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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)

VOLUNTARY CONVERSION TO DUAL-PRIMARY LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Reference is made to the announcement of Zai Lab Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated April 24, 2022, in connection with the approval by the board of directors of the Company (the “**Board**”) regarding a motion to pursue the voluntary conversion to dual-primary listing (the “**Primary Conversion**”) on The Main Board of The Stock Exchange of Hong Kong Limited (the “**HK Stock Exchange**”) and the announcement of the Company dated May 31, 2022, regarding the receipt of acknowledgement from the HK Stock Exchange in respect of the Primary Conversion Application (the “**Primary Conversion Exchange Acknowledgement**”) issued pursuant to paragraph 3.24 of the Guidance Letter HKEX-GL112-22 (“**HKEX-GL112-22**”) (the “**Primary Conversion Acknowledgement Announcement**”).

This announcement is made pursuant to paragraph 3.30 of HKEX-GL112-22. Unless otherwise defined herein, capitalized terms in this announcement shall have the same meanings as defined in the Primary Conversion Acknowledgement Announcement.

1. INTRODUCTION

The Board is pleased to announce that on June 27, 2022, the Company’s voluntary conversion of its secondary listing status to dual-primary listing on the HK Stock Exchange will become effective (the “**Primary Conversion Effective Date**”). The Company will become dual-primary listed on the HK Stock Exchange and the Nasdaq Global Market, and the stock marker “S” will be removed from its stock short name on the Primary Conversion Effective Date.

2. OBLIGATIONS OF THE COMPANY TO COMPLY WITH ALL APPLICABLE HK LISTING RULES

Upon the Primary Conversion Effective Date, the Company has to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HK Listing Rules**”) applicable to a dual-primary listed issuer, including the HK Listing Rules subject to the waivers and exemptions granted or applicable to the Company as a secondary listed issuer on the HK Stock Exchange which have been withdrawn or are no longer applicable upon the Primary Conversion Effective Date. Such existing waivers/exemptions that will lapse upon the Primary Conversion Effective Date are:

<u>Rules</u>	<u>Subject matter</u>
Rule 2.07A of the HK Listing Rules	Printed corporate communications
Rule 13.25B of the HK Listing Rules	Monthly return
Section 4.1 of the Introduction to The Codes on Takeovers and Mergers and Share Buybacks (the “ Takeovers Code ”)	Determination of whether a company is a “public company in Hong Kong”
Part XV of the Securities and Futures Ordinance (Cap. 571) (the “ SFO ”)	Disclosure of interests under Part XV of SFO
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the HK Listing Rules	Disclosure of interests information

The Company has taken necessary measures to comply with the HK Listing Rules applicable to a dual-primary listed issuer upon its Primary Conversion Effective Date. In the event that the Company fails to comply with the obligations as set out in the HK Listing Rules applicable to a dual-primary listed issuer following the Primary Conversion Effective Date, the Company would be in potential breach of the HK Listing Rules, and would potentially be subject to, depending on the nature and seriousness of the possible breach and the circumstances and the manner in which the conduct is giving rise to such possible breach, disciplinary action by the HK Stock Exchange. The Company may also be directed to carry out possible remedial and enhancement actions such as internal control review and directors’ training on regulatory and legal topics including compliance with the HK Listing Rules.

3. APPLICATIONS FOR WAIVERS FROM STRICT COMPLIANCE WITH THE HK LISTING RULES IN CONNECTION WITH THE PRIMARY CONVERSION

In connection with the Primary Conversion, the Company has sought, and the HK Stock Exchange has granted, the following waivers from strict compliance with the relevant provisions of the HK Listing Rules (“**Primary Conversion Waivers**”):

Rules	Subject matter
Rule 19A.25 of, and Note 2.1 to paragraph 2 of Appendix 16 to, the HK Listing Rules	Adoption of Generally Accepted Accounting Principles in the U.S. (“ U.S. GAAP ”)
Note (1) to Rule 17.03(9) of the HK Listing Rules	Exercise price of share options to be granted pursuant to the 2022 equity incentive plan
Rules 3.28 and 8.17 of the HK Listing Rules	Joint company secretaries

3.1 ADOPTION OF U.S. GAAP

Rule 19.25A of the HK Listing Rules provides that the annual accounts are required to conform with financial reporting standards acceptable to the HK Stock Exchange, which are normally Hong Kong Financial Reporting Standards (“**HKFRS**”) or International Financial Reporting Standards (“**IFRS**”). Where the HK Stock Exchange allows annual accounts to be drawn up otherwise than in conformity with HKFRS or IFRS, the annual accounts will be required to conform with financial reporting standards acceptable to the HK Stock Exchange. In such cases the HK Stock Exchange will normally require the annual accounts to contain a reconciliation statement setting out the financial effect of the material differences (if any) from either HKFRS or IFRS.

Note 2.1 to Paragraph 2 of Appendix 16 to the HK Listing Rules requires the Company to prepare its financial statements in the financial reports to be in conformity with: (a) HKFRS; (b) IFRS; or (c) China Accounting Standards for Business Enterprises in the case of companies incorporated in China, subject to Note 2.6 to Paragraph 2 of Appendix 16 to the HK Listing Rules. Note 2.6 to Paragraph 2 of Appendix 16 to the HK Listing Rules provides that the HK Stock Exchange may allow the annual financial statements of an overseas issuer to be drawn up otherwise than in conformity with financial reporting standards referred to in Note 2.1 to Paragraph 2 of Appendix 16 to the HK Listing Rules.

In the HK Stock Exchange’s guidance letter GL111-22 (“**HKEX-GL111-22**”), the HK Stock Exchange has indicated that it has accepted that the financial statements and accountants’ reports of overseas issuers with, or seeking, a dual-primary or secondary listing in the U.S. and on the HK Stock Exchange can be prepared in conformity with U.S. GAAP. HKEX-GL111-22 further provides that, an overseas issuer adopting a body of financial reporting standards other than HKFRS or IFRS for the preparation of its financial statements must include a reconciliation statement setting out the financial effect of any material differences between those financial statements and financial statements prepared adopting HKFRS or IFRS in its accountants’ reports and annual/interim reports.

As a company listed on Nasdaq, the Company prepares its financial statements in accordance with U.S. GAAP which are audited under the standards of the United States Public Company Accounting Oversight Board for the purpose of the Company’s filings with the U.S. Securities and Exchange Commission. U.S. GAAP is well recognized and accepted by the international investment community, particularly among biotechnology companies, and significant progress has been made in the convergence between U.S. GAAP and IFRS. Additionally, we note that it might lead to confusion among the Company’s investors and shareholders if the Company was required to adopt different accounting standards for its disclosures in Hong Kong from those in the U.S. Aligning the accounting standards used for disclosures in both markets will alleviate any such confusion.

The Company has applied to the HK Stock Exchange for, and the HK Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 19.25A of, and Note 2.1 to paragraph 2 of Appendix 16 to, the HK Listing Rules subject to the following conditions:

- (i) the Company will include (i) a description of the relevant key differences between U.S. GAAP and IFRS; and (ii) a reconciliation statement showing the financial effect of any material differences between the financial statements during the reporting period prepared adopting U.S. GAAP and IFRS in its interim and annual reports after the Primary Conversion with a view to enabling investors to appraise the impact of the two accounting standards on the Company’s financial statements, with the reconciliation statement in the interim report to be reviewed by the Company’s independent auditor in accordance with a standard that is at least equivalent to International Standard on Assurance Engagements 3000 or Hong Kong Standard on Assurance Engagements 3000 and the reconciliation statement in the annual reports to be audited by the Company’s independent auditor; and
- (ii) the Company will adopt HKFRS or IFRS in the preparation of the Company’s financial statements in the event that the Company is no longer listed in the U. S. or has no obligation to make financial disclosure in the U.S.

3.2 EXERCISE PRICE OF OPTIONS TO BE GRANTED PURSUANT TO THE 2022 EQUITY INCENTIVE PLAN

Note (1) to Rule 17.03(9) of the HK Listing Rules states that the exercise price of an option must be at least the higher of: (i) the closing price of the securities as stated in the HK Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the HK Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. It is worth noting that the relevant requirement specifies the value of the exercise price but does not strictly limit the currency at which grants are made.

Since the listing of the Company's American Depositary Shares ("ADSs") on Nasdaq in September 2017, it has been the Company's practice to issue options exercisable into ordinary shares or ADSs (each of which represents one underlying ordinary share before March 30, 2022 or ten underlying ordinary shares on or after March 30, 2022) denominated in U.S. dollars under the Zai Lab Limited 2015 Omnibus Equity Incentive Plan ("**2015 Equity Incentive Plan**") and the Zai Lab Limited 2017 Equity Incentive Plan ("**2017 Equity Incentive Plan**"), with reference to a benchmark price on Nasdaq, which is not less than the closing price of the ADS as quoted on Nasdaq on the date of grant (or if no closing price was reported on that date, on the last trading day when such closing price was reported).

Upon the Primary Conversion Effective Date, the Company will no longer grant options, stock appreciation rights, restricted and unrestricted shares and share units, performance awards or other share awards under the 2015 Equity Incentive Plan and the 2017 Equity Incentive Plan and would grant options, share appreciation rights, restricted shares, restricted share units, performance-based awards, unrestricted shares, dividend equivalent rights and cash-based awards under the new 2022 equity incentive plan (the "**2022 Equity Incentive Plan**"). Pursuant to the 2022 Equity Incentive Plan, the Company will grant options exercisable into ordinary shares or ADSs under the 2022 Equity Incentive Plan still denominated in U.S. dollars after the Primary Conversion Effective Date. By definition, ADSs are denominated in U.S. dollars, and the exercise price for options with respect to ADSs will necessarily be presented in U.S. dollars. Subject to the waiver from strict compliance with Rule 19.25A of, and Note 2.1 to Paragraph 2 of Appendix 16 to, the HK Listing Rules described under the subsection headed "ADOPTION OF U.S. GAAP" above, the Company will continue to prepare its accounts based on U.S. GAAP after the Primary Conversion Effective Date in line with its established practice of granting options with exercise prices and share awards with grant values denominated in U.S. dollars and tied to the market price of its Nasdaq-traded ADSs.

In addition, the Company respectfully submits that it would be unduly burdensome for the Company to grant options exercisable into ordinary shares or ADSs with exercise price denominated in Hong Kong dollars under the 2022 Equity Incentive Plan due to the following reasons:

- (i) the vast majority of the Company's trading volume for its securities is on Nasdaq since the Company's listing in September 2017, and that is expected to continue even after the Primary Conversion Effective Date. If any option grant must only be exercisable into ordinary shares or ADSs with an exercise price based on the market price of ordinary shares on the HK Stock Exchange, this will significantly impede the ability of the Grantees (as defined below) to exercise those options, thereby undermining the value of the Company's equity share incentive program because of the substantially lower trading volume on the HK Stock Exchange;
- (ii) the eligible grantees under the 2022 Equity Incentive Plan will include employees, officers, directors, and individual consultants and advisors who render services to the Group (the "Grantees"). Almost all of these Grantees reside outside of Hong Kong, primarily in the U.S. and mainland China. The options granted to the eligible grantees under the 2015 Equity Incentive Plan and/or the 2017 Equity Incentive Plan are predominantly held in the U.S. It will diminish the incentives to the Grantees if the exercise price of the options were calculated with reference to the ordinary shares' trading price on the HK Stock Exchange denominated in Hong Kong dollars (as the majority of the trading volume of the Company' securities has been and will continue to be on Nasdaq and traded in U.S. dollars);
- (iii) the Company's practice has been to issue options in the form of ADSs or ordinary shares with an exercise price denominated in U.S. dollars and with reference to the ADS trading price on Nasdaq since September 2017. The Company will continue to prepare its accounts based on U.S. GAAP after the Primary Conversion Effective Date. It will likely cause confusion to the Grantees to change the method of determining the exercise price of the options and will likely lead to significant inconvenience for those Grantees with regard to the management of their holdings in the Company and their corresponding financial planning. It will also cause significant administrative burdens to the Company, both from a timing and cost perspective, to change the determination and calculation of the exercise price of options and to provide the necessary training to all affected Grantees; and
- (iv) the current method for determining the exercise price of options covering ADSs replicates the requirements under Rule 17.03(9), that is, the exercise price must be at least the higher of: (i) the closing price of the ADSs on the date of grant, which must be a business day, and (ii) the average closing price of the ADSs for the five business days immediately preceding the date of grant, in each case of (i) and (ii), multiplied by the applicable conversion ratio from an ADS to ordinary share.

On the bases that (a) the method for determining the exercise price of the options based on the market price of ADSs substantially replicates the requirement in Note (1) to Rule 17.03(9) of the HK Listing Rules, (b) it has been the Company's practice to issue options in the form of ADSs or ordinary shares with an exercise price denominated in U.S. dollars and with reference to ADS trading price on Nasdaq since September 2017, and the Company will continue to prepare its accounts based on U.S. GAAP after the Primary Conversion Effective Date, and the Company will grant options under the 2022 Equity Incentive Plan exercisable into ordinary shares or ADSs, with exercise prices based on the market price of its ADSs which are denominated in U.S. dollars after the Primary Conversion Effective Date if the 2022 Equity Incentive Plan is approved by its shareholders at the AGM, (c) it would be unduly burdensome for the Company to grant options exercisable into ordinary shares or ADSs with exercise price denominated in Hong Kong dollars under the 2022 Equity Incentive Plan, and (d) the vast majority of the Company's trading volume for its securities is on Nasdaq since the Company's listing in September 2017 and that is expected to continue even after the Primary Conversion Effective Date, the Company has applied for, and the HK Stock Exchange has granted, a waiver from strict compliance with Note (1) to Rule 17.03(9) of the HK Listing Rules, such that the Company will be able to determine the exercise price for grants of options exercisable into ordinary shares or ADSs under its 2022 Equity Incentive Plan based on the higher of:

- (i) the per-share closing price of the Company's ADSs on Nasdaq on the date of grant, which must be a Nasdaq trading day; and
- (ii) the average per-share closing price of the Company's ADSs on Nasdaq for the five Nasdaq trading days immediately preceding the date of grant, in each case of (i) and (ii), multiplied by the applicable conversion ratio from an ADS to ordinary share, subject to the condition that the Company shall not issue any share options with an exercise price denominated in Hong Kong dollars unless such exercise price complies with Note (1) to Rule 17.03(9) of the HK Listing Rules.

3.3 JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the HK Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the HK Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the HK Listing Rules, the HK Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the HK Listing Rules, in assessing “relevant experience”, the HK Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles they played;
- (ii) familiarity with the HK Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the HK Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

The Company has appointed Mr. F. Ty Edmondson and Ms. Nelly Au-Yeung as joint company secretaries of the Company, with effect from June 27, 2022. Mr. Edmondson joined the Company as Chief Legal Officer in August 2020. Before joining the Company, Mr. Edmondson served in various legal and compliance roles at Biogen Inc., a leading global biotech company, from June 2014 through August 2020, including as Senior Vice President, Chief Corporation Counsel and Assistant Secretary. During his time at Biogen, he also served as Chief Compliance Officer, Chief Commercial Counsel and Chief International Counsel of the company. Prior to Biogen, Mr. Edmondson served as Vice President, Associate General Counsel and Corporate Secretary for Sepracor Inc., as well as in various senior legal and compliance positions in Japan and China after Sepracor’s acquisition by Sumitomo Dainippon Pharma Co., Ltd. Before Sumitomo, Mr. Edmondson served in various roles with life sciences companies with a focus on international and U.S. FDA work, including at Eisai, Inc., Boston Scientific and Bristol-Myers Squibb. Before his work in the life sciences industry, he was an associate with the admiralty law firm, Royston Rayzor in Houston, Texas. Mr. Edmondson received a BA degree in History from Washington & Lee University in June 1988 and received a J.D. from the Widener University School of Law in May 1993.

The Company’s principal business activities are primarily outside of Hong Kong. The Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have as its joint company secretary a person such as Mr. Edmondson, who is an employee of the Company and the Chief Legal Officer and who has day-to-day knowledge of the Company’s affairs. Mr. Edmondson has the necessary nexus to the Board and close working relationships with management of the Company in order to perform the function of a joint company secretary and to take necessary actions in an effective and efficient manner.

Mr. Edmondson has extensive experience in legal and compliance matters but presently may not possess all of the qualifications under Rules 3.28 and 8.17 of the HK Listing Rules and may not be able to solely fulfill the requirements of the HK Listing Rules. Therefore, the Company has appointed Ms. Au-Yeung as one of the joint company secretaries of the Company.

Ms. Au-Yeung is a chartered secretary, an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Ms. Au-Yeung has over 9 years of experience in the corporate secretarial field and is currently the company secretary of Anton Oilfield Service Group (Stock Code: 3337). Ms. Au-Yeung holds a Bachelor of Arts in Economics and Finance from Hong Kong Shue Yan University and obtained a Master of Corporate Governance from The Hong Kong Polytechnic University. Ms. Au-Yeung, who fully meets the requirements stipulated under Note 1 to Rule 3.28 and Rule 8.17 of the HK Listing Rules, will act as the other joint company secretary to provide assistance to Mr. Edmondson for an initial period of three years from the Primary Conversion Effective Date to enable Mr. Edmondson to acquire the “relevant experience” under Note 2 to Rule 3.28 of the HK Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the HK Listing Rules.

Accordingly, while Mr. Edmondson may not presently possess all the qualifications required of a company secretary under Rule 3.28 of the HK Listing Rules, the Company has applied to the HK Stock Exchange for, and the HK Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the HK Listing Rules, such that Mr. Edmondson may be appointed as a joint company secretary of the Company for a three-year period from the Primary Conversion Effective Date and, in accordance with the HK Stock Exchange’s guidance letter HKEX-GL108-20, on the conditions that:

- (i) Ms. Au-Yeung will be appointed as a joint company secretary to assist Mr. Edmondson in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the HK Listing Rules;
- (ii) the waiver could be revoked if there are material breaches of the HK Listing Rules by the Company; and
- (iii) before the end of the three-year period, the Company must demonstrate and seek the confirmation of the HK Stock Exchange that Mr. Edmondson, having had the benefit of Ms. Au-Yeung’s assistance during the three-year period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 of the HK Listing Rules such that a further waiver will not be necessary.

In the event of withdrawal of any of the aforementioned Primary Conversion Waivers, the Company would have to fully comply with such HK Listing Rules.

4. APPOINTMENT OF JOINT COMPANY SECRETARIES

In June 2022, Mr. F. Ty Edmondson and Ms. Nelly Au-Yeung were appointed as joint company secretaries of the Company, with effect from June 27, 2022. Details of the biographies of Mr. Edmondson and Ms. Au-Yeung are set out in section 3.3 headed “JOINT COMPANY SECRETARIES” above.

5. CHANGE OF AUTHORIZED REPRESENTATIVE AND PROCESS AGENT

Following the Primary Conversion, Mr. William Ki Chul Cho will cease to be the authorized representative of the Company under Rule 3.05 of the HK Listing Rules, with effect from June 27, 2022, and Li & Partners will cease to be the authorized representative for accepting the service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), with effect from June 27, 2022. Mr. Cho will remain as the Chief Financial Officer of the Company.

The Board further announces that Ms. Au-Yeung has also been appointed as (i) an authorized representative of the Company under Rule 3.05 of the HK Listing Rules; and (ii) an authorized representative of the Company for accepting the service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), with effect from June 27, 2022.

This announcement is for information purposes only and does not constitute, or form part of, any invitation or offer to acquire, purchase or subscribe for any securities of the Company. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

By order of the Board

Zai Lab Limited

Samantha Du

Director, Chairperson and Chief Executive Officer

Hong Kong, June 23, 2022

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, Ms. Nisa Leung, Mr. William Lis, Mr. Leon O. Moulder, Jr., Mr. Peter Wirth, Mr. Scott W. Morrison and Richard Gaynor, M.D. as independent directors.

* *For identification only*