number of shares and per share data)

	Notes	June 30, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	3	630,048	790,151
Restricted cash, current		100,000	—
Short-term investments		—	16,300
Accounts receivable (net of allowance for credit losses of \$20 and \$17 as of June 30, 2024 and December 31, 2023, respectively)	4	69,635	59,199
Notes receivable		8,102	6,134
Inventories, net	5	41,846	44,827
Prepayments and other current assets		20,292	22,995
Total current assets		869,923	939,606
Restricted cash, non-current		1,116	1,113
Long term investments		4,073	9,220
Prepayments for equipment		46	111
Property and equipment, net	6	50,613	53,734
Operating lease right-of-use assets		13,102	14,844
Land use rights, net		2,991	3,069
Intangible assets, net		44,063	13,389
Long-term deposits		1,441	1,209
Total assets		987,368	1,036,295
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable	7	127,344	112,991
Current operating lease liabilities		7,581	7,104
Short-term debt	11	70,298	—
Other current liabilities	12	46,495	82,972
Total current liabilities		251,718	203,067
Deferred income		25,343	28,738
Non-current operating lease liabilities		5,803	8,047
Other non-current liabilities		325	325
Total liabilities		283,189	240,177

CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands of \$, except for number of shares and per share data) (Continued)

	Notes	June 30, 2024	December 31, 2023
Commitments and contingencies (Note 17)			
Shareholders' equity			
Ordinary shares (par value of \$0.000006 per share; 5,000,000,000 shares authorized; 986,310,340 and 977,151,270 shares issued as of June 30, 2024 and December 31, 2023, respectively; 981,398,140 and 972,239,070 shares outstanding as of June 30, 2024 and December 31, 2023, respectively)		6	6
Additional paid-in capital		3,011,964	2,975,302
Accumulated deficit		(2,329,728)	(2,195,980)
Accumulated other comprehensive income		42,773	37,626
Treasury Stock (at cost, 4,912,200 shares as of both June 30, 2024 and December 31, 2023)		(20,836)	(20,836)
Total shareholders' equity		704,179	796,118
Total liabilities and shareholders' equity		987,368	1,036,295

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of \$, except for number of shares and per share data)

	Notes	Six Months Ended June 30,	
		2024	2023
Revenues			
Product revenue, net	8	187,255	131,661
Collaboration revenue	8	398	—
Total revenues		187,653	131,661
Expenses			
Cost of product revenue		(68,767)	(45,100)
Cost of collaboration revenue		(85)	—
Research and development		(116,270)	(125,153)
Selling, general, and administrative		(148,904)	(130,430)
Gain on sale of intellectual property		—	10,000
Loss from operations		(146,373)	(159,022)
Interest income		18,988	20,321
Interest expense		(605)	—
Foreign currency losses		(6,176)	(31,167)
Other income (expenses), net	15	418	(171)
Loss before income tax		(133,748)	(170,039)
Income tax expense	9	—	—
Net loss		(133,748)	(170,039)
Loss per share — basic and diluted	10	(0.14)	(0.18)
Weighted-average shares used in calculating net loss per ordinary share — basic and diluted		974,541,780	963,140,360

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands of \$)

	Six Months Ended June 30,	
	2024	2023
Net loss	(133,748)	(170,039)
Other comprehensive income, net of tax of nil:		
Foreign currency translation adjustments	5,147	26,495
Comprehensive loss	(128,601)	(143,544)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands of \$, except for number of shares)

	Ordinary shares		Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income	Treasury Stock		Total
	Number of Shares	Amount				Shares	Amount	
Balance at December 31, 2023	977,151,270	6	2,975,302	(2,195,980)	37,626	(4,912,200)	(20,836)	796,118
Issuance of ordinary shares upon								
vesting of restricted shares	9,134,070	0	0	—	—	—	—	—
Exercise of share options	25,000	0	44	—	—	—	—	44
Share-based compensation	—	—	36,618	—	—	—	—	36,618
Net loss	—	—	—	(133,748)	—	—	—	(133,748)
Foreign currency translation	—	—	—	—	5,147	—	—	5,147
Balance at June 30, 2024	986,310,340	6	3,011,964	(2,329,728)	42,773	(4,912,200)	(20,836)	704,179
Balance at December 31, 2022	962,455,850	6	2,893,120	(1,861,360)	25,685	(2,236,280)	(11,856)	1,045,595
Issuance of ordinary shares upon								
vesting of restricted shares	6,849,080	0	0	—	—	—	—	—
Exercise of share options	4,050,460	0	1,761	—	—	—	—	1,761
Receipt of shares netted to satisfy								
tax withholding obligations								
related to share-based compensation	—	—	—	—	—	(2,552,830)	(8,670)	(8,670)
Share-based compensation	—	—	37,172	—	—	—	—	37,172
Net loss	—	—	—	(170,039)	—	—	—	(170,039)
Foreign currency translation	—	—	—	—	26,495	—	—	26,495
Balance at June 30, 2023	973,355,390	6	2,932,053	(2,031,399)	52,180	(4,789,110)	(20,526)	932,314

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

"0" in above table means less than 1,000 dollars.

CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of \$)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net loss	(133,748)	(170,039)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for credit losses	3	3
Inventory write-down	756	623
Depreciation and amortization expenses	5,953	4,652
Amortization of deferred income	(1,679)	(1,716)
Share-based compensation	36,618	37,172
Loss from fair value changes of equity investment with readily determinable fair value	5,147	1,304
Losses on disposal of property and equipment	450	260
Gain on disposal of land use right	—	(404)
Noncash lease expenses	4,141	4,383
Gain from sale of intellectual property	—	(10,000)
Debt issuance costs	700	—
Foreign currency remeasurement impact	6,176	31,167
Changes in operating assets and liabilities:		
Accounts receivable	(10,842)	(8,863)
Notes receivable	(2,013)	(12,714)
Inventories	2,037	(6,627)
Prepayments and other current assets	2,612	87
Long-term deposits	(232)	(184)
Accounts payable	(6,117)	3,037
Other current liabilities	(35,607)	(6,761)
Operating lease liabilities	(5,086)	(3,596)
Deferred income	(1,548)	9,902
Other non-current liabilities	—	325
Net cash used in operating activities	(132,279)	(127,989)
Cash flows from investing activities		
Purchases of short-term investments	—	(100,000)
Proceeds from maturity of short-term investment	16,300	84,500
Purchases of property and equipment	(1,715)	(5,234)
Proceeds from the sale of property and equipment	29	112
Acquisition of intangible assets	(12,168)	(630)
Proceeds from sale of intellectual property	—	10,000
Net cash provided by (used in) investing activities	2,446	(11,252)

CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands of \$ (Continued))

	Six Months Ended June 30,	
	2024	2023
Cash flows from financing activities		
Proceeds from short-term debt	70,526	—
Payments of debt issuance costs	(700)	—
Proceeds from exercises of stock options	44	1,762
Taxes paid related to settlement of equity awards	—	(7,141)
Net cash provided by (used in) financing activities	69,870	(5,379)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(137)	(3,707)
Net decrease in cash, cash equivalents and restricted cash	(60,100)	(148,327)
Cash, cash equivalents and restricted cash — beginning of period	791,264	1,009,273
Cash, cash equivalents and restricted cash — end of period	731,164	860,946
Supplemental disclosure on non-cash investing and financing activities		
Payables for purchase of property and equipment	2,391	4,344
Payables for acquisition of intangible assets	32,525	96
Payables for treasury stock	—	1,531
Right-of-use asset acquired under operating leases	2,389	3,313
Receivables for disposal of land use right	—	3,867
Supplemental disclosure of cash flow information		
Cash paid for interest	496	—

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Zai Lab Limited was incorporated on March 28, 2013 in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands (as amended). The Company is focused on discovering, developing, and commercializing products that address medical conditions with significant unmet needs in the areas of oncology, immunology, neuroscience, and infectious disease.

The Company's principal operations and geographic markets are in Greater China. The Company has a substantial presence in Greater China and the United States.

2. BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP, and applicable rules and regulations of the SEC, and the disclosure requirements of the HK Listing Rules regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP and the HK Listing Rules have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this report should be read in conjunction with the consolidated financial statements and accompanying notes included in the 2023 Annual Report. The December 31, 2023 condensed consolidated balance sheet data included in this report were derived from the audited financial statements in the 2023 Annual Report.

The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments that are necessary to present fairly the results for the interim periods presented. Interim results are not necessarily indicative of the results for the year ending December 31, 2024.

(b) Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of Zai Lab Limited and its subsidiaries, which are wholly owned. All intercompany transactions and balances are eliminated upon consolidation.

CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Areas where management uses subjective judgment include, but are not limited to, accrual of rebates, recognition of research and development expenses, fair value of share-based compensation expenses, and recoverability of deferred tax assets. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates.

(d) Fair Value Measurements

Equity investments with readily determinable fair value are measured using level 1 inputs and were \$4.1 million and \$9.2 million as of June 30, 2024 and December 31, 2023, respectively. The unrealized losses from fair value changes are recognized in other income (expenses), net in the unaudited condensed consolidated statements of operations.

