zai lab

Incorporated in the Cayman Islands
with limited liability

HKEX: 9688

NASDAQ: ZLAB

2023 Interim Report

CONTENTS

CORPORATE INFORMATION

As of the date of this interim report:

BOARD OF DIRECTORS

Directors

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

Independent Directors

Dr. Kai-Xian Chen
Dr. John Diekman *(Lead Independent Director)*
Richard Gaynor, M.D.
Ms. Nisa Leung
Mr. William Lis
Mr. Scott W. Morrison
Mr. Leon O. Moulder, Jr.
Mr. Michel Vounatsos *(appointed on January 7, 2023)*
Mr. Peter Wirth

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

Building 1, 4/F
Jinchuang Plaza
4560 Jinke Road
Pudong, Shanghai, 201210
P.R. China

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE UNITED STATES

314 Main Street
4th Floor, Suite 100
Cambridge, MA 02142
USA

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2301, 23/F
Island Place Tower
510 King's Road
North Point, Hong Kong
P.R. China

REGISTERED OFFICE

Harbour Place, 2nd Floor
103 South Church Street
P.O. Box 472
George Town
Grand Cayman KY1-1106
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

International Corporation Services Ltd.
Harbour Place, 2nd Floor
103 South Church Street
P.O. Box 472
George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER AGENT

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited (until June 26, 2023)
20/F China Building
29 Queen's Road Central
Hong Kong

AUTHORIZED REPRESENTATIVES

Dr. Samantha Du
Building 1, 4/F
Jinchuang Plaza
4560 Jinke Road
Pudong, Shanghai, 201210
P.R. China

Ms. Nelly Au-Yeung
5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

AUDIT COMMITTEE

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

COMPENSATION COMMITTEE

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

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

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

RESEARCH AND DEVELOPMENT COMMITTEE

Richard Gaynor, M.D. *(Chairperson)*
Dr. Samantha Du
Dr. Kai-Xian Chen
Mr. William Lis
Mr. Michel Vounatsos *(appointed as a member on January 7, 2023)*

COMMERCIAL COMMITTEE*

Mr. Michel Vounatsos *(Chairperson)*
Mr. William Lis
Mr. Leon O. Moulder, Jr.

* The Commercial Committee was established on January 7, 2023.

STOCK CODES

HKEX: 9688
NASDAQ: ZLAB

AUDITORS

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

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

COMPANY WEBSITE

http://www.zailaboratory.com/

FORWARD-LOOKING STATEMENTS

This interim report contains forward-looking statements relating to our strategy and plans; potential of and expectations for our business and pipeline programs; 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 future financial and operating results; and financial guidance. All statements, other than statements of historical fact, included in this interim report are forward-looking statements, and can be identified by words such as "aim," "anticipate," "believe," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "plan," "possible," "potential," "will," "would," and other similar expressions. Such statements constitute forward-looking statements. 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 interim 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 forward-looking statements as a result of various important factors, including but not limited to (1) our ability to successfully commercialize and generate revenue from our approved products; (2) our ability to obtain funding for our operations and business initiatives; (3) the results of our clinical and pre-clinical development of our product candidates; (4) the content and timing of decisions made by the relevant regulatory authorities regarding regulatory approvals of our product candidates; (5) risks related to doing business in China; and (6) other factors identified in our most recent annual and quarterly reports and in other reports we have filed with the SEC and Hong Kong Stock Exchange. 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 interim report.

The following management discussion and analysis should be read in conjunction with our 2022 HK Annual Report, and our unaudited condensed consolidated financial statements and the accompanying notes thereto included in this interim 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, autoimmune disorders, infectious disease, and neuroscience. 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 in one or more territories in Greater China. We also have thirteen 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. We expect to continue to incur substantial expenses related to our research and development activities. For example, our licensing and collaboration agreements may require us to make upfront payments upon our entry into such agreements and milestone payments upon the achievement of certain development, regulatory, and sales-based milestones as well as certain royalties at tiered percentage rates based on annual net sales of the licensed products in the licensed territories. In addition, we expect to incur substantial costs related to the commercialization of our product candidates, in particular during the early launch phase.

As we pursue our strategy of growth and development, 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 products in our pipeline, including new indications for our current commercial products, 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 product or whether or when such product may become profitable.

Recent Developments

Commercial Products

We continued to increase net product revenues for each of our commercial products in the first half of 2023, compared to the first half of 2022, driven by increased access for ZEJULA, QINLOCK, and NUZYRA as a result of their inclusion in the National Reimbursement Drug List ("NRDL") and for Optune as a result of increased supplemental insurance plan coverage. In January 2023, QINLOCK was included in the NRDL for fourth-line treatment of advanced gastrointestinal stromal tumor patients and NUZYRA was included for the treatment of adults with community-acquired bacterial pneumonia and acute bacterial skin and skin structure infections. The updated NRDL officially took effect on March 1, 2023.

We also received the following regulatory approvals for our commercial products during the first half of 2023:

- **Optune for GBM in Taiwan**: In May 2023, the Taiwan Food and Drug Administration approved the Marketing Authorization Application ("MAA") for Optune for the treatment of patients with glioblastoma multiforme ("GBM").

- **VYVGART for gMG in mainland China**: In June 2023, we received approval from the National Medical Products Administration ("NMPA") for the Biologics License Application ("BLA") for VYVGART (efgartigimod alfa injection), a first-in-class neonatal Fc receptor ("FcRn") antagonist, as an add on standard therapy for the treatment of adult patients with generalized myasthenia gravis ("gMG") who are anti-acetylcholine receptor ("AChR") antibody positive. We commercially launched VYVGART in mainland China in September 2023.

Product Candidates

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

Oncology

- **ZEJULA (niraparib, PARP)**: In July 2023, we announced the publication in JAMA Oncology of data from the pivotal Phase III PRIME study evaluating ZEJULA as a first-line maintenance therapy in Chinese patients with newly diagnosed advanced ovarian cancer and demonstrating that an individual starting dose ("ISD") of 200 or 300mg based on baseline bodyweight and platelet count can bring significant benefit to patients with an improved safety and tolerability profile of ZEJULA compared to a fixed 300mg starting dose. The data demonstrated that maintenance treatment with ZEJULA can significantly extend progression-free survival ("PFS") versus a placebo and can reduce the risk of disease progression or death by 55% among patients with newly diagnosed advanced ovarian cancer, regardless of postoperative residual disease or biomarker status. For example, with a median follow-up of 27.5 months, median PFS ("mPFS") with ZEJULA versus placebo in the intention-to-treat ("ITT") population was 24.8 versus 8.3 months (hazard ratio ("HR"), 0.45; 95% confidence internal ("CI"), 0.34–0.60; p<0.001). At the time of data cut-off, overall survival ("OS") data were not yet mature in the ITT population. Utilization of an individual starting dose demonstrated a tolerable safety profile in the maintenance setting. Grade ≥3 treatment-emergent adverse events ("TEAEs") and serious adverse events ("SAEs") were reported in 54.5% versus 17.8% and 18.8% vs 8.5% in ZEJULA-treated and placebo-treated patient, respectively. Similar proportions of ZEJULA-treated and placebo-treated patients (6.7% vs 5.4%) discontinued therapy due to TEAEs. The findings are consistent with prior studies that indicate that ZEJULA monotherapy as first-line maintenance treatment can provide statistically and clinically meaningful benefit in a broad population of patients, regardless of postoperative residual disease or biomarker status.

- **Tumor Treating Fields (TTFields or Optune):**

  - *NSCLC:* In June 2023, we announced with our partner NovoCure Limited ("NovoCure") that the Phase III LUNAR clinical trial demonstrated a statistically significant and clinically meaningful extension in OS for patients with metastatic non-small cell lung cancer ("NSCLC") after platinum-based therapies. The LUNAR trial met its primary endpoint with a statistically significant and clinically meaningful 3-month improvement in median OS when TTFields therapy was added to standard therapies (HR: 0.74; P=0.035). Patients randomized to receive TTFields therapy together with standard therapies (n=137) demonstrated median OS of 13.2 months compared to 9.9 months in patients treated with standard therapies alone (n=139). A profound OS benefit from TTFields therapy was demonstrated in the immune checkpoint inhibitor ("ICI") subgroup. Patients randomized to receive TTFields therapy and physician's choice ICI (n=66) demonstrated a median OS of 18.5 months versus 10.8 months in patients treated with ICIs alone (n=68; HR=0.63; P=0.03), and patients randomized to receive TTFields therapy and docetaxel (n=71) had a positive survival trend with a median OS of 11.1 months versus 8.7 months in patients treated with docetaxel alone (n=71). TTFields therapy was well-tolerated with no added systemic toxicities and few grade 3 (no grade 4 or 5) device-related adverse events. NovoCure presented the positive results at the 2023 American Society of Clinical Oncology ("ASCO") Annual Meeting in June 2023. We participated in the Greater China portion of the study.

  - *Pancreatic Cancer:* In July 2023, NovoCure announced the results of a pre-specified interim analysis for the Phase III PANOVA-3 clinical trial evaluating the safety and efficacy of TTFields therapy together with nab-paclitaxel and gemcitabine for the treatment of patients with unresectable, locally advanced pancreatic cancer. An independent data monitoring committee ("DMC") reviewed the safety and efficacy data for all patients in the fully enrolled clinical trial. The interim analysis resulted in a DMC recommendation that the clinical trial proceed to final analysis. We participated in the Greater China portion of the study.

  - *Ovarian Cancer:* In August 2023, NovoCure announced that the Phase III INNOVATE-3 clinical trial of TTFields together with paclitaxel in patients with platinum-resistant ovarian cancer did not meet its primary endpoint of OS at the final analysis. We did not participate in this study.

- **KRAZATI® (adagrasib, KRAS^{G12C}):** In April 2023 and May 2023, our partner Mirati Therapeutics, Inc. ("Mirati") announced the inclusion of adagrasib as the only KRAS^{G12C} inhibitor in the National Comprehensive Cancer Network ("NCCN") Guidelines for patients with KRAS^{G12C}-mutated NSCLC with central nervous system ("CNS") metastases and for KRAS^{G12C}-mutation positive pancreatic adenocarcinoma cancer patients, respectively. Also, in April 2023, Mirati presented updated clinical data for adagrasib as a targeted treatment for pancreatic ductal adenocarcinoma, biliary tract cancer, and other solid tumors harboring a KRAS^{G12C} mutation at the 2023 ASCO Plenary series. Data was concurrently published in the Journal of Clinical Oncology. In June 2023, we completed enrollment in China for the global Phase 2 KRYSTAL-7 trial of adagrasib in combination with pembrolizumab as first-line treatment for patients with advanced KRAS^{G12C}-mutated NSCLC, and in July 2023, we completed enrollment in China for the global Phase 3 KRYSTAL-10 trial of adagrasib in combination with cetuximab versus chemotherapy in patients with previously treated advanced KRAS^{G12C}-mutated colorectal cancer.

- **Repotrectinib (ROS1/TRK):** In May 2023, our partner Bristol Myers Squibb ("BMS") announced that the FDA had accepted its New Drug Application ("NDA") for repotrectinib, a next generation tyrosine kinase inhibitor ("TKI"), for the treatment of adult patients with ROS1-positive locally advanced or metastatic NSCLC based on results from the Phase I/II TRIDENT-1 trial. The FDA granted the application priority review and assigned a Prescription Drug User Fee Act ("PDUFA") date of November 27, 2023. In June 2023, the NMPA accepted our NDA for repotrectinib for the same indications, after granting priority review in May 2023. In August 2023, the Center for Drug Evaluation ("CDE") of the NMPA granted Breakthrough Therapy Designation ("BTD") for investigational repotrectinib for the treatment of patients with advanced solid tumors that have a neurotrophic tropomyosin-receptor kinase ("NTRK") gene fusion who have progressed following treatment with TRK TKIs. This BTD was supported by data from both global and Chinese NTRK-positive TKI-pretreated patients enrolled in the Phase I/II TRIDENT-1 study.

- **TIVDAK® (Tisotumab Vedotin, Antibody Drug Conjugate ("ADC")):** In April 2023, our partner Seagen Inc. ("Seagen") presented the interim analysis for the Phase II innovaTV 207 study in head and neck cancer at the 2023 American Association of Cancer Research ("AACR") Annual Meeting. At data cutoff (November 28, 2022), confirmed objective response rate ("ORR") was 40% (95% CI: 16.3, 67.7), with 1 complete response and 5 partial responses. The safety profile was generally consistent with that observed across TIVDAK monotherapy clinical studies. In addition, in February 2023, Seagen completed global target patient enrollment for the Phase III confirmatory innovaTV 301 study in second- or third-line recurrent or metastatic cervical cancer. In September 2023, Seagen and Genmab A/S announced that the Phase III innovaTV 301 global trial in recurrent or metastatic cervical cancer patients with disease progression on or after front-line therapy who received TIVDAK, compared with chemotherapy alone, met its primary endpoint of OS. An Independent Data Monitoring Committee determined that OS crossed the pre-specified efficacy boundary at interim analysis. The key secondary endpoints of investigator-assessed progression-free survival and objective response rate also demonstrated statistical significance. The safety profile of TIVDAK in innovaTV 301 was consistent with the known safety profile of TIVDAK as presented in the U.S. prescribing information, and no new safety signals were observed. We are participating in the global trial and ongoing extension study in Greater China.