Financial instruments of the Company primarily include cash and cash equivalents, current restricted cash, short-term investments, accounts receivable, notes receivable, prepayments and other current assets, non-current restricted cash, accounts payable, short-term debt, and other current liabilities. As of June 30, 2024 and December 31, 2023, the carrying values of cash and cash equivalents, current restricted cash, short-term investments, accounts receivable, prepayments and other current assets, accounts payable, short-term debt, and other current liabilities approximated their fair value due to the short-term maturity of these instruments, and the carrying value of notes receivable and non-current restricted cash approximated their fair value based on the assessment of the ability to recover these amounts.

(e) Recent Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280). This ASU requires all public entities, including public entities with a single reportable segment, to disclose the title and position of the CODM and the significant segment expenses and any additional measures of a segment's profit or loss used by the CODM to allocate resources and assess performance. This ASU is effective on a retrospective basis for fiscal years beginning after December 15, 2023 and for interim periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this ASU and expects to adopt it for the year ending December 31, 2024.

CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Recent Accounting Pronouncements (Continued)

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (Topic 740). This ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. This ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is permitted. This ASU will result in additional disclosure in the consolidated financial statements, once adopted. The Company is currently evaluating the impact of this ASU and expects to adopt it for the year ending December 31, 2025.

The Company did not adopt any new accounting standards in the six months ended June 30, 2024 that had a material impact on the consolidated financial statements. For additional information on the Company's significant accounting policies, refer to the notes to the consolidated financial statements in the 2023 Annual Report.

3. CASH AND CASH EQUIVALENTS

The following table presents the Company's cash and cash equivalents (\$ in thousands):

	June 30, 2024	December 31, 2023
Cash	628,920	789,051
Cash equivalents (i)	1,128	1,100
	630,048	790,151
Denominated in:		
US\$	607,615	762,436
RMB (ii)	21,074	25,093
HK\$	597	1,974
A\$	565	587
TW\$	197	61
	630,048	790,151

(i) Cash equivalents represent short-term and highly liquid investments in a money market fund.

(ii) Certain cash and bank balances denominated in RMB were deposited with banks in mainland China. The conversion of these RMB-denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

CONSOLIDATED FINANCIAL STATEMENTS

4. ACCOUNTS RECEIVABLE

The following table presents the Company's accounts receivable (\$ in thousands):

	June 30, 2024	December 31, 2023
Accounts receivable, gross	69,655	59,216
Allowance for credit loss	(20)	(17)
Accounts receivable, net	69,635	59,199

The Company's trading terms with its customers are mainly on credit, and the credit period generally ranges from 40 to 90 days. The Company seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed. The Company does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

The following table presents an aging analysis of the accounts receivable, based on the invoice date (\$ in thousands):

	June 30, 2024	December 31, 2023
Within 3 months	69,604	59,199
3 months to 6 months	31	—
6 months to 1 year	—	—
Total	69,635	59,199

5. INVENTORIES, NET

The following table presents the Company's inventories, net (\$ in thousands):

	June 30, 2024	December 31, 2023
Finished goods	23,365	22,702
Raw materials	16,107	17,655
Work in progress	2,374	4,470
Inventories, net	41,846	44,827

The Company writes down inventory for any excess or obsolete inventories or when the Company believes that the net realizable value of inventories is less than the carrying value. The Company recorded write-downs in inventory, which were included in cost of product revenue of \$0.8 million and \$0.6 million in the six months ended June 30, 2024 and 2023, respectively.

CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT, NET

The following table presents the components of the Company's property and equipment, net (\$ in thousands):

	June 30, 2024	December 31, 2023
Office equipment	1,043	1,047
Electronic equipment	9,189	9,161
Vehicle	197	199
Laboratory equipment	20,244	20,140
Manufacturing equipment	17,619	17,680
Leasehold improvements	11,368	11,371
Construction in progress	24,851	24,272
	84,511	83,870
Less: accumulated depreciation	(33,898)	(30,136)
Property and equipment, net	50,613	53,734

Depreciation expense was \$4.4 million and \$4.3 million in the six months ended June 30, 2024 and 2023, respectively.

7. ACCOUNTS PAYABLE

The following table presents an aging analysis of the accounts payable, based on the invoice date (\$ in thousands):

	June 30, 2024	December 31, 2023
Within 3 months	122,716	112,328
3 months to 6 months	—	497
6 months to 1 year	4,431	2
Over 1 year	197	164
Total	127,344	112,991

The accounts payable are non-interest-bearing and repayable within the normal operating cycle.

CONSOLIDATED FINANCIAL STATEMENTS

8. REVENUES

Product Revenue, Net

The Company's product revenue is derived from the sales of its commercial products primarily in mainland China. The table below presents the Company's gross and net product revenue (\$ in thousands):

	Six Months Ended June 30,	
	2024	2023
Product revenue — gross	199,723	146,222
Less: Rebates and sales returns	(12,468)	(14,561)
Product revenue — net	187,255	131,661

Sales rebates are offered to distributors in mainland China, and the amounts are recorded as a reduction of product revenue. Estimated rebates are determined based on contracted rates, sales volumes, and level of distributor inventories.

The following table presents the Company's net revenue by product (\$ in thousands):

	Six Months Ended June 30,	
	2024	2023
ZEJULA	90,500	85,637
OPTUNE	25,064	27,034
QINLOCK	13,131	8,833
NUZYRA	22,208	10,105
VYVGART	36,352	52
Product revenue — net	187,255	131,661

Collaboration Revenue

Collaboration revenue was \$0.4 million in the six months ended June 30, 2024 and related to promotional activities in mainland China. We had no such collaboration revenue in the prior year period.

9. INCOME TAX

No provision for income taxes has been required to be accrued because the Company is in a cumulative loss position for the periods presented.

The Company recorded a full valuation allowance against deferred tax assets of all its consolidated entities because all entities were in a cumulative loss position as of June 30, 2024 and December 31, 2023. No unrecognized tax benefits and related interest and penalties were recorded in the periods presented.

CONSOLIDATED FINANCIAL STATEMENTS

10. LOSS PER SHARE

The following table presents the computation of the basic and diluted net loss per share (\$ in thousands, except share and per share data):

	Six Months Ended June 30,	
	2024	2023
Numerator:		
Net loss	(133,748)	(170,039)
Denominator:		
Weighted average number of ordinary shares — basic and diluted	974,541,780	963,140,360
Net loss per share — basic and diluted	(0.14)	(0.18)

As a result of the Company's net loss in the six months ended June 30, 2024 and 2023, share options and non-vested restricted shares outstanding in the respective periods were excluded from the calculation of diluted loss per share as their inclusion would have been anti-dilutive.

	June 30,	
	2024	2023
Share options	121,522,950	108,322,600
Non-vested restricted shares	35,535,640	33,462,670

11. BORROWINGS

In February 2024, the Company entered into certain debt arrangements with the Bank of China, SPD Bank, and Ningbo Bank to support its working capital needs in mainland China. The following table presents the Company's short-term debt as of June 30, 2024 (\$ in thousands):

	Weighted average interest rate per annum	June 30, 2024
Bank of China Working Capital Loans	2.95%	56,266
SPD Bank Working Capital Loans	3.45%	14,032
Total short-term debt	3.05%	70,298

11. BORROWINGS (CONTINUED)

Bank of China Working Capital Loan Facility

On February 5, 2024, the Company entered into an uncommitted facility letter with the BOC HK pursuant to which the BOC HK will provide standby letters of credit for loans of up to \$100.0 million for a term of one year. In connection with this agreement, the Company paid a one-time, non-refundable fee of \$0.7 million in the first quarter of 2024. In accordance with this agreement, the Company also maintained restricted deposits of \$100.0 million, which are presented as restricted cash-current on the condensed consolidated balance sheet, to secure the standby letters of credit. On February 6, 2024 and June 20, 2024, upon the Company's application, the BOC HK provided standby letters of credit in favor of the BOC Pudong Branch for \$50.0 million and \$23.0 million, respectively, which are or may become payable by the Company's wholly-owned subsidiary, Zai Lab Shanghai, and in the first half of 2024, Zai Lab Shanghai entered into working capital loan contracts with the BOC Pudong Branch for an aggregate loan of RMB500.0 million (approximately \$69.8 million), of which an aggregate principal amount of RMB401.0 million (approximately \$56.3 million) was outstanding as of June 30, 2024. Each working capital loan has a one-year term and is subject to a floating interest rate of approximately 2.95% initially, which is subject to adjustment every six months.

SPD Bank Working Capital Loan Facility

On February 6, 2024, the Company entered into a maximum-amount guarantee contract with the SPD Bank pursuant to which the Company will guarantee working capital loans of up to RMB300.0 million (approximately \$42.0 million) from SPD Bank to Zai Lab Shanghai over a three-year period. Zai Lab Shanghai entered into working capital loan contracts with SPD Bank under this debt facility in the first quarter of 2024, and the aggregate principal balance was RMB100.0 million (approximately \$14.0 million) as of June 30, 2024. These working capital loans have a term of one year and are subject to a fixed interest rate of 3.45%.

Ningbo Bank Working Capital Loan Facility

On February 6, 2024, the Company's wholly-owned subsidiary, Zai Lab Suzhou, entered into the Ningbo Bank Agreements with the Ningbo Bank. The Ningbo Bank Agreements permit Zai Lab Suzhou to utilize, including through discounting or working capital loan agreements and subject to the terms and conditions in related master agreements, up to RMB230.3 million (approximately \$32.4 million), of which the Company is authorized to utilize up to RMB160.0 million (approximately \$22.5 million). In connection with the arrangements described in the Ningbo Bank Agreements, Zai Lab Suzhou agreed to pledge interests in certain real property it owns in Suzhou. As of June 30, 2024, Zai Lab Suzhou has not entered into any discounting arrangements or working capital loans under this Ningbo Bank working capital loan facility.

CONSOLIDATED FINANCIAL STATEMENTS

12. OTHER CURRENT LIABILITIES

The following table presents the Company's other current liabilities (\$ in thousands):

	June 30, 2024	December 31, 2023
Accrued payroll	22,432	33,711
Accrued professional service fee	3,514	7,520
Payables for purchase of property and equipment	2,391	2,474
Accrued rebate to distributors	10,037	16,926
Tax payables	4,625	16,988
Other (i)	3,496	5,353
Total	46,495	82,972

(i) Other primarily includes accrued travel and business-related expenses.

13. SHARE-BASED COMPENSATION

During the six months ended June 30, 2024, the Company granted share options to purchase up to 20,739,400 ordinary shares and restricted shares representing 16,398,190 ordinary shares under its equity incentive plans. The share options granted have a contractual term of ten years. Share options granted since April 2023 generally vest ratably over a four-year period, and share options granted prior to April 2023 generally vest ratably over a five-year period, with 25% or 20% of the awards vesting on each anniversary of the grant date, respectively, subject to continued employment/service with the Company on the vesting date. The restricted shares granted generally vest ratably over a specified period on the anniversary of the grant date, subject to continued employment/service with the Company on the vesting date. For a description of the Company's equity incentive plans and more details on the terms of the share-based awards, see *Note 17* of the 2023 Annual Report.

The following table presents the share-based compensation expense that has been reported in the Company's condensed consolidated statements of operations and comprehensive loss as follows (\$ in thousands):

	Six Months Ended June 30,	
	2024	2023
Selling, general and administrative	21,456	21,839
Research and development	15,162	15,333
Total	36,618	37,172

As of June 30, 2024, there was unrecognized share-based compensation expense related to unvested share options and unvested restricted shares of \$98.1 million and \$100.9 million, respectively, which the Company expects to recognize over a weighted-average period of 3.07 years and 2.90 years, respectively.

CONSOLIDATED FINANCIAL STATEMENTS

14. LICENSE AND COLLABORATION AGREEMENTS

The Company has entered into various license and collaboration agreements with third parties to develop and commercialize product candidates. For a description of the material terms of the Company's significant license and collaboration agreements, see *Note 18* of the 2023 Annual Report. The following includes a description of milestone fees incurred in the six months ended June 30, 2024 under our significant license and collaboration agreements.

License and Collaboration Agreement with Innoviva (SUL-DUR)

Under the terms of our license and collaboration agreement with Entasis Therapeutics Holdings Inc., a wholly owned subsidiary of Innoviva, Inc., the Company recorded an \$8.0 million regulatory milestone in the second quarter of 2024, which was capitalized as an intangible asset. As of June 30, 2024, the Company may be required to pay an additional aggregate amount of up to \$80.6 million in development, regulatory, and sales-based milestones as well as certain royalties at tiered percentage rates ranging from high single digits to low-teens on annual net sales of the licensed products in the licensed territory.

License Agreement with BMS (Repotrectinib)

Under the terms of our license agreement with Turning Point Therapeutics, Inc., a company later acquired by BMS, the Company recorded a \$25.0 million regulatory milestone in the second quarter of 2024, which was capitalized as an intangible asset. As of June 30, 2024, the Company may be required to pay an additional aggregate amount of up to \$116.0 million in development, regulatory, and sales-based milestones as well as certain royalties at tiered percentage rates ranging from mid- to high-teens on annual net sales of the licensed product in the licensed territory.

15. OTHER INCOME (EXPENSES), NET

The following table presents the Company's other income (expenses), net (\$ in thousands):

	Six Months Ended June 30,	
	2024	2023
Government grants	3,325	83
Loss on equity investments with readily determinable fair value	(5,147)	(1,304)
Others miscellaneous gain	2,240	1,050
Total	418	(171)

CONSOLIDATED FINANCIAL STATEMENTS

16. RESTRICTED NET ASSETS

The Company's ability to pay dividends may depend on the Company receiving distributions of funds from its Chinese subsidiaries. Relevant Chinese laws and regulations permit payments of dividends by the Company's Chinese subsidiaries only out of its retained earnings, if any, as determined in accordance with Chinese accounting standards and regulations. The results of operations reflected in the unaudited condensed consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company's Chinese subsidiaries.

In accordance with the Company Law of the People's Republic of China, a domestic enterprise is required to provide statutory reserves of at least 10% of its annual after-tax profit until such reserve has reached 50% of its respective registered capital based on the enterprise's Chinese statutory accounts. A domestic enterprise may provide discretionary surplus reserve, at the discretion of the Board of Directors, from the profits determined in accordance with the enterprise's Chinese statutory accounts. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. The Company's Chinese subsidiaries were established as domestic enterprises and therefore are subject to the above-mentioned restrictions on distributable profits.

No appropriation to statutory reserves was made in the six months ended June 30, 2024 and 2023 because the Chinese subsidiaries had substantial losses during such periods.

As a result of these Chinese laws and regulations, subject to the limits discussed above that require annual appropriations of 10% of after-tax profit to be set aside, prior to payment of dividends, as a general reserve fund, the Company's Chinese subsidiaries are restricted in their ability to transfer out a portion of their net assets.

Foreign exchange and other regulation in mainland China may further restrict the Company's subsidiaries in mainland China from transferring out funds in the form of dividends, loans, and advances. As of June 30, 2024 and December 31, 2023, amounts restricted included the paid-in capital of the Company's subsidiaries in mainland China and were \$506.0 million.

CONSOLIDATED FINANCIAL STATEMENTS

17. COMMITMENTS AND CONTINGENCIES

(a) Purchase Commitments

The Company's commitments related to purchase of property and equipment contracted but not yet reflected in the unaudited condensed consolidated financial statements were \$1.0 million as of June 30, 2024 and were expected to be incurred within one year.

(b) Legal Proceedings

The Company is not currently a party to any material legal proceedings.

(c) Indemnifications

In the normal course of business, the Company enters into agreements that indemnify others for certain liabilities that may arise in connection with a transaction or certain events and activities. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations.

18. SUBSEQUENT EVENTS

The Company identified an additional opportunity to access capital denominated in RMB through a debt facility with China Merchants Bank to support our working capital needs in mainland China. As a result, on July 5, 2024, the Company issued a maximum-amount irrevocable letter of guarantee to CMB pursuant to which the Company will guarantee working capital loans of up to RMB250.0 million (approximately \$34.4 million) from CMB to our wholly-owned subsidiary, Zai Lab Shanghai, and Zai Lab Shanghai entered into a Credit Agreement with CMB with respect to the RMB250.0 million facility. The credit facility will be available for one year, and key terms of the specific working capital loans, including the amount, term, and interest rate, will be included in the specific transaction documents. To date, Zai Lab Shanghai has withdrawn RMB144.8 million (approximately \$20.2 million) from CMB under this debt facility. This loan has a one-year term and is subject to a floating interest rate of approximately 3.15% initially, which is subject to adjustment every three months.

In July and August 2024, Zai Lab Shanghai further withdrew RMB98.0 million (approximately \$13.7 million) from BOC Pudong Branch under a previously signed working capital loan contract (as discussed in *Note 11*). This working capital loan has a one-year term and is subject to a floating interest rate of approximately 2.85% initially, which is subject to adjustment every six months.

CONSOLIDATED FINANCIAL STATEMENTS

19. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The unaudited condensed consolidated financial statements of the Company are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRS. The following tables present the Reconciliation Statement.

Reconciliation of Consolidated Statements of Operations (\$ in thousands)

	Six Months Ended June 30, 2024		
	Amounts as reported under U.S. GAAP	IFRS adjustments Share-based compensation (note (i))	Amounts as reported under IFRS
Consolidated statements of operations			
Expenses			
Research and development	(116,270)	(1,105)	(117,375)
Selling, general and administrative	(148,904)	1,345	(147,559)
Net loss	(133,748)	240	(133,508)

	Six Months Ended June 30, 2023		
	Amounts as reported under U.S. GAAP	IFRS adjustments Share-based compensation (note (i))	Amounts as reported under IFRS
Consolidated statements of operations			
Expenses			
Research and development	(125,153)	(7,047)	(132,200)
Selling, general and administrative	(130,430)	(7,248)	(137,678)
Net loss	(170,039)	(14,295)	(184,334)

CONSOLIDATED FINANCIAL STATEMENTS

19. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Reconciliation of Consolidated Balance Sheets (\$ in thousands)

	As of June 30, 2024		
	Amounts as reported under U.S. GAAP	IFRS adjustments Share-based compensation (note (i))	Amounts as reported under IFRS
Consolidated balance sheets			
Additional paid-in capital	3,011,964	61,325	3,073,289
Accumulated deficit	(2,329,728)	(61,325)	(2,391,053)
Total shareholders' equity	704,179	—	704,179

	As of December 31, 2023		
	Amounts as reported under U.S. GAAP	IFRS adjustments Share-based compensation (note (i))	Amounts as reported under IFRS
Consolidated balance sheets			
Additional paid-in capital	2,975,302	61,565	3,036,867
Accumulated deficit	(2,195,980)	(61,565)	(2,257,545)
Total shareholders' equity	796,118	—	796,118

NOTES:

(i) Share-Based Compensation

Under U.S. GAAP, the Company has elected to use the straight-line method to recognize compensation expense for instruments granted to employees with graded vesting based on service conditions, subject to the minimum amount of cumulative compensation expense recognized being no less than the portion of the award vested to date.

Under IFRS, the graded vesting method must be applied to recognize compensation expense.

In addition, under U.S. GAAP, the Company has elected to recognize the effect of award forfeitures as they occur, and previously recognized compensation cost is reversed in the period that the award is forfeited.

CONSOLIDATED FINANCIAL STATEMENTS

19. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Reconciliation of Consolidated Balance Sheets (\$ in thousands) (Continued)

NOTES: (CONTINUED)

(i) Share-Based Compensation (Continued)

Under IFRS, the number of instruments that are expected to vest is estimated by the Company initially at the time of grant. Subsequently, these estimates are adjusted for differences between the number of instruments expected to vest and the actual number of instruments vested.

A difference of \$0.2 million and \$14.3 million arose between the amount of share-based compensation (included in research and development expenses, and selling, general and administrative expenses) recognized under U.S. GAAP and IFRS in the six months ended June 30, 2024 and 2023, respectively.

The accumulated differences on share-based compensation recognized in accumulated deficit and additional paid in capital under U.S. GAAP and IFRS were \$61.3 million and \$61.6 million as of June 30, 2024 and December 31, 2023, respectively.

(ii) Leases

Under U.S. GAAP, as a lessee, the Company recognized a lease liability based on the present value of the total remaining lease payments and a corresponding right-of-use asset. The amortization of the right-of-use assets and the interest expenses related to the lease liabilities are recorded together as a single total lease expense on a straight-line basis on the condensed consolidated statements of operations.

Under IFRS, the amortization of the right-of-use assets is recognized on a straight-line basis while the interest expense related to the lease liabilities is recognized on the basis that the lease liabilities are measured at amortized cost. Compared to U.S. GAAP, this changes the allocation and the total amount of expenses recognized for each period of the lease terms, and results in a higher total charge to profit or loss in the early years and a decreasing expense during the latter years of the lease terms. The amortization on the right-of-use assets and the interest expense on the lease liabilities are separately recorded on the condensed consolidated statements of operations.

Based on the Company's assessment, the differences on leases recognized on the condensed consolidated financial statements as of June 30, 2024 and December 31, 2023, respectively, and for the six months ended June 30, 2024 and 2023, respectively, under U.S. GAAP and IFRS were not material.

DEFINITIONS

“2015 Plan”	the 2015 Equity Incentive Plan approved by the Board on March 5, 2015 and most recently amended effective on April 10, 2016
“2017 Plan”	the 2017 Equity Incentive Plan approved by the Board on August 7, 2017
“2022 Plan”	the 2022 Equity Incentive Plan approved by the Board and at the Company’s 2022 annual general meeting of shareholders on April 20, 2022 and June 22, 2022, respectively
“2023 Annual Report”	2023 Annual Report for the year ended December 31, 2023 as filed with the Hong Kong Stock Exchange on April 29, 2024
“2024 Plan”	the 2024 Equity Incentive Plan adopted at the Company’s 2024 annual general meeting of shareholders on June 18, 2024
“ADS(s)”	American depository share(s), each representing ten ordinary shares, on deposit with a U.S. banking institution selected by the Company and which are registered pursuant to a Form F-1
“affiliate(s)”	with respect to any specified person or any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“argenx”	argenx BV
“Audit Committee”	Audit Committee of the Board
“Australian dollar”, or “A\$”	Australian dollar, the official currency of Australia
“BMS”	Bristol Myers Squibb Company
“Board”	the board of directors of the Company
“BOC HK”	Bank of China (Hong Kong) Limited
“BOC Pudong Branch”	Bank of China Pudong Development Zone Branch
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the HK Listing Rules
“chief executive”	has the meaning ascribed to it in the HK Listing Rules
“China”, “P.R. China” or the “PRC”	the People’s Republic of China
“CMB”	China Merchant Bank Co., Ltd., Shanghai Branch
“CMO”	Contract manufacture organization
“CODM”	Chief Operating Decision Maker
“Commercial Committee”	Commercial Committee of the Board
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Company”, “we” or “us”	Zai Lab Limited, a company incorporated in the Cayman Islands with limited liability on March 28, 2013, and its subsidiaries from time to time
“Compensation Committee”	Compensation Committee of the Board

DEFINITIONS

“CRO”	contract research organization
“Director(s)”	the member(s) of the Board
“EMA”	European Medicines Agency
“FASB”	Financial Accounting Standards Board
“FDA”	U.S. Food and Drug Administration
“Global Offering”	the global offering of the Company as described in the Prospectus
“Greater China”	mainland China, Hong Kong, Macau, and Taiwan, collectively
“HK dollar” or “HK\$”	Hong Kong dollar, the official currency of Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK Listing Rules”	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented, or otherwise modified from time to time
“HKMA”	Hong Kong Monetary Authority
“HKSAE 3000 (Revised)”	Hong Kong Standard on Assurance Engagements 3000 (Revised) <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“Macau”	Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the HK Listing Rules
“Nasdaq”	Nasdaq Global Market
“NDA”	new drug application
“Ningbo Bank”	Bank of Ningbo Co., Ltd. Suzhou Sub-branch
“Ningbo Bank Agreements”	maximum credit contract, Electronic Commercial Draft Discounting Master Agreement and Online Working Capital Loan Master Agreement
“NMPA”	National Medical Products Administration of the People’s Republic of China
“Nominating and Corporate Governance Committee”	Nominating and Corporate Governance Committee of the Board
“NRDL”	National Reimbursement Drug List
“OPTUNE”	Tumor Treating Fields devices marketed under various brand names, including OPTUNE GIO for GBM

DEFINITIONS

“ordinary share(s)”	ordinary share(s) in the authorized share capital of the Company with a par value of \$0.000006 per share (or \$0.00006 per share where “before the Share Subdivision” is indicated)
“PBOC”	People’s Bank of China
“Primary Conversion Effective Date”	the date on which the Company’s voluntary conversion from secondary listing status to primary listing on the Hong Kong Stock Exchange became effective, i.e., June 27, 2022
“Prospectus”	the prospectus of the Company dated September 17, 2020
“PSU”	performance-based restricted share unit
“R&D”	research and development
“Reconciliation Statement”	the effects of material differences on the Company’s financial information prepared under U.S. GAAP and IFRS as at June 30, 2024 and December 31, 2023 and for the six-month periods ended June 30, 2024 and 2023
“Reporting Period”	the six months ended June 30, 2024
“Research and Development Committee”	Research and Development Committee of the Board
“RMB” or “Renminbi”	Renminbi, the official currency of the PRC
“RSA”	restricted share award
“RSU”	restricted share unit
“SEC”	U.S. Securities and Exchange Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Share(s)”	ordinary share(s), or ADS(s) represented by such number of ordinary shares
“Share Subdivision”	the subdivision of each of the Company’s issued and unissued ordinary shares into ten ordinary shares effective as of March 30, 2022
“SPD Bank”	Shanghai Pudong Development Bank Co., Ltd. Zhangjiang Hi-Tech Park Sub-branch
“subsidiary(ies)”	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the HK Listing Rules
“Taiwan dollar”, or “TW\$”	New Taiwan dollar, the official currency of Taiwan
“United States” or “U.S.”	the United States of America
“U.S. dollar”, “US\$”, or “\$”	United States dollar, the official currency of the United States and its territories
“U.S. GAAP”	United States generally accepted accounting principles
“Zai Lab Shanghai”	Zai Lab (Shanghai) Co., Ltd.
“Zai Lab Suzhou”	Zai Lab (Suzhou) Co., Ltd.

GLOSSARY OF TECHNICAL TERMS

“AChR”	anti-acetylcholine receptor
“CIDP”	chronic inflammatory demyelinating polyneuropathy
“efgartigimod SC”	efgartigimod alfa injection (subcutaneous formulation)
“GBM”	glioblastoma multiforme
“gMG”	generalized myasthenia gravis
“IV”	intravenous
“NSCLC”	non-small cell lung cancer
“TKI”	tyrosine kinase inhibitor

zaiLab

www.zailaboratory.com



Publication of Interim Results and Interim Report

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zailaboratory.com). The interim report of the Company for the Reporting Period will be published on the aforesaid websites and (if applicable) dispatched to the Company's shareholders in due course.

By order of the Board

Zai Lab Limited

Samantha Du

Director, Chairperson, and Chief Executive Officer

Hong Kong, August 27, 2024

As at the date of this announcement, the board of directors of the Company comprises Dr. Samantha Du as a director, and Dr. Kai-Xian Chen, Dr. John Diekman, Dr. Richard Gaynor, Ms. Nisa Leung, Mr. William Lis, Mr. Scott W. Morrison, Mr. Leon O. Moulder, Jr., Mr. Michel Vounatsos and Mr. Peter Wirth as independent directors.

* *For identification only*