- **Bemarituzumab (FGFR2b):** In March 2023, we obtained Clinical Trial Application ("CTA") approval for the Phase III FORTITUDE-101 study of bemarituzumab plus chemotherapy, versus placebo plus chemotherapy, in first-line gastric cancer with FGFR2b overexpression. In July 2023, we enrolled the first patient in China in the global Phase III FORTITUDE-101 study.

- **Odronextamab (CD20xCD3):** In March 2023, we completed enrollment in China for the registrational global Phase II ELM-2 trial in B-cell non-Hodgkin lymphoma.

Autoimmune Disorders, Infectious Diseases, and Neuroscience

- **VYVGART (Efgartigimod, FcRn):**

  - *gMG:* In June 2023, our partner argenx BV ("argenx") announced that the FDA approved VYVGART Hytrulo (efgartigimod alfa and hyaluronidase-qvfc) injection for subcutaneous use in gMG. In July 2023, the NMPA accepted our BLA for efgartigimod alfa injection (subcutaneous injection) ("efgartigimod SC") for the treatment of adult patients with gMG.

  - *CIDP:* In September 2023, the CDE of the NMPA granted BTD for efgartigimod SC for the treatment of patients with chronic inflammatory demyelinating polyneuropathy ("CIDP"). This BTD was supported by data from both global and Chinese patients enrolled in the ADHERE study. The ADHERE study met its primary endpoint (p=0.000039), demonstrating a significantly lower risk of relapse with efgartigimod SC compared to placebo. Efgartigimod SC demonstrated a 61% reduction (HR: 0.39; 95% CI: 0.25; 0.61) in the risk of relapse versus placebo, and 67% of patients in open-label Stage A demonstrated evidence of clinical improvement, indicating that IgG autoantibodies play a significant role in the underlying biology of CIDP. The safety and tolerability profile was consistent with previous clinical trials and the confirmed safety profile of VYVGART. We participated in the Greater China portion of the study.

  - *BP:* In May 2023, we enrolled the first patient in China in the global Phase II/III BALLAD study of efgartigimod SC in adult patients with bullous pemphigoid ("BP").

- **XACDURO® (Sulbactam-Durlobactam or SUL-DUR, Asia Pacific Rights):** In May 2023, our partner Entasis Therapeutics, Inc., a wholly owned subsidiary of Innoviva, Inc., announced that the FDA approved XACDURO for the treatment of adults with hospital-acquired bacterial pneumonia and ventilator-associated bacterial pneumonia caused by susceptible strains of Acinetobacter baumannii-calcoaceticus complex. Our NDA for the treatment of infections caused by Acinetobacter baumannii, including multidrug-resistant and carbapenem-resistant *Acinetobacter baumannii* strains, was accepted in February 2023 after granting priority review in January 2023 and is under review at the NMPA.

- **KarXT (Xanomeline-Trospium, M1/M4-Preferring Muscarinic Agonist):** In March 2023, our partner Karuna Therapeutics, Inc. announced positive results from the Phase III EMERGENT-3 trial of KarXT in schizophrenia. The trial met its primary endpoint, with KarXT demonstrating a statistically significant and clinically meaningful 8.4-point reduction in Positive and Negative Syndrome Scale (PANSS) total score compared to placebo (-20.6 KarXT vs. -12.2 placebo; 0.0001) at Week 5 (Cohen's d effect size of 0.60). Consistent with prior trials, KarXT demonstrated an early and sustained statistically significant reduction of symptoms from Week 2 ($p<0.0001$) at Week 5 (Cohen's d effect size of 0.60). Consistent with prior trials, KarXT demonstrated an early and sustained statistically significant reduction of symptoms from Week 2 ($p<0.$ 05) through the end of the trial as assessed by PANSS total score. The pharmacokinetic ("PK") study in mainland China is ongoing. In January 2023, the NMPA approved the CTA for a registrational bridging study in mainland China for KarXT for the treatment of patients with schizophrenia, and in June 2023, we enrolled the first patient in this bridging study.

Corporate Updates

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

- **Business Development:** In April 2023, we entered into a strategic partnership and global license agreement with MediLink Therapeutics (Suzhou) Co., Ltd. ("MediLink"). Through this collaboration, we expanded our lung cancer franchise and global oncology pipeline with an early-stage next generation DLL3 ADC program, ZL-1310. DLL3 is an inhibitor of the Notch ligand that is overexpressed in small cell lung cancer and neuroendocrine tumors. ZL-1310 has demonstrated an encouraging pre-clinical profile. ZL-1310 is progressing to the clinical stage, and we plan to focus on advancing its global development.

- **Organizational Update:** As we enter into a stage of further growth, productivity, and global opportunities, we promoted Joshua Smiley to the role of President and Chief Operating Officer, effective April 1, 2023. Mr. Smiley joined the Company as our Chief Operating Officer in August 2022. He is responsible for our corporate strategy and for overseeing our commercial, manufacturing, business development, finance, human resources, information technology, and corporate affairs functions. In this new role, Mr. Smiley will further help our leadership team enter and better anticipate the strategic and operational needs of this next period of growth for the Company. In addition, we promoted Yajing Chen to Chief Financial Officer, effective July 7, 2023. Dr. Chen previously served as our Senior Vice President and Deputy Chief Financial Officer, helping to oversee finance, planning and forecasting, accounting, tax, treasury, and procurement matters since joining the Company in September 2021. She is a seasoned finance executive with more than 20 years of experience in the life sciences industry as well as a Ph.D. trained scientist. She joined the Company from AstraZeneca where she held various roles of increasing responsibility from 2006 to 2021, including Chief Financial Officer for the U.S. Oncology Business Unit from 2019 to 2021 and Finance Controller of the Global Oncology Business Unit from 2016 to 2019. Her scientific background combined with her significant executive management experience, finance expertise at leading global companies, and business acumen provide a unique and valuable perspective to the Company and will help drive our next phase of growth. Dr. Chen succeeds Billy Cho, who stepped down from his role and left the Company on July 7, 2023.

Legal and Regulatory Developments

Our business has been and continues to be impacted by legal and regulatory developments in the jurisdictions in which we operate, particularly in mainland China where our operations and product markets are primarily located. Effective in May 2023, the State Administration for Market Regulation's Measures for the Administration of Internet Advertising reiterate requirements under the PRC Advertising Law for advance approval from local administrative authorities to advertise pharmaceutical products and impose additional restrictions on the form and content of advertisements for pharmaceutical products. In February 2023, the National Health Commission, together with three other government agencies, jointly released the Measures on Ethics Review for Life Sciences and Medical Research Involving Human Subjects (the "Ethics Review Measures"), which set forth criteria and specific steps for ethics reviews for life sciences and medical research involving human subjects carried out by medical institutions, colleges and universities, or scientific research institutes located within mainland China and elaborate the content requirements for informed consent forms. Clinical trials carried out by PRC clinical trial sites and sponsored by us are generally subject to the Ethics Review Measures. The Provisions on Supervision and Administration of Marketing Authorization Holders Concerning the Implementation of Primary Responsibilities for Drug Quality and Safety became effective on March 1, 2023. These provisions require marketing authorization holders, including us, to assume primary responsibility for the safety, effectiveness, and quality of drugs during the total product life cycle, and they impose new requirements on drug quality management and drug recall systems, including maintaining a data-based traceability system, among other things. In March 2023, the People's Government of Hainan Province published revised Regulations for the Administration of the Imported Urgently Needed Drugs and Medical Devices in the Hainan Bo'ao Lecheng International Medical Tourism Pilot Zone (the "BMTPZ"), which became effective in May 2023. Under these regulations, medical institutions in the BMTPZ meeting certain qualifications may apply to use our products that meet specified requirements, including drugs or medical devices that address specific urgent clinical needs that cannot be met with existing approved products. We have successfully used this pathway in the past, and with the revised regulation, we will continue to look for opportunities to use this pathway to accelerate our entry into the China market for product candidates in advance of NMPA approval. In April 2023, the Standing Committee of the National People's Congress voted to adopt a revised Counter-Espionage Law, which went into effect on July 1, 2023. The revised Counter-Espionage Law is intended to strengthen provisions on the protection of national security in mainland China. The revised Counter-Espionage Law may increase our cyber security or operational costs and could subject us to investigative or enforcement actions by the Chinese government or regulatory authorities. In July 2023, the Ministry of Science and Technology of the People's Republic of China published an updated Service Guide for the Examination and Approval of Sampling, Collecting, Trading, Exporting Human Genetic Resources, which will impact the Company's practices in filing for an advance approval with the HGRAC.

Factors Affecting Our Results of Operations

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, and a core part of our strategy is to continue making sustained investments in research and development, including internal discovery activities. As a result of this commitment, our pipeline of product candidates has been advancing and expanding, with thirteen late-stage clinical product candidates being investigated as of June 30, 2023.

We have financed our activities primarily through private placements, our initial public offering in September 2017 and multiple follow-on offerings on Nasdaq and our secondary listing and initial public offering on the Hong Kong Stock Exchange in September 2020. Through June 30, 2023, we have raised approximately $164.6 million from private equity financing and approximately $2,462.7 million in net proceeds after deducting underwriting commissions and the offering expenses payable by us from our initial public offerings and follow-on offerings. Our operations have consumed substantial amounts of cash since inception. The net cash used in our operating activities was $128.0 million and $132.0 million for the first half of 2023 and 2022, respectively. We expect our expenditures to increase in connection with our ongoing activities, particularly as we advance the clinical development of our thirteen late-stage clinical product candidates, research and develop our clinical- and pre-clinical-stage product candidates, and initiate additional clinical trials of, and seek regulatory approval for, these and other future product candidates. These expenditures include:

- expenses incurred for contract research organizations ("CROs"), contract manufacture organizations ("CMOs"), investigators, and clinical trial sites that conduct our clinical studies;
- employee compensation related expenses, including salaries, benefits, and equity compensation expenses;
- expenses for licensors;
- the cost of acquiring, developing, and manufacturing clinical study materials;
- facilities and other expenses, which include office leases and other overhead expenses;
- costs associated with pre-clinical activities and regulatory operations; and
- expenses associated with the construction and maintenance of our manufacturing facilities.

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, 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 anticipate that our selling, general, and administrative expenses will increase in future periods to support increases in our commercial and research and development activities and as we continue to discover, develop, commercialize, and manufacture our products and product candidates. These increases will likely include expanded infrastructure as well as increased headcount, and share-based compensation, product distribution, promotion, and insurance costs. We also anticipate incurring additional legal, compliance, accounting, and investor and public relations expenses associated with being a public company listed on both Nasdaq and the Hong Kong Stock Exchange.

Our Ability to Commercialize Our Product Candidates

As of August 1, 2023, thirteen of our product candidates were in late-stage clinical development and various others were 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, substantial investment, and significant marketing efforts before we generate any revenue from product sales.

License and Collaboration Arrangements

Our results of operations have been, and we expect them to continue to be, affected by our license and collaboration agreements. We may be required to make upfront payments upon our entry into such agreements and milestone payments upon the achievement of certain development, regulatory, and sales-based milestones for the relevant products under these agreements as well as certain royalties at tiered percentage rates based on annual net sales of the licensed products. We recorded research and development expense related to upfront license fees and development milestones of $19.3 million and $10.4 million for the first half of 2023 and 2022, respectively. We may be obligated to pay up to an additional aggregate amount of approximately $2,443.8 million in development and regulatory milestone payments and $3,437.4 million in sales-based milestone payments that are contingent on product performance as well as certain royalties at tiered percentage rates on annual net sales. These milestones may not occur at all, or certain development and regulatory milestones may occur before the Company has commercialized or received any revenue from the licensed product. If these milestones do occur, we view related payments as positive because they signify that the product is advancing toward potential commercial launch or achieving higher sales levels.

The COVID-19 Pandemic

Our results of operations have been adversely affected by the COVID-19 pandemic, including by government actions and quarantine measures taken in response in 2022 and increased infection rates in the first quarter of 2023 after COVID restrictions were lifted or eased, particularly in mainland China where our operations and product markets are primarily located. For example, the pandemic adversely affected our net product revenues in 2022 and the first quarter of 2023 through decreased patient access to our products, such as through reduced hospital access during periods of lockdown or high infection rates, fewer newly diagnosed oncology patients, and delayed or interrupted treatments. The pandemic also adversely affected our manufacturing and supply chain and our research and development, sales, marketing, and clinical trial activities. The operations of our suppliers, CROs, CMOs, and other contractors and third parties on which we rely also were adversely affected. The COVID-19 pandemic did not have a material adverse effect on our business or results of operations in the second quarter of 2023.

FUTURE AND OUTLOOK

Our mission is to be a leading global biopharmaceutical company focused on discovering, developing, and commercializing innovative products that improve the lives of patients in China and worldwide. For the remainder of 2023, our key corporate strategic goals for driving innovation in China and beyond include the following:

Accelerating 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 the continued growth of our differentiated product pipeline through regional and global collaborations and corporate development activities; and

Continuing Our Commercial Excellence and Execution: We seek to continue delivering strong financial performance, including by increasing access to our commercial products and driving further increases in our efficiency and productivity as we continue preparations to launch eight additional products in Greater China in the next 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. In 2022, we established our ESG 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.

FINANCIAL REVIEW

Key Components of Results of Operations

In this section, we discuss key components of our results of operations for the first half of 2023 compared to the first half of 2022.

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

	Six Months Ended June 30,		Change	
	2023	2022	$	%
Revenues:				
Product revenue, net	131,661	93,670	37,991	41 %
Collaboration revenue	—	1,230	(1,230)	(100)%
Total revenues	131,661	94,900	36,761	39 %
Expenses:				
Cost of sales	(45,100)	(33,051)	(12,049)	36 %
Research and development	(125,153)	(119,938)	(5,215)	4 %
Selling, general, and administrative	(130,430)	(120,392)	(10,038)	8 %
Gain on sale of intellectual property	10,000	—	10,000	NM
Loss from operations	(159,022)	(178,481)	19,459	(11)%
Interest income	20,321	1,363	18,958	1,391 %
Foreign currency loss	(31,167)	(32,610)	1,443	(4)%
Other expense, net	(171)	(10,378)	10,207	(98)%
Loss before income tax and share of loss from equity method investment	(170,039)	(220,106)	50,067	(23)%
Income tax expense	—	—	—	— %
Share of loss from equity method investment	—	(221)	221	(100)%
Net loss	(170,039)	(220,327)	50,288	(23)%
Net loss attributable to ordinary shareholders	(170,039)	(220,327)	50,288	(23)%

NM — Not Meaningful

Revenues

Product Revenue

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

	Six Months Ended June 30,		Change	
	2023	2022	$	%
Product revenue — gross	146,222	107,649	38,573	36%
Less: Rebates and sales return	(14,561)	(13,979)	(582)	4%
Product revenue — net	131,661	93,670	37,991	41%

Our product revenue is primarily derived from the sales of ZEJULA, Optune, QINLOCK, and NUZYRA in mainland China and Hong Kong, net of sales returns and rebates to distributors in mainland China with respect to the sales of these products. We had a minimal amount of revenue for VYVGART from our named patient program in mainland China in the second quarter of 2023.

Our net product revenue increased by $38.0 million in the first half of 2023, primarily driven by increased sales volumes and decreased negative effects from the COVID-19 pandemic. The adverse effects of the COVID-19 pandemic had a more significant impact on our sales volumes for the first half of 2022 due to decreased patient access to our products, such as through reduced hospital access during periods of lockdown or high infection rates, fewer newly diagnosed oncology patients, and delayed or interrupted treatments. The COVID-19 pandemic did not have a material adverse effect on our sales volume in the second quarter of 2023.

For the first half of 2023, our product revenue included negative adjustments of $5.2 million to compensate distributors for sales of QINLOCK and NUZYRA at prices prior to the price reductions made in connection with their addition to the NRDL. The Company lowered the selling price of ZEJULA due to its inclusion in the NRDL in December 2021 for certain therapies. In June 2022, the Company lowered the selling price for QINLOCK and NUZYRA. Accordingly, for the first half of 2022, our product revenue included negative adjustments of $5.8 million to compensate distributors for sales of ZEJULA, QINLOCK and NUZYRA at prices prior to the price reductions. Such sales rebates to distributors on previously purchased products are customary in our industry to compensate those distributors for the new NRDL selling price.

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

	Six Months Ended June 30,		Change	
	2023	2022	$	%
ZEJULA	85,637	63,649	21,988	35%
Optune	27,034	24,389	2,645	11%
QINLOCK	8,833	3,582	5,251	147%
NUZYRA	10,105	2,050	8,055	393%
VYVGART	52	—	52	NM
Total product revenue, net	131,661	93,670	37,991	41%

NM — Not Meaningful

Cost of Sales

Cost of sales increased by $12.0 million in the first half of 2023, primarily due to increasing sales volumes and higher royalties.

Research and Development Expenses

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

	Six Months Ended June 30,		Change	
	2023	2022	$	%
Personnel compensation and related costs	58,034	51,847	6,187	12 %
Licensing fees	19,282	10,436	8,846	85 %
CROs/CMOs/Investigators expenses	36,065	46,918	(10,853)	(23)%
Other costs	11,772	10,737	1,035	10 %
Total	125,153	119,938	5,215	4 %

Research and development expenses increased by $5.2 million in the first half of 2023 primarily due to:

- an increase of $8.8 million in licensing fees in connection with increased upfront and milestone payments for our license and collaboration agreements;
- an increase of $6.2 million in personnel compensation and related costs primarily due to headcount growth and grants of share options and restricted shares and the continued vesting of option and restricted share awards; and
- an increase of $1.0 million in other costs related to ongoing and newly initiated clinical trials; those increases were partially offset by:
- a decrease of $10.9 million in CROs/CMOs/Investigators expenses due to compensation from collaboration partners related to our clinical trials.

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

	Six Months Ended June 30,		Change	
	2023	2022	$	%
Clinical programs	44,989	56,144	(11,155)	(20)%
Pre-clinical programs	13,239	4,522	8,717	193%
Unallocated research and development expenses	66,925	59,272	7,653	13%
Total	125,153	119,938	5,215	4%

Research and development expenses attributable to clinical programs decreased by $11.2 million in the first half of 2023, primarily driven by compensation from collaboration partners related to our clinical trials.

Research and development expenses attributable to pre-clinical programs increased by $8.7 million in the first half of 2023, primarily driven by increased license fees.

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	
	2023	2022	$	%
Personnel compensation and related costs	83,788	79,523	4,265	5%
Professional service fees	14,348	15,505	(1,157)	(7)%
Other costs	32,294	25,364	6,930	27%
Total	130,430	120,392	10,038	8%

Selling, general, and administrative expenses increased by $10.0 million in the first half of 2023 primarily due to:

- an increase of $6.9 million in other costs mainly related to selling, rental, and administrative expenses for commercial operations in mainland China, Hong Kong, and Taiwan; and

- an increase of $4.3 million in personnel compensation and related costs which was primarily driven by headcount growth, particularly in commercial and administrative personnel, and grants of share options and restricted shares and the continued vesting of option and restricted share awards; those increases were partially offset by:

- a decrease of $1.2 million in professional service fees primarily related to legal expenses.

Gain on Sale of Intellectual Property

During the first half of 2023, we sold certain patent rights and related know-how to a third party, resulting in a gain of $10.0 million. We had no such intellectual property sales resulting in gains or losses in the prior year period.

Interest Income

Interest income increased by $19.0 million in the first half of 2023 due to increased interest rates.

Foreign Currency Loss

Foreign currency loss decreased by $1.4 million in the first half of 2023, primarily driven by decreased remeasurement loss due to depreciation of the RMB against the U.S. dollar.

Other Expenses, Net

Other expenses, net decreased by $10.2 million in the first half of 2023, primarily due to a decrease in equity investment loss in MacroGenics of $11.3 million, partially offset by a decrease in governmental subsidies of $1.5 million.

Income Tax Expense

There was no change in our income tax expense, which was zero in the first half of 2023 and 2022.

Discussion of Certain Key Balance Sheet Items

This section includes discussion of certain key balance sheet items as of June 30, 2023 compared to December 31, 2022.

Cash, cash equivalents, restricted cash, and short-term investments

As of June 30, 2023, the Company's cash, cash equivalents, restricted cash and short-term investments amounted to $876.4 million and primarily comprised of (1) $850.3 million denominated in U.S. dollars; (2) $22.0 million denominated in Renminbi; and (3) $4.1 million in aggregate denominated in Hong Kong dollars, Australian dollars, and Taiwan dollars.

Accounts receivable

Accounts receivable increased by $7.3 million to $47.3 million as of June 30, 2023, primarily due to the increased receivables from our customers arising from product sales in the first half of 2023.

Inventories

Our inventories increased by $4.7 million to $36.4 million as of June 30, 2023, mainly because we built up our inventory balance in anticipation of increasing sales.

Property and equipment, net

Property and equipment decreased by $1.5 million to $56.4 million as of June 30, 2023, primarily due to their continued depreciation.

Accounts payable

Accounts payable increased by $1.0 million to $67.0 million as of June 30, 2023, due to an increase in amounts due to third parties.

Other current liabilities

Other current liabilities decreased by $7.8 to $59.0 million as of June 30, 2023, primarily due to payment of employee bonuses, partially offset by an increase in accrued professional service fee and tax payables related to settlements of equity awards and value added taxes.

Liquidity and Capital Resources

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

	June 30, 2023	December 31, 2022
Cash and cash equivalents	859,155	1,008,470
Short-term investments	15,500	—
Restricted cash, non-current	1,791	803
Total	876,446	1,009,273

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. Through June 30, 2023, 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 $128.0 million and $132.0 million for the first half of 2023 and 2022, respectively. As of June 30, 2023, we had commitments for capital expenditures of $3.9 million, mainly for the purpose of plant construction and installation. For information on our research and development activities and expenditures see the Research and Development Expenses, License and Collaboration Arrangements, and Results of Operations sections in MD&A above.

As of June 30, 2023, we had cash and cash equivalents, restricted cash, and short-term investments of $876.4 million. Based on our current operating plan, we expect that our cash, cash equivalents, restricted cash, and short-term investments will enable us to meet our cash requirements and fund our operating expenses and capital expenditure requirements for at least the next 12 months. However, in order to bring to fruition our research and development objectives, we may ultimately need additional funding sources, 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
	2023	2022	$
Net cash used in operating activities	(127,989)	(132,027)	4,038
Net cash used in investing activities	(11,252)	(143,869)	132,617
Net cash used in financing activities	(5,379)	(2,240)	(3,139)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(3,707)	(5,144)	1,437
Net decrease in cash, cash equivalents and restricted cash	(148,327)	(283,280)	134,953

In the following sections, we discuss our cash flows by activity for the first half of 2023 compared to the first half of 2022.

Net Cash Used in Operating Activities

Net cash used in operating activities decreased by $4.0 million to $128.0 million in the first half of 2023, primarily due to a decrease of $50.3 million in net loss, partially offset by a decrease of $35.2 million in net changes in operating assets and liabilities and a decrease of $11.1 million in adjustments to reconcile net loss to net cash used in operating activities.

Net Cash Used in Investing Activities

Net cash used in investing activities decreased by $132.6 million to $11.3 million in the first half of 2023, primarily due to a decrease of $160.3 million in purchases of short-term investments, an increase of $10.0 million in proceeds from sale of intellectual property, and a decrease of $8.3 million in purchases of property and equipment, partially offset by a decrease of $45.5 million in proceeds from the maturity of short-term investments.

Net Cash Used in Financing Activities

Net cash used in financing activities increased by $3.1 million to $5.4 million in the first half of 2023, primarily due to a decrease of $2.9 million in proceeds from exercises of stock options and an increase of $0.3 million in employee taxes paid related to net share settlement of equity awards.

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 expect our expenses to increase significantly in connection with our ongoing activities, particularly as we continue to commercialize our approved products, continue our research and development efforts related to our clinical and pre-clinical-stage product candidates, and initiate additional clinical trials of, and seek and/or expand regulatory approval for our products and product candidates. In addition, if we obtain regulatory approval for any additional product candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales, and distribution. In particular, if more of our product candidates are approved, additional costs may be substantial as we may have to, among other things, modify or increase the production capacity at our current manufacturing facilities or contract with third-party manufacturers and increase our commercial workforce. We have incurred, and may continue to incur, expenses as we create additional infrastructure to support our operations. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot ensure that we will have sufficient cash from other sources to fund our operations. We will likely need to obtain additional funding in connection with our continuing 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 and be forced to delay, reduce, or terminate our research and development programs or commercialization efforts.

Our future capital requirements will depend on a number of factors, including:

- the cost and timing of future commercialization activities for our products and product candidates for which we receive regulatory approval;
- the pricing of and product revenues received, if any, from future commercial sales of our approved products and any other products for which we receive regulatory approval;
- the scope, progress, timing, results, and costs of clinical development of our products in additional indications, if any;
- the scope, progress, timing, results, and costs of researching and developing our product candidates and conducting pre-clinical and clinical trials;
- the cost, timing, and outcome of seeking, obtaining, maintaining, and expanding regulatory approval of our products and product candidates;
- 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;
- 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;
- the extent to which we acquire or in-license other product candidates and technologies and the economic and other terms, timing, and success of such collaboration and licensing arrangements;
- cash requirements of any future acquisitions;
- the number, characteristics, and development requirements of the product candidates we pursue;
- resources required to develop and implement policies and processes to promote ongoing compliance with applicable healthcare laws and regulations;
- costs required to confirm that our and our partners' business arrangements with third parties comply with applicable healthcare laws and regulations;
- our headcount growth and associated costs; 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, 2023, purchase commitments amounted to $3.9 million, which is related to 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

Foreign Exchange Risk

Renminbi, or RMB, is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the People's Bank of China ("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 RMB158.7 million and RMB316.8 million, which were denominated in RMB, representing 3% and 5% of the cash and cash equivalents as of June 30, 2023 and December 31, 2022, 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 risks 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. On July 21, 2005, the Chinese government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the revised policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in a more than 20% appreciation of the RMB against the U.S. dollar in the following three years. Between July 2008 and June 2010, this appreciation halted, and the exchange rate between the RMB and U.S. dollar remained within a narrow band. In June 2010, the PBOC announced that the Chinese government would increase the flexibility of the exchange rate, and thereafter allowed the RMB to appreciate slowly against the U.S. dollar within the narrow band fixed by the PBOC. However, in August 2015, the PBOC significantly devalued the RMB.

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 Hong Kong Monetary Authority ("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 loss due to credit risk. As of June 30, 2023 and December 31, 2022, we had cash and cash equivalents of $859.2 million and $1,008.5 million and short-term investments of $15.5 million and nil, respectively. We manage related credit risk by using major financial institutions located in mainland China and international financial institutions outside of mainland China which we believe are of high credit quality and through ongoing monitoring of their continued credit worthiness.

Accounts receivable are typically unsecured and are derived from product sales 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, 2023, our two largest customers accounted for approximately 31% of our total accounts receivable collectively.

Certain accounts receivable balances are settled in the form of notes receivable. As of June 30, 2023, 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.

Inflation Risk

In recent years, mainland China has not experienced significant inflation. Although the global economy, including the U.S. economy, experienced rising inflation in recent years, which can increase the costs of our products and product candidates purchased from third parties and, as a result, adversely affect our results of operations, inflation has not had a material impact on our results of operations. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in mainland China or in other countries in which our third-party partners operate.

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 nil as of both June 30, 2023 and December 31, 2022 because we did not have any interest-bearing loans.

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, 2023 and December 31, 2022.

Future Plans for Material Investments and Capital Assets

We do not have any future plans for material investments or capital assets as of June 30, 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the first half of 2023, we did not have any material acquisitions and disposals of subsidiaries, associates, and joint ventures.

Employee and Remuneration Policy

As of June 30, 2023, we had a global team of 2,057 full-time employees, which increased from 2,036 full-time employees as of January 31, 2023.

The remuneration policy and package of our employees are periodically reviewed by the Compensation Committee of the Board. The packages were set by benchmarking with companies in similar industries and companies 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. We also provide comprehensive training programs to our employees to meet their various development needs, including leadership development programs, upskills programs and on-the-job trainings. The total remuneration cost incurred by the Company was $141.4 million and $129.5 million for the first half of 2023 and 2022, respectively.

Pledge of Assets

As of June 30, 2023 and December 31, 2022, we did not have any pledges of assets.

Contingent Liabilities

As of June 30, 2023 and December 31, 2022, we did not have any material contingent liabilities. See Note 17 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 2023 and 2022.

Recent Accounting Pronouncements

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

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, 2023, so far as was known to the Directors, 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules (the "Model Code") were as follows:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of holding[1]
Kaixian Chen	Beneficial owner	472,750	0.04%
John David Diekman	Beneficial owner	676,850	0.06%
Ying Du	Beneficial owner	47,245,462[2]	4.80%
	Beneficiary of a trust (other than a discretionary interest)	4,174,978	0.42%
	Other	3,061,410[3]	0.31%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	207,180[4]	0.02%
Richard Brian Gaynor	Beneficial owner	278,150	0.02%
William David Lis	Beneficial owner	422,330	0.04%
Scott William Morrison	Beneficial owner	262,480	0.02%
Leon Oliver Moulder Jr.	Beneficial owner	405,180	0.04%
Peter Karl Wirth	Beneficial owner	3,616,660	0.36%
Nisa Leung	Beneficial owner	630,950	0.06%
Michel Pericles Vounatsos	Beneficial owner	183,320	0.01%

Notes:

(1) These calculations are based on the total number of 983,887,430 Shares in issue as of June 30, 2023.

(2) These Shares include, among others, Dr. Samantha Du's entitlements to receive up to (1) 37,621,160 Shares pursuant to share options granted to her and not yet exercised or expired, subject to any applicable conditions thereof; and (2) 3,648,550 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 3,061,410 Shares are held by certain other shareholders, including members of the Company's management and their affiliates, who have granted to Dr. Samantha Du the right to vote their Shares and for which Dr. Samantha Du may be deemed to have an "interest" based on her right to vote such Shares, however Dr. Samantha Du has no pecuniary interest therein.

(4) These Shares are held by Ying Du Revocable Trust for the benefit of Dr. Samantha Du, of which Dr. Samantha 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, 2023, 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)]
FMR LLC	Interest of corporation controlled by you	54,933,311	(L)	5.58%
BAILLIE GIFFORD & CO[(i)]	Investment manager	405,906[(3)]	(L)	0.41%
	Interest of corporation controlled by you	5,510,261[(3)]	(L)	5.60%
Citigroup Inc.[(ii)]	Person having a security interest in shares	500[(3)(4)]	(L)	0.00%
	Interest of corporation controlled by you	31,314[(3)(4)]	(L)	0.03%
	Interest of corporation controlled by you	4,202[(3)(4)]	(S)	0.00%
	Approved lending agent	5,200,946[(3)(4)]	(P)	5.28%
JPMorgan Chase & Co.	Interest of corporation controlled by you	37,923,829[(5)]	(L)	3.85%
	Interest of corporation controlled by you	36,265,252[(5)]	(S)	3.68%
	Investment manager	2,285,820[(5)]	(L)	0.23%
	Person having a security interest in shares	5,175,110[(5)]	(L)	0.52%
	Trustee	39,190[(5)]	(L)	0.00%
	Approved lending agent	81,740,417[(5)]	(L)	8.30%
The Capital Group Companies, Inc.	Interest of corporation controlled by you	68,777,320[(6)]	(L)	6.99%
Qiming Corporate GP IV, Ltd.	Interest of corporation controlled by you	79,229,320	(L)	8.05%

Notes:

(1) Long position (L)/ Short position(S)/ Lending pool (P)

(2) These calculations are based on the total number of 983,887,430 Shares in issue as of June 30, 2023.

(3) As the number of Shares held is based on the Corporate Substantial Shareholder Notice filed to the Hong Kong Stock Exchange before the subdivision of each of the Company's then issued and unissued ordinary shares into ten ordinary shares effective as of March 30, 2022 (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.

(4) According to the Corporate Substantial Shareholder Notice regarding the relevant event dated September 28, 2020 submitted by Citigroup Inc. to 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.

(5) According to the Corporate Substantial Shareholder Notice regarding the relevant event dated June 26, 2023 submitted by JPMorgan Chase & Co. to Hong Kong Stock Exchange on June 29, 2023, an aggregated 127,164,366 Shares (long position), 36,265,252 Shares (short position), and 81,740,417 Shares (lending pool) are held by JPMorgan Chase & Co. indirectly through its certain subsidiaries. Among them, 9,327,540 Shares (long position) and 263,120 Shares (short position) are cash settled unlisted derivatives.

(6) According to the Corporate Substantial Shareholder Notice regarding the relevant event dated June 29, 2023 submitted by The Capital Group Companies, Inc. to Hong Kong Stock Exchange on July 1, 2023, an aggregated 68,777,320 Shares (long position), are held by The Capital Group Companies, Inc. indirectly through its certain subsidiaries. Among them, 66,955,120 Shares (long position) and 2,219,000 Shares (short position) are physically settled listed derivatives.

(i) According to the Schedule 13G filed by Baillie Gifford & Co with the SEC on July 5, 2022 (https://www.sec.gov/Archives/edgar/data/1088875/000108887522000104/ZaiLab30062022.txt), as of June 30, 2022, it beneficially owned 46,935,800 ordinary shares of the Company (which accounted for approximately 4.79% of the then issued share capital of the Company and approximately 4.77% of the issued Shares as at June 30, 2023). No corresponding record is found on the DION System.

(ii) According to the Form 13F filed by Citigroup Inc with the SEC on August 10, 2023 (https://www.sec.gov/Archives/edgar/data/831001/000083100123000114/xslForm13F_X02/CITIGROUP_13F_HR_INFOTABLE.xml), as of June 30, 2023, it beneficially owned 3,486,160 ADSs of the Company.

Save as disclosed above and to the best knowledge of the Directors, as of June 30, 2023, we 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 3 equity incentive plans, namely the 2015 Plan, the 2017 Plan and the 2022 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.

1. 2015 Equity Incentive Plan (the "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.

As of January 1, 2023, 34,225,270 Shares were outstanding pursuant to options granted under the 2015 Plan, and as of June 30, 2023, 30,813,810 Shares were outstanding pursuant to options granted under the 2015 Plan. Details of the outstanding options under the 2015 Plan are set out below:

							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, 2023	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as of June 30, 2023
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	4.09	8,891,650	3,000,000	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	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	9,221,840
Employee Participants (other than chief executive)										
In aggregate	Employee Participants	3/5/2015	5 years	10 years	0.06	–	2,118,690	0	0	2,118,690
In aggregate	Employee Participants	10/22/2015	5 years	10 years	0.06		5,822,160	0	0	5,822,160
In aggregate	Employee Participants	3/9/2016	5 years	10 years	0.12	3.64	432,700	166,660	0	266,040
In aggregate	Employee Participants	8/25/2016	5 years	10 years	0.174	3.09	1,405,520	130,000	0	1,275,520
In aggregate	Employee Participants	8/25/2016	3 years	10 years	0.17		4,160	0	0	4,160
In aggregate	Employee Participants	12/6/2016	3 years	10 years	0.17		4,160	0	0	4,160
In aggregate	Employee Participants	5/12/2017	5 years	10 years	0.3		161,670	0	0	161,670
In aggregate	Employee Participants	5/12/2017	3 years	10 years	0.3		4,160	0	0	4,160
In aggregate	Employee Participants	5/12/2017	4 years	10 years	0.3	3.69	114,800	114,800	0	0
Total							34,225,270	3,411,460	0	30,813,810

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.

(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 determined in good faith by the administrator of the 2015 Plan in the absence of an established market for the Shares.

(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.

2. 2017 Equity Incentive Plan (the "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.

As of January 1, 2023, 52,292,850 Shares were outstanding pursuant to options granted under the 2017 Plan, and as of June 30, 2023, 50,244,070 Shares were outstanding pursuant to options granted under the 2017 Plan. Details of the outstanding options under the 2017 Plan are set out below:

							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, 2023	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as of June 30, 2023
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	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	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	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	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	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	75,000
In aggregate	Employee Participants	9/20/2017	5 years	10 years	1.8	–	407,860	0	0	407,860
In aggregate	Employee Participants	1/22/2018	5 years	10 years	2.374	–	420,400	0	0	420,400
In aggregate	Employee Participants	1/26/2018	5 years	10 years	2.458	–	370,000	0	0	370,000
In aggregate	Employee Participants	3/2/2018	5 years	10 years	2.184	–	3,700,000	0	0	3,700,000
In aggregate	Employee Participants	3/22/2018	5 years	10 years	2.074	–	1,300,000	0	0	1,300,000
In aggregate	Employee Participants	3/28/2018	5 years	10 years	2.09	–	600,000	0	0	600,000
In aggregate	Employee Participants	6/4/2018	5 years	10 years	2.38	3.58	3,450,000	500,000	0	2,950,000
In aggregate	Employee Participants	8/14/2018	5 years	10 years	2.193	–	495,000	0	0	495,000
In aggregate	Employee Participants	11/16/2018	5 years	10 years	1.799	–	300,000	0	0	300,000
In aggregate	Employee Participants	11/26/2018	5 years	10 years	1.76	3.22	833,000	75,000	50,000	708,000
In aggregate	Employee Participants	2/25/2019	3 years	10 years	2.912	–	50,000	0	0	50,000
In aggregate	Employee Participants	3/8/2019	5 years	10 years	2.775	3.59	776,000	5,000	25,000	746,000
In aggregate	Employee Participants	3/27/2019	5 years	10 years	2.807	3.38	1,285,210	51,000	49,000	1,185,210
In aggregate/	Employee Participants	6/28/2019	5 years	10 years	3.487	–	315,000	0	0	315,000

							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, 2023	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as of June 30, 2023
In aggregate	Employee Participants	9/30/2019	5 years	10 years	3.235	4.81	116,000	8,000	0	108,000
In aggregate	Employee Participants	12/31/2019	5 years	10 years	4.159	–	314,130	0	0	314,130
In aggregate	Employee Participants	10/14/2019	5 years	10 years	3.343	–	250,000	0	0	250,000
In aggregate	Employee Participants	10/7/2019	3 years	10 years	3.188	–	25,000	0	0	25,000
In aggregate	Employee Participants	3/12/2020	5 years	10 years	4.494	–	910,000	0	0	910,000
In aggregate	Employee Participants	3/31/2020	5 years	10 years	5.148	–	2,985,000	0	185,000	2,800,000
In aggregate	Employee Participants	6/30/2020	5 years	10 years	8.213	–	860,310	0	0	860,310
In aggregate	Employee Participants	8/17/2020	5 years	10 years	8.25	–	377,500	0	0	377,500
In aggregate	Employee Participants	9/21/2020	5 years	10 years	7.33	–	473,410	0	60,000	413,410
In aggregate	Employee Participants	12/1/2020	5 years	10 years	10.893	–	94,000	0	94,000	0
In aggregate	Employee Participants	12/21/2020	5 years	10 years	12.872	–	810,330	0	32,760	777,570
In aggregate	Employee Participants	5/1/2021	5 years	10 years	16.621	–	36,000	0	14,400	21,600
In aggregate	Employee Participants	3/1/2021	5 years	10 years	16.202	–	110,600	0	2,600	108,000
In aggregate	Employee Participants	4/1/2021	5 years	10 years	13.096	–	3,178,110	0	164,040	3,014,070
In aggregate	Employee Participants	6/1/2021	5 years	10 years	18	–	111,700	0	700	111,000
In aggregate	Employee Participants	7/1/2021	5 years	10 years	17.837	–	63,920	0	1,590	62,330
In aggregate	Employee Participants	8/1/2021	5 years	10 years	14.461	–	16,000	0	0	16,000
In aggregate	Employee Participants	9/1/2021	5 years	10 years	14.718	–	130,390	0	8,550	121,840
In aggregate	Employee Participants	10/1/2021	5 years	10 years	10.275	–	359,670	0	3,200	356,470
In aggregate	Employee Participants	11/1/2021	5 years	10 years	10.442	–	146,940	0	112,660	34,280
In aggregate	Employee Participants	11/1/2021	4 years	10 years	10.442	–	744,000	0	18,000	726,000
In aggregate	Employee Participants	12/1/2021	5 years	10 years	7.123	–	98,290	0	31,500	66,790
In aggregate	Employee Participants	12/1/2021	4 years	10 years	7.123	–	78,000	0	0	78,000
In aggregate	Employee Participants	12/30/2021	3 years	10 years	6.692	–	29,000	0	0	29,000
In aggregate	Employee Participants	1/1/2022	5 years	10 years	6.285	–	13,000	0	0	13,000
In aggregate	Employee Participants	2/1/2022	5 years	10 years	5.359	–	424,170	0	30,730	393,440
In aggregate	Employee Participants	3/1/2022	5 years	10 years	5.255	–	497,890	0	39,000	458,890
In aggregate	Employee Participants	4/1/2022	5 years	10 years	4.547	–	11,117,990	0	387,050	10,730,940
In aggregate	Employee Participants	5/1/2022	5 years	10 years	3.955	–	567,790	0	100,000	467,790
In aggregate	Employee Participants	6/1/2022	5 years	10 years	2.95	–	286,240	0	0	286,240
Total							52,292,850	639,000	1,409,780	50,244,070

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.

(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.

(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.

As of June 30, 2023, the Company had conditionally granted certain share awards under the 2017 Plan. The share awards include restricted share units ("RSUs"), performance-based restricted share units ("PSUs") and restricted shares ("RSAs"). The purchase price for the grant of such share awards under the 2017 Plan was nil.

As of January 1, 2023, 30,142,500 Shares were unvested pursuant to the awards granted under the 2017 Plan, and as of June 30, 2023, 21,936,340 Shares were unvested pursuant to the awards granted under the 2017 Plan. Details of the unvested share awards under the 2017 Plan are set out below:

						Number of shares underlying the awards			
Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period[(1)(2)(3)(4)(5)]	Price on day prior to vesting during the Reporting Period (in $)[(6)]	Unvested as of January 1, 2023	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Unvested as of June 30, 2023
Directors and chief executive of the Company									
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	PSU	12/1/2021	(1)	–	631,750	0	0	631,750
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	4/1/2021	5 years	3.33	136,000	34,000	0	102,000
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	4/1/2022	5 years	3.33	540,000	108,000	0	432,000
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	6/25/2022	4 years	2.53	2,352,000	588,000	0	1,764,000
Dr. Kai-Xian Chen	Independent non-executive director	RSA	1/1/2022	1 year	3.07	77,630	77,630	0	0
Dr. John Diekman	Independent non-executive director	RSA	1/1/2022	1 year	3.07	77,630	77,630	0	0
Mr. William Lis	Independent non-executive director	RSA	1/1/2022	1 year	3.07	77,630	77,630	0	0
Mr. Leon O. Moulder, Jr.	Independent non-executive director	RSA	1/1/2022	1 year	3.07	77,630	77,630	0	0
Mr. Peter Wirth	Independent non-executive director	RSA	1/1/2022	1 year	3.07	77,630	77,630	0	0
Mr. Scott W. Morrison	Independent non-executive director	RSA	10/13/2021	3 years	–	48,970	0	0	48,970
Richard Gaynor, M.D.	Independent non-executive director	RSA	11/19/2021	3 years	–	59,420	0	0	59,420
Employee Participants (other than chief executive)									
In aggregate	Employee Participants	RSA	3/2/2018	5 years	4.04	200,000	200,000	0	0
In aggregate	Employee Participants	RSA	6/4/2018	5 years	3.57	250,000	250,000	0	0
In aggregate	Employee Participants	PSU	12/1/2021	(1)	–	1,193,290	0	0	1,193,290
In aggregate	Employee Participants	RSU	8/14/2018	5 years	–	60,000	0	0	60,000
In aggregate	Employee Participants	RSU	11/26/2018	5 years	–	115,000	0	30,000	85,000
In aggregate	Employee Participants	RSU	3/8/2019	5 years	3.82	100,000	50,000	10,000	40,000
In aggregate	Employee Participants	RSU	3/27/2019	5 years	–	24,000	0	24,000	0
In aggregate	Employee Participants	RSU	12/31/2019	5 years	–	24,000	0	0	24,000
In aggregate	Employee Participants	RSU	6/30/2020	5 years	2.65	183,000	61,000	0	122,000
In aggregate	Employee Participants	RSU	8/17/2020	5 years	–	145,500	0	0	145,500

Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period[1][2][3][4][5]	Price on day prior to vesting during the Reporting Period (in $)[6]	Unvested as of January 1, 2023	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Unvested as of June 30, 2023
						Number of shares underlying the awards			
In aggregate	Employee Participants	RSU	12/21/2020	5 years	–	42,000	0	0	42,000
In aggregate	Employee Participants	RSU	3/1/2021	5 years	3.72	24,000	6,000	0	18,000
In aggregate	Employee Participants	RSU	4/1/2021	5 years	3.33	1,097,700	268,520	33,450	795,730
In aggregate	Employee Participants	RSU	5/1/2021	5 years	3.5	20,000	5,000	4,800	10,200
In aggregate	Employee Participants	RSU	6/1/2021	5 years	3.25	50,400	12,600	0	37,800
In aggregate	Employee Participants	RSU	7/1/2021	5 years	–	129,890	0	0	129,890
In aggregate	Employee Participants	RSU	8/1/2021	5 years	–	101,630	0	0	101,630
In aggregate	Employee Participants	RSU	9/1/2021	5 years	–	174,170	0	2,400	171,770
In aggregate	Employee Participants	RSU	10/1/2021	5 years	–	190,640	0	3,000	187,640
In aggregate	Employee Participants	RSU	11/1/2021	5 years	–	70,040	0	37,640	32,400
In aggregate	Employee Participants	RSU	11/1/2021	4 years	–	222,330	0	5,250	217,080
In aggregate	Employee Participants	RSU	12/1/2021	4 years	–	23,500	0	0	23,500
In aggregate	Employee Participants	RSU	12/1/2021	5 years	–	29,670	0	9,600	20,070
In aggregate	Employee Participants	RSU	1/1/2022	5 years	3.07	10,500	2,100	0	8,400
In aggregate	Employee Participants	RSU	2/1/2022	5 years	4.21	181,110	36,220	11,570	133,320
In aggregate	Employee Participants	RSU	3/1/2022	5 years	3.72	250,910	49,570	15,000	186,340
In aggregate	Employee Participants	RSU	4/1/2022	5 years	3.33	3,723,560	725,520	150,490	2,847,550
In aggregate	Employee Participants	RSU	5/1/2022	5 years	3.5	252,410	42,460	40,000	169,950
In aggregate	Employee Participants	RSU	6/1/2022	5 years	3.25	143,260	28,230	2,000	113,030
In aggregate	Employee Participants	RSU	6/25/2022	4 years	2.53	16,953,700	3,993,710	977,880	11,982,110
Total						30,142,500	6,849,080	1,357,080	21,936,340

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 and RSAs 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 continued service as a member of the Board through such date.

(5) Where the vesting period is one year, such RSAs shall vest in full on the first anniversary of the date of grant, subject to continued service as a member of the Board through such date.

(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 applicable share awards were vested during the Reporting Period.

3. 2022 Equity Incentive Plan (the "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 of the Board 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. The Compensation Committee of the Board may also grant dividend equivalent rights that entitle the recipient to receive credits for dividends that would be paid if the recipient held a specified number of ordinary Shares. The equity-based incentive tools used in the 2022 Plan are substantially similar to those in the 2017 Plan, as the 2022 Plan is intended by the Company to replace the 2017 Plan upon the Primary Conversion Effective Date.

As of January 1, 2023, 4,663,300 Shares were outstanding pursuant to options granted under the 2022 Plan, and as of June 30, 2023, 27,264,720 Shares were outstanding pursuant to options granted under the 2022 Plan. Details of the outstanding options under the 2022 Plan are set out below:

							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, 2023	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period[7]	Outstanding as of June 30, 2023
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	–	0	0	0	3,773,910
Employee Participants (other than chief executive)										
In aggregate	Employee Participants	8/15/2022	5 years	10 years	4.578	–	1,423,450	0	1,900	1,421,550
In aggregate	Employee Participants	9/12/2022	5 years	10 years	5.169	–	26,440	0	0	26,440
In aggregate	Employee Participants	10/3/2022	5 years	10 years	3.672	–	162,500	0	0	162,500
In aggregate	Employee Participants	11/14/2022	5 years	10 years	3.695	–	1,105,910	0	0	1,105,910
In aggregate	Employee Participants	12/12/2022	5 years	10 years	3.518	–	108,000	0	0	108,000
In aggregate	Employee Participants	12/30/2022	5 years	10 years	3.07	–	1,837,000	0	0	1,837,000
In aggregate	Employee Participants	3/6/2023	5 years	10 years	3.986	–	0	0	0	92,640
In aggregate	Employee Participants	4/3/2023	4 years	10 years	3.395	–	0	0	173,060	18,046,110
In aggregate	Employee Participants	4/7/2023	3 years	10 years	3.351	–	0	0	0	29,000
In aggregate	Employee Participants	5/15/2023	4 years	10 years	3.602	–	0	0	0	435,720
In aggregate	Employee Participants	6/7/2023	4 years	10 years	3.403	–	0	0	0	225,940
Total							4,663,300	0	174,960	27,264,720

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 $)[(8)]	Price on day prior to grant during the Reporting Period (in $)[(9)]	Price on day prior to exercise during the Reporting Period (in $)[(6)]	Number of shares underlying the options: Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period[(6)]	Cancelled/ Lapsed during the Reporting Period[(7)]	Outstanding as of June 30, 2023
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	2.237	3.326	–	0	3,773,910	0	0	3,773,910
Employee Participants (other than chief executive)													
In aggregate	Employee Participants	3/6/2023	5 years	10 years	3.986	2.697	4.091	–	0	92,640	0	0	92,640
In aggregate	Employee Participants	4/3/2023	4 years	10 years	3.395	2.237	3.326	–	0	18,219,170	0	173,060	18,046,110
In aggregate	Employee Participants	4/7/2023	3 years	10 years	3.351	2.149	3.333	–	0	29,000	0	0	29,000
In aggregate	Employee Participants	5/15/2023	4 years	10 years	3.602	2.175	3.357	–	0	435,720	0	0	435,720
In aggregate	Employee Participants	6/7/2023	4 years	10 years	3.403	1.81	3.354	–	0	225,940	0	0	225,940
Total										22,776,380	0	173,060	22,603,320

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.

(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 had been vested and became exercisable as of June 30, 2023, and therefore there was no exercise of options under the 2022 Plan during the Reporting Period.

(7) No options granted under the 2022 Plan were cancelled during the Reporting Period.

(8) 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.

(9) 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.

As of June 30, 2023, the Company granted certain RSUs and RSAs under the 2022 Plan. The purchase price for the grant of such share awards under the 2022 Plan was nil.

As of January 1, 2023, 3,291,390 Shares were unvested pursuant to the awards granted under the 2022 Plan, and as of June 30, 2023, 11,526,330 Shares were unvested pursuant to the awards granted under the 2022 Plan. Details of the unvested share awards under the 2022 Plan are set out below:

						Number of shares underlying the awards			
Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period(1)(2)(3)(4)(5)	Price on day prior to vesting during the Reporting Period (in $)(6)	Unvested as of January 1, 2023	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period(7)	Unvested as of June 30, 2023
Directors and chief executive of the Company									
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	6/29/2023	4 years	–	0	0	0	718,800
Mr. Michel Vounatsos	Independent non-executive director	RSA	3/3/2023	3 years	–	0	0	0	183,320
Dr. Kai-Xian Chen	Independent non-executive director	RSA	6/29/2023	1 year	–	0	0	0	189,030
Dr. John Diekman	Independent non-executive director	RSA	6/29/2023	1 year	–	0	0	0	189,030
Mr. William Lis	Independent non-executive director	RSA	6/29/2023	1 year	–	0	0	0	189,030
Mr. Leon O. Moulder, Jr.	Independent non-executive director	RSA	6/29/2023	1 year	–	0	0	0	189,030
Mr. Peter Wirth	Independent non-executive director	RSA	6/29/2023	1 year	–	0	0	0	189,030

Name of grantee	Category of grantees	Type of award	Date of grant	Vesting period[(1)(2)(3)(4)(5)]	Price on day prior to vesting during the Reporting Period (in $)[(6)]	Number of shares underlying the awards: Unvested as of January 1, 2023	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period[(7)]	Unvested as of June 30, 2023
Mr. Scott W. Morrison	Independent non-executive director	RSA	6/29/2023	1 year	–	0	0	0	189,030
Richard Gaynor, M.D.	Independent non-executive director	RSA	6/29/2023	1 year	–	0	0	0	189,030
Employee Participants (other than chief executive)									
In aggregate	Employee Participants	RSU	12/30/2022	5 years	–	1,050,000	0	0	1,050,000
In aggregate	Employee Participants	RSU	12/30/2022	1 year	–	210,000	0	0	210,000
In aggregate	Employee Participants	RSU	8/15/2022	5 years	–	933,050	0	14,000	919,050
In aggregate	Employee Participants	RSU	9/12/2022	5 years	–	16,090	0	4,000	12,090
In aggregate	Employee Participants	RSU	10/3/2022	5 years	–	124,000	0	0	124,000
In aggregate	Employee Participants	RSU	11/14/2022	5 years	–	653,250	0	0	653,250
In aggregate	Employee Participants	RSU	12/12/2022	5 years	–	305,000	0	0	305,000
In aggregate	Employee Participants	RSU	3/6/2023	5 years	–	0	0	0	83,250
In aggregate	Employee Participants	RSU	4/3/2023	4 years	–	0	0	73,140	5,581,230
In aggregate	Employee Participants	RSU	5/15/2023	4 years	–	0	0	0	242,580
In aggregate	Employee Participants	RSU	6/7/2023	4 years	–	0	0	0	120,550
Total						3,291,390	0	91,140	11,526,330

Details of the 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][2][4][5]	Fair value on day of grant during the Reporting Period (in $)[8]	Price on day prior to grant during the Reporting Period (in $)[9]	Price on day prior to vesting during the Reporting Period (in $)[6]	Number of shares underlying the awards: Unvested as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period[7]	Unvested as of June 30, 2023
Directors and chief executive of the Company												
Dr. Samantha Du	Executive Director, Chairperson and Chief Executive Officer	RSU	6/29/2023	4 years	2.645	2.648	–	0	718,800	0	0	718,800
Mr. Michel Vounatsos	Independent non-executive director	RSA	3/3/2023	3 years	4.091	3.693	–	0	183,320	0	0	183,320
Dr. Kai-Xian Chen	Independent non-executive director	RSA	6/29/2023	1 year	2.645	2.648	–	0	189,030	0	0	189,030
Dr. John Diekman	Independent non-executive director	RSA	6/29/2023	1 year	2.645	2.648	–	0	189,030	0	0	189,030
Mr. William Lis	Independent non-executive director	RSA	6/29/2023	1 year	2.645	2.648	–	0	189,030	0	0	189,030
Mr. Leon O. Moulder, Jr.	Independent non-executive director	RSA	6/29/2023	1 year	2.645	2.648	–	0	189,030	0	0	189,030
Mr. Peter Wirth	Independent non-executive director	RSA	6/29/2023	1 year	2.645	2.648	–	0	189,030	0	0	189,030
Mr. Scott W. Morrison	Independent non-executive director	RSA	6/29/2023	1 year	2.645	2.648	–	0	189,030	0	0	189,030
Richard Gaynor, M.D.	Independent non-executive director	RSA	6/29/2023	1 year	2.645	2.648	–	0	189,030	0	0	189,030
Employee Participants (other than chief executive)												
In aggregate	Employee Participants	RSU	3/6/2023	5 years	3.986	4.091	–	0	83,250	0	0	83,250
In aggregate	Employee Participants	RSU	4/3/2023	4 years	3.395	3.326	–	0	5,654,370	0	73,140	5,581,230
In aggregate	Employee Participants	RSU	5/15/2023	4 years	3.365	3.357	–	0	242,580	0	0	242,580
In aggregate	Employee Participants	RSU	6/7/2023	4 years	2.866	3.354	–	0	120,550	0	0	120,550
Total								0	8,326,080	0	73,140	8,252,940

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 one year, such RSUs shall vest in full on the first anniversary of the date of grant, 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 three years on the anniversary of the date of grant, subject to continued service as a member of the Board through such date.

(5) Where the vesting period is one year, such RSAs shall vest in full on the first anniversary of the date of grant, subject to continued service as a member of the Board through such date.

(6) No awards granted under the 2022 Plan had been vested as of June 30, 2023.

(7) No awards granted under the 2022 Plan were cancelled during the Reporting Period.

(8) The fair value of 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 immediate following trading day if the date of grant is not a trading day.

(9) 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.

As at 1 January 2023 and 30 June 2023, the number of options and awards available for grant under the 2022 Plan is 89,954,053 Shares and 59,117,693 Shares, respectively.

The number of Shares that may be issued in respect of the options and awards granted under the 2022 Plan during the Reporting Period represented 3.18% of the weighted average number of Shares in issue for the Reporting Period.

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 Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the HK Listing Rules.

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. Samantha Du is the director best suited to identify strategic opportunities for the Company and areas of focus for the Board due to her extensive understanding of our business and her deep knowledge of our industry. 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 further enhance our corporate governance, the Board has established a lead independent director and appointed Dr. John Diekman to serve in this important position. While the roles of Chairperson of the Board and Chief Executive Officer are combined, our lead independent director will, among other things, lead meetings of the Board when the Chairperson is not present, serve as liaison between the

Chairperson and independent directors, have the authority to call meetings of the independent directors, and, if requested by a significant portion of our shareholders, 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 interim report, the Company has complied with the 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 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.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION PURSUANT TO RULE 13.51(B)(1) OF THE HK LISTING RULES

Upon specific enquiry by the Company and following confirmations from Directors, except as disclosed hereunder, there is no change in the information of Directors required to be disclosed pursuant to Rule 13.51(B)(1) of the HK Listing Rules during the Reporting Period. The changes in Directors' information are set forth below.

Directors	Changes in Positions held with the Company
Mr. Michel Vounatsos	Appointed as an independent director of the Company, chairperson of the Commercial Committee, and a member of the Research and Development Committee with effect from January 7, 2023
Mr. William Lis	Appointed as a member of the Commercial Committee with effect from January 13, 2023
Mr. Leon O. Moulder, Jr.	Appointed as a member of the Commercial Committee with effect from January 13, 2023

The Compensation Committee of the Board actively reviews and assesses the executive compensation program in light of the highly competitive employment environment and the challenge of recruiting, motivating, and retaining executives. Please refer to the definitive proxy statement/circular for the 2023 Annual General Meeting dated April 28, 2023 for a discussion of the Company's executive compensation program and the non-employee director compensation policy.

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.

As of the date of this interim 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% of the net proceeds to fund new business and corporate development and licensing opportunities;
- Approximately 30% of the net proceeds to complete clinical trials and advance new drug candidates;
- Approximately 20% of the net proceeds to expand the Company's commercialization efforts;
- Approximately 15% of the net proceeds to enhance the Company's global pipeline; and
- Approximately 5% of the net proceeds 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, 2023 ($ in millions):

Purpose	Percentage to total amount	Net proceeds from the offering	Actual use of proceeds up to June 30, 2023	Unutilized amount as of June 30, 2023
fund new business and corporate development and licensing opportunities	30%	245.4	—	245.4
complete clinical trials and advance new drug candidates	30%	245.4	198.4	47.0
expand the Company's commercialization efforts	20%	163.6	149.6	14.0
enhance the Company's global pipeline	15%	122.7	—	122.7
working capital and other general corporate purposes	5%	40.9	—	40.9
Total	100%	818.0	348.0	470.0

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 2026.

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 (the "Global Offering") as described in the prospectus of the Company dated September 17, 2020 (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 ($850.8 million). As of the date of this interim report, there has been no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section "Use of Proceeds" in the Prospectus. The net proceeds received by the Company from the Global Offering will be used for the following purposes:

- Approximately 16.0% will be allocated 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% will be used to fund ongoing and planned clinical trials and preparation for registration filings of Tumor Treating Fields in multiple solid tumor cancer indications;

- Approximately 16.0% will be used for ZEJULA to enhance the Company's commercialization capabilities through increasing its sales and marketing headcounts, among other efforts;

- Approximately 8.0% will be used to strengthen commercialization efforts for Tumor Treating Fields through recruiting key talents in relevant indications to drive sales and future potential product launch;

- Approximately 11.8% will be used 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% will be used 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% will be used to continue investing in and expanding the Company's internal discovery pipeline and recruit and train talent globally; and

- Approximately 10.0% will be used to fund working capital and other general corporate purposes.

The following table presents a summary of the utilization of the net proceeds from the Global Offering as of June 30, 2023 ($ in millions):

Purpose	Percentage to total amount	Net proceeds from the offering	Actual use of proceeds up to June 30, 2023	Unutilized amount as of June 30, 2023
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	16.0%	136.1	59.9	76.2
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	18.8	33.9
for ZEJULA to enhance the Company's commercialization capabilities through increasing its sales and marketing headcounts, among other efforts	16.0%	136.1	107.4	28.7
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	47.3	20.8
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	11.8%	100.4	100.4	—
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	187.6	25.1
continue investing in and expanding the Company's internal discovery pipeline and recruit and train talent globally	7.0%	59.6	48.1	11.5
fund working capital and other general corporate purposes	10.0%	85.1	54.4	30.7
Total	100%	850.8	623.9	226.9

The Company plans to gradually utilize the remaining net proceeds from the Global Offering in accordance with such intended purpose depending on actual business, which is expected to be fully utilized by the end of 2026, except that we may not need to fully utilize the funds designated 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, because such funds may not be necessary given our commercialization of ZEJULA. We will continue to monitor our use of proceeds and may allocate this portion of funds to other purposes as set forth in the summary above for the Global Offering.

DIFFERENCES BETWEEN U.S. GAAP AND IFRS

The financial statements for the six months ended June 30, 2023 are prepared under U.S. GAAP and reviewed by the Audit Committee of the Board, and the differences between U.S. GAAP and IFRS have been disclosed in Note 18 to the Company's unaudited condensed consolidated financial statements.

Basis of Preparation

The Directors of the Company are responsible for the oversight of the Company's reconciliation statement in relation to the effects of material differences on the Company's financial information prepared under U.S. GAAP and IFRS (the "Reconciliation Statement", as disclosed in Note 18 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, 2023 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, 2023 and 2022 and the condensed consolidated balance sheets as of June 30, 2023 (unaudited) and December 31, 2022;

(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 reconciliating 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 Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ("HKSAE 3000 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants (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, 2023;

(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.

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, 2023 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, 2023;

(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 of the Board 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, 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 consolidated financial statements and interim results of the Company for the six months ended June 30, 2023. 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, KPMG LLP and KPMG.

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

No important events affecting the Company occurred since June 30, 2023 and up to the date of this interim report.

ADDITIONAL INFORMATION IN RELATION TO THE 2022 HK ANNUAL REPORT

Reference is made to the 2022 HK Annual report. The additional information in this section is supplemental to and should be read in conjunction with the 2022 HK Annual Report. Unless otherwise defined, capitalized terms used in this section shall bear the same meanings as those defined in the 2022 HK Annual Report.

The Board would like to provide the following additional information to the 2022 HK Annual Report:

(a) Use of Net Proceeds

The April 2021 Offering

A breakdown of the amount of net proceeds from the April 2021 offering utilized during the year ended December 31, 2022 ("FY2022") is set out below ($ in millions):

Purpose	Amount of net proceeds utilized during FY2022
fund new business and corporate development and licensing opportunities	—
complete clinical trials and advance new drug candidates	135.8
expand the Company's commercialization efforts	57.5
enhance the Company's global pipeline	—
working capital and other general corporate purposes	—
Total	193.3

The Global Offering

A breakdown of the amount of net proceeds from the Global Offering utilized during FY2022 is set out below ($ in millions):

Purpose	Amount of net proceeds utilized during FY2022
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	41.0
fund ongoing and planned clinical trials and preparation for registration filings of Tumor Treating Fields in multiple solid tumor cancer Indications	11.6
for ZEJULA to enhance the Company's commercialization capabilities through increasing its sales and marketing headcounts, among other efforts	61.9
strengthen commercialization efforts for Tumor Treating Fields through recruiting key talents in relevant indications to drive sales and future potential product launch	27.6
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	33.6
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	53.4
continue investing in and expanding the Company's internal discovery pipeline and recruit and train talent globally	10.9
fund working capital and other general corporate purposes	—
Total	240.0

(b) Share Scheme — The 2022 Plan

The 2022 Plan was approved at the Company's 2022 annual general meeting of shareholders on June 22, 2022. As of December 31, 2022, the number of options and awards available for grant under the 2022 Plan was 89,954,053 Shares.

The purchase price for all the awards granted under the 2022 Plan was nil.

In addition, the Board would like to clarify that the numbers in the columns headed "Cancelled/Lapsed during the Reporting Period" in the tables of options and awards granted under the 2022 Plan as set out under the paragraph headed "3. 2022 Equity Incentive Plan (the "2022 Plan")" on pages 217 to 218 of the 2022 HK Annual Report comprise solely of options or awards (as the case may be) lapsed during FY2022, and no options or awards granted under the 2022 Plan were cancelled during FY2022.

None of the options and awards granted under the 2022 Plan during FY2022 involved existing Shares.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

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

	Notes	June 30, 2023	December 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	3	859,155	1,008,470
Short-term investments		15,500	—
Accounts receivable (net of allowance for credit loss of $14 and $11 as of June 30, 2023 and December 31, 2022, respectively)	4	47,283	39,963
Notes receivable		20,781	8,608
Inventories, net	5	36,353	31,621
Prepayments and other current assets		38,433	35,674
Total current assets		1,017,505	1,124,336
Restricted cash, non-current		1,791	803
Long term investments		5,128	6,431
Prepayments for equipment		665	1,396
Property and equipment, net	6	56,410	57,863
Operating lease right-of-use assets		18,537	19,512
Land use rights, net		3,067	6,892
Intangible assets, net		1,690	1,511
Long-term deposits		1,580	1,396
Total assets		1,106,373	1,220,140
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	7	67,031	65,974
Current operating lease liabilities		7,299	7,050
Other current liabilities	10	59,024	66,818
Total current liabilities		133,354	139,842
Deferred income		28,625	21,360
Non-current operating lease liabilities		11,755	13,343
Other non-current liabilities		325	—
Total liabilities		174,059	174,545

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

	Notes	June 30, 2023	December 31, 2022
Commitments and contingencies (Note 17)			
Shareholders' equity			
Ordinary shares (par value of $0.000006 per share; 5,000,000,000 shares authorized; 973,355,390 and 962,455,850 shares issued as of June 30, 2023 and December 31, 2022, respectively; 968,566,280 and 960,219,570 shares outstanding as of June 30, 2023 and December 31, 2022, respectively)		6	6
Additional paid-in capital		2,932,053	2,893,120
Accumulated deficit		(2,031,399)	(1,861,360)
Accumulated other comprehensive income		52,180	25,685
Treasury Stock (at cost, 4,789,110 and 2,236,280 shares as of June 30, 2023 and December 31, 2022, respectively)		(20,526)	(11,856)
Total shareholders' equity		932,314	1,045,595
Total liabilities and shareholders' equity		1,106,373	1,220,140

The accompanying notes are an integral part of these unaudited condensed 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, 2023	2022
Revenues:			
Product revenue, net	8	131,661	93,670
Collaboration revenue		—	1,230
Total revenues		131,661	94,900
Expenses:			
Cost of sales		(45,100)	(33,051)
Research and development		(125,153)	(119,938)
Selling, general, and administrative		(130,430)	(120,392)
Gain on sale of intellectual property		10,000	—
Loss from operations		(159,022)	(178,481)
Interest income		20,321	1,363
Foreign currency loss		(31,167)	(32,610)
Other expense, net	15	(171)	(10,378)
Loss before income tax and share of loss from equity method investment		(170,039)	(220,106)
Income tax expense	9	—	—
Share of loss from equity method investment		—	(221)
Net loss		(170,039)	(220,327)
Net loss attributable to ordinary shareholders		(170,039)	(220,327)
Loss per share — basic and diluted	11	(0.18)	(0.23)
Weighted-average shares used in calculating net loss per ordinary share — basic and diluted		963,140,360	956,603,250
Loss per American Depositary Shares (“ADS”) — basic and diluted		(1.77)	(2.30)
Weighted-average ADSs used in calculating net loss per ADS — basic and diluted		96,314,036	95,660,325

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands of $)

	Six Months Ended June 30, 2023	2022
Net loss	(170,039)	(220,327)
Other comprehensive income, net of tax of nil:		
Foreign currency translation adjustments	26,495	28,132
Comprehensive loss	(143,544)	(192,195)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Ordinary shares		Additional		Accumulated other	Treasury Stock		
	Number of Shares	Amount	paid in capital	Accumulated deficit	comprehensive (loss) income	Shares	Amount	Total
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
Balance at December 31, 2021	955,363,980	6	2,825,948	(1,418,074)	(23,645)	(382,930)	(4,279)	1,379,956
Issuance of ordinary shares upon vesting of restricted shares	1,198,500	0	0	—	—	—	—	—
Exercise of shares options	3,957,660	0	4,619	—	—	—	—	4,619
Receipt of shares netted to satisfy tax withholding obligations related to share-based compensation	—	—	—	—	—	(1,642,380)	(6,850)	(6,850)
Share-based compensation	—	—	26,635	—	—	—	—	26,635
Net loss	—	—	—	(220,327)	—	—	—	(220,327)
Foreign currency translation	—	—	—	—	28,132	—	—	28,132
Balance at June 30, 2022	960,520,140	6	2,857,202	(1,638,401)	4,487	(2,025,310)	(11,129)	1,212,165

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of $)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities		
Net loss	(170,039)	(220,327)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for credit loss (gain)	3	(3)
Inventory write-down	623	193
Depreciation and amortization expenses	4,652	3,874
Amortization of deferred income	(1,716)	(1,386)
Share-based compensation	37,172	26,634
Share of loss from equity method investment	—	221
Loss from fair value changes of equity investment with readily determinable fair value	1,304	12,556
Loss (gain) on disposal of property and equipment	260	(11)
Gain on disposal of land use right	(404)	—
Noncash lease expenses	4,383	3,825
Gain from sale of intellectual property	(10,000)	—
Foreign currency remeasurement loss	31,167	32,610
Changes in operating assets and liabilities:		
Accounts receivable	(8,863)	20,422
Notes receivable	(12,714)	(3,633)
Inventories	(6,627)	(4,582)
Prepayments and other current assets	87	48
Long-term deposits	(184)	(78)
Value added tax recoverable	—	23,602
Accounts payable	3,037	(17,718)
Other current liabilities	(6,761)	(3,100)
Operating lease liabilities	(3,596)	(3,849)
Deferred income	9,902	(1,325)
Other non-current liabilities	325	—
Net cash used in operating activities	(127,989)	(132,027)
Cash flows from investing activities		
Purchases of short-term investments	(100,000)	(260,274)
Proceeds from maturity of short-term investment	84,500	130,000
Purchase of property and equipment	(5,234)	(13,488)
Proceeds from the sale of property and equipment	112	—
Purchase of intangible assets	(630)	(107)
Proceeds from sale of intellectual property	10,000	—
Net cash used in investing activities	(11,252)	(143,869)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands of $ (Continued)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from financing activities		
Proceeds from exercises of stock options	1,762	4,619
Taxes paid related to settlement of equity awards	(7,141)	(6,859)
Net cash used in financing activities	(5,379)	(2,240)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(3,707)	(5,144)
Net decrease in cash, cash equivalents and restricted cash	(148,327)	(283,280)
Cash, cash equivalents and restricted cash — beginning of period	1,009,273	964,903
Cash, cash equivalents and restricted cash — end of period	860,946	681,623
Supplemental disclosure on non-cash investing and financing activities		
Payables for purchase of property and equipment	4,344	1,661
Payables for intangible assets	96	270
Payables for treasury stock	1,531	17
Receivables for stock option exercise under equity incentive plans	—	12
Right-of-use asset acquired under operating leases	3,313	8,451
Receivables for disposal of land use right	3,867	—
Supplemental disclosure of cash flow information		
Cash and cash equivalents	859,155	680,820
Restricted cash, non-current	1,791	803
Total cash and cash equivalents and restricted cash	860,946	681,623

The accompanying notes are an integral part of these unaudited condensed 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 innovative products that address medical conditions with significant unmet needs, including in the areas of oncology, autoimmune disorders, infectious diseases, and neuroscience.

The Company's principal commercial operations and geographic markets are in mainland China, Hong Kong, Macau, and Taiwan ("Greater China"). The Company has a substantial presence in Greater China and the United States. The accompanying unaudited condensed consolidated financial statements are the financial statements of the Company.

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, applicable rules and regulations of the U.S. Securities and Exchange Commission, and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), as amended, supplemented or otherwise modified from time to time (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 HK Listing Rules have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this interim report should be read in conjunction with the consolidated financial statements and accompanying notes included in the 2022 Annual Report as filed with the Hong Kong Stock Exchange on April 27, 2023 (the "2022 HK Annual Report"). The December 31, 2022 condensed consolidated balance sheet data included in this interim report were derived from the audited financial statements in the 2022 HK Annual Report.

In the third quarter of 2022, the Company began to separately present the amount of foreign currency remeasurement gain (loss) on our statements of cash flows. This amount was previously included in changes in other current liabilities. This change did not have any impact on net cash used in operating activities. Corresponding amounts in the prior periods of the condensed consolidated financial statement have been presented to conform to the current period presentation.

The accompanying 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, 2023.

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

(b) Principles of Consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company. All intercompany transactions and balances are eliminated upon consolidation.

(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 to the appropriate financial reporting period based on the progress of the research and development projects, 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 $5.1 million and $6.4 million as of June 30, 2023 and December 31, 2022, respectively. The unrealized gains and losses from fair value changes are recognized in other expenses, net in the condensed consolidated statements of operations.

Financial instruments of the Company primarily include cash, cash equivalents and restricted cash, short-term investments, accounts receivable, notes receivable, prepayments and other current assets, accounts payable, and other current liabilities. As of June 30, 2023 and December 31, 2022, the carrying values of cash and cash equivalents, short-term investments, accounts receivable, notes receivable, prepayments and other current assets, accounts payable, and other current liabilities approximated their fair values due to the short-term maturity of these instruments, and the carrying value of restricted cash approximated its fair value based on the nature of the assessment of the ability to recover these amounts.

(e) Recent Accounting Pronouncements

The Company has not adopted any new accounting standards since December 31, 2022. For a discussion of the Company's significant accounting policies, see the discussion in Note 2 above and the notes to the consolidated financial statements in the 2022 HK Annual Report.

3. CASH AND CASH EQUIVALENTS

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

	June 30, 2023	December 31, 2022
Cash	858,089	1,007,423
Cash equivalents (i)	1,066	1,047
	859,155	1,008,470
Denominated in:		
US$	832,974	957,824
RMB (ii)	21,968	45,486
Hong Kong dollar ("HK$")	3,485	4,378
Australian dollar ("A$")	578	598
Taiwan dollar ("TW$")	150	184
	859,155	1,008,470

(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.

4. ACCOUNTS RECEIVABLE

The following table presents the Company's accounts receivable as of June 30, 2023 and December 31, 2022 ($ in thousands):

	June 30, 2023	December 31, 2022
Accounts receivable, gross	47,297	39,974
Allowance for credit loss	(14)	(11)
Accounts receivable, net	47,283	39,963

4. ACCOUNTS RECEIVABLE (CONTINUED)

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, 2023	December 31, 2022
Within 3 months	47,283	39,953
3 months to 6 months	—	4
6 months to 1 year	—	6
Total	47,283	39,963

5. INVENTORIES, NET

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

	June 30, 2023	December 31, 2022
Finished goods	16,687	12,156
Raw materials	19,320	19,029
Work in progress	346	436
Inventories, net	36,353	31,621

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 sales of $0.6 million and $0.2 million during the six months ended June 30, 2023 and 2022, respectively.

6. PROPERTY AND EQUIPMENT, NET

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

	June 30, 2023	December 31, 2022
Office equipment	985	977
Electronic equipment	8,457	7,416
Vehicle	195	202
Laboratory equipment	19,672	18,726
Manufacturing equipment	16,595	17,055
Leasehold improvements	11,036	11,300
Construction in progress	25,092	24,251
	82,032	79,927
Less: accumulated depreciation	(25,622)	(22,064)
Property and equipment, net	56,410	57,863

Depreciation expense was $4.3 and $3.6 million for the six months ended June 30, 2023 and 2022, respectively.

7. ACCOUNTS PAYABLE

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

	June 30, 2023	December 31, 2022
Within 3 months	66,283	65,249
3 months to 6 months	544	132
6 months to 1 year	196	577
Over 1 year	8	16
Total	67,031	65,974

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

8. REVENUE

Product Revenue

The Company's product revenue is primarily derived from the sales of ZEJULA, Optune, QINLOCK, and NUZYRA in mainland China and Hong Kong. The table below presents the Company's product revenue ($ in thousands):

	Six Months Ended June 30, 2023	2022
Product revenue — gross	146,222	107,649
Less: Rebates and sales returns	(14,561)	(13,979)
Product revenue — net	131,661	93,670

Sales rebates are offered to distributors in mainland China, and the amounts are recorded as a reduction of 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, 2023	2022
ZEJULA	85,637	63,649
Optune	27,034	24,389
QINLOCK	8,833	3,582
NUZYRA	10,105	2,050
VYVGART	52	—
Product revenue — net	131,661	93,670

9. INCOME TAX

No provision for income taxes has been required to be accrued because the Company is in cumulative loss positions 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, 2023 and December 31, 2022. No unrecognized tax benefits and related interest and penalties were recorded in the periods presented.

10. OTHER CURRENT LIABILITIES

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

	June 30, 2023	December 31, 2022
Payroll	18,976	31,689
Accrued professional service fee	7,922	4,080
Payables for purchase of property and equipment	4,344	5,269
Accrued rebate to distributors	8,514	8,443
Tax payables	15,768	13,283
Others (i)	3,500	4,054
Total	59,024	66,818

(i) Others mainly include accrued travel and business-related expenses.

11. 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,	
	2023	2022
Numerator:		
Net loss attributable to ordinary shareholders	(170,039)	(220,327)
Denominator:		
Weighted average number of ordinary shares — basic and diluted	963,140,360	956,603,250
Net loss per share — basic and diluted	(0.18)	(0.23)

As a result of the Company's net loss for the six months ended June 30, 2023 and 2022, 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,	
	2023	2022
Share options	108,322,600	91,546,280
Non-vested restricted shares	33,462,670	34,356,250

12. RELATED PARTY TRANSACTIONS

The Company incurred research and development expenses for product research and development services provided by MEDx (Suzhou) Translational Medicine Co., Ltd ("MEDx"), over which an immediate family member of our Chief Executive Officer and Chairperson of the Board held significant influence. The Company incurred development expenses with MEDx of insignificant amounts during the six months ended June 30, 2023 and $0.3 million during the six months ended June 30, 2022.

13. SHARE-BASED COMPENSATION

During the six months ended June 30, 2023, the Company granted share options to purchase up to 22,776,380 ordinary shares and restricted shares representing 8,326,080 ordinary shares under the 2022 Equity Incentive Plan. 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 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 to our 2022 HK Annual Report.

During the six months ended June 30, 2023, the share options were granted at exercise prices ranging from $3.35 per share to $3.99 per share. The share options granted were valued using the Black-Scholes model, and the weighted-average grant-date fair value was $2.23 per share. 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.

Upon each settlement date of certain share-based awards, shares were withheld to cover the required withholding tax, which was based on the value of a share on the settlement date as determined by the applicable price of the ADSs on the trading day of the applicable settlement date. The remaining shares after the withholding were delivered to the recipient. The amount remitted to the tax authorities for employee tax obligations was reflected as a financing activity on the consolidated statements of cash flows. These shares withheld by the Company as a result of the net settlement were accounted for as treasury stock and considered issued but not outstanding.

13. SHARE-BASED COMPENSATION (CONTINUED)

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,	
	2023	2022
Selling, general and administrative	21,839	15,923
Research and development	15,333	10,712
Total	37,172	26,635

As of June 30, 2023, there was unrecognized share-based compensation expense related to unvested share options and unvested restricted shares of $129.2 million and $130.9 million, respectively, which the Company expects to recognize over a weighted-average period of 3.45 years and 3.21 years, respectively.

14. LICENSE AND COLLABORATION AGREEMENTS

The Company has entered into various license and collaboration agreements with third parties to develop and commercialize product candidates.

Significant License and Collaboration Arrangements

For a description of the material terms of the Company's significant license and collaboration agreements, see Note 18 to our 2022 HK Annual Report. During the six months ended June 30, 2023, the Company did not enter into any new significant license or collaboration agreements. The following includes a description of payments or accruals related to upfront or milestone fees under our significant license and collaboration agreements during the six months ended June 30, 2023.

License and Collaboration Agreement with Entasis Therapeutics Holdings Inc. ("Entasis") (SUL-DUR)

Under the terms of our license and collaboration agreement with Entasis for SUL-DUR, the Company accrued a $3.0 million development milestone fee in the second quarter of 2023, and the additional aggregate amount the Company may be required to pay for development, regulatory, and sales-based milestones decreased to $88.6 million.

14. LICENSE AND COLLABORATION AGREEMENTS (CONTINUED)

Significant License and Collaboration Arrangements (Continued)

License Agreement with BMS (Formerly Turning Point Therapeutics, Inc. ("Turning Point")) (Repotrectinib)

Under the terms of our license agreement with BMS for repotrectinib, the Company accrued a $5.0 million development milestone fee in the second quarter of 2023, and the additional aggregate amount the Company may be required to pay for development, regulatory, and sales-based milestones decreased to $141.0 million.

Other License and Collaboration Arrangements That Are Not Individually Significant

The Company made an upfront payment of $10.0 million in the second quarter of 2023 for a new strategic partnership and global license agreement with MediLink Therapeutics (Suzhou) Co., Ltd. for an early-stage next generation DLL3 ADC program, ZL-1310.

15. OTHER EXPENSES, NET

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

	Six Months Ended June 30,	
	2023	2022
Government grants	83	1,627
Loss on equity investments with readily determinable fair value	(1,304)	(12,556)
Others miscellaneous gain	1,050	551
Total	(171)	(10,378)

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 during the six months ended June 30, 2023 and 2022 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 Chinese subsidiaries from transferring out funds in the form of dividends, loans, and advances. As of both June 30, 2023 and December 31, 2022, amounts restricted are the paid-in capital of the Company's Chinese subsidiaries, which was $456.0 million

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 $3.9 million as of June 30, 2023 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. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The condensed consolidated financial statements of the Company are prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards ("IFRS"). The following tables present the effect of material differences on the financial information of the Company prepared under U.S. GAAP and IFRS (the "Reconciliation Statement").

Reconciliation of consolidated statements of operations ($ in thousands)

	Six months ended June 30, 2023		
	Amounts as reported under U.S. GAAP	IFRS adjustments	Amounts as reported under IFRS
Consolidated statements of operations		Share-based compensation (note (i))	
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)
Net loss attributable to ordinary shareholders	(170,039)	(14,295)	(184,334)

	Six months ended June 30, 2022		
	Amounts as reported under U.S. GAAP	IFRS adjustments	Amounts as reported under IFRS
Consolidated statements of operations		Share-based compensation (note (i))	
Expenses			
Research and development	(119,938)	(2,057)	(121,995)
Selling, general and administrative	(120,392)	(5,305)	(125,697)
Net loss	(220,327)	(7,362)	(227,689)
Net loss attributable to ordinary shareholders	(220,327)	(7,362)	(227,689)

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

Reconciliation of consolidated balance sheets ($ in thousands)

	As of June 30, 2023		
	Amounts as reported under U.S. GAAP	IFRS adjustments	Amounts as reported under IFRS
Consolidated balance sheets		Share-based compensation (note (i))	
Additional paid-in capital	2,932,053	60,365	2,992,418
Accumulated deficit	(2,031,399)	(60,365)	(2,091,764)
Total shareholders' equity	932,314	—	932,314

	As of December 31, 2022		
	Amounts as reported under U.S. GAAP	IFRS adjustments	Amounts as reported under IFRS
Consolidated balance sheets		Share-based compensation (note (i))	
Additional paid-in capital	2,893,120	46,070	2,939,190
Accumulated deficit	(1,861,360)	(46,070)	(1,907,430)
Total shareholders' equity	1,045,595	—	1,045,595

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.

18. 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 are 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 $14.3 million and $7.4 million arose on 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 for the six months ended June 30, 2023 and 2022, respectively.

The accumulated difference on share-based compensation recognized in accumulated deficit and additional paid-in capital under U.S. GAAP and IFRS was $60.4 million and $46.1 million as of June 30, 2023 and December 31, 2022, respectively.

(ii) Leases

Under U.S. GAAP, as a lessee, the Company recognized a lease liability based on the present value of 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 in leases recognized on the condensed consolidated financial statements as of June 30, 2023 and December 31, 2022, respectively, and for the six months ended June 30, 2023 and 2022, 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 HK Annual Report"	2022 Annual Report for the year ended December 31, 2022 as filed with the Hong Kong Stock Exchange on April 27, 2023
"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
"A$"	Australian dollar
"AACR"	American Association for Cancer Research
"ADS(s)"	American depositary 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
"ASCO"	American Society of Clinical Oncology
"BLA"	Biologics License Application
"BMS"	Bristol Myers Squibb
"BMTPZ"	Hainan Bo'ao Lecheng International Medical Tourism Pilot Zone
"Board"	the board of directors of the Company
"BTD"	breakthrough therapy designation
"CDE"	Center for Drug Evaluation
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the HK Listing Rules
"chief executive"	has the meaning ascribed to it in the HK Listing Rules
"China" or the "PRC"	the People's Republic of China
"CMO(s)"	Contract manufacture organization(s)
"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
"CRO(s)"	contract research organization(s)
"CTA"	clinical trial application
"Director(s)"	the member(s) of the Board

"DMC"	data monitoring committee
"Entasis"	Entasis Therapeutics Holdings Inc.
"Ethics Review Measures"	Measures on Ethics Review for Life Sciences and Medical Research Involving Human Subjects
"FDA"	United States 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
"HK dollar" or "HK$"	Hong Kong dollars, the lawful 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) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*
"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
"MAA"	Marketing Authorization Application
"Macau"	Macao Special Administrative Region of the PRC
"MediLink"	MediLink Therapeutics (Suzhou) Co., Ltd.
"MEDx"	MEDx (Suzhou) Translational Medicine Co., Ltd
"Mirati"	Mirati Therapeutics, Inc.
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules
"Nasdaq"	Nasdaq Global Market
"NCCN"	National Comprehensive Cancer Network
"NDA"	new drug application
"NMPA"	National Medical Products Administration of the People's Republic of China
"NovoCure"	NovoCure Limited
"NRDL"	National Reimbursement Drug List

"ordinary share(s)"	ordinary share(s) in the authorized share capital of the Company with a par value of $0.000006 per share (or $0.00006 per share where "before Share Subdivision" is indicated)
"PBOC"	People's Bank of China
"PDUFA"	Prescription Drug User Fee Act
"Primary Conversion Effective Date"	the date on which the Company's voluntary conversion from secondary listing status to primary listing on the Hong Kong Stock Exchange became effective, i.e., June 27, 2022
"Prospectus"	the prospectus of the Company dated September 17, 2020
"PSUs"	performance-based restricted share units
"R&D"	research and development
"Reconciliation Statement"	the effects of material differences on the Company's financial information prepared under U.S. GAAP and IFRS as at June 30, 2023 and December 31, 2022 and for the six-month periods ended June 30, 2023 and 2022
"Reporting Period"	the six months ended June 30, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"RSA(s)"	restricted share(s)
"RSU(s)"	restricted share unit(s)
"SEC"	U.S. Securities and Exchange Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Share(s)"	ordinary share(s), or ADS(s) represented by such number of ordinary shares
"Share Subdivision"	the subdivision of each of the Company's issued and unissued ordinary shares into ten ordinary shares effective as of March 30, 2022
"subsidiary(ies)"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the HK Listing Rules
"Turning Point"	Turning Point Therapeutics, Inc.
"TW$"	Taiwan dollar
"United States" or "U.S."	the United States of America, its territories, its possessions, and all areas subject to its jurisdiction
"U.S. dollars", "US$", or "$"	United States dollars, the lawful currency of the United States
"U.S. GAAP"	United States generally accepted accounting principles

GLOSSARY OF TECHNICAL TERMS

"AChR"	anti-acetylcholine receptor
"ADC"	antibody drug conjugate
"BP"	bullous pemphigoid
"CI"	confidence internal
"CIDP"	chronic inflammatory demyelinating polyneuropathy
"CNS"	central nervous system
"efgartigimod SC"	efgartigimod alfa injection (subcutaneous injection)
"GBM"	glioblastoma multiforme
"gMG"	generalized myasthenia gravis
"HR"	hazard ratio
"ICI"	immune checkpoint inhibitor
"ISD"	individual starting dose
"ITT"	intention-to-treat
"mPFS"	median progression-free survival
"NSCLC"	non-small cell lung cancer
"NTRK"	neurotrophic tropomyosin-receptor kinase
"ORR"	objective response rate
"OS"	overall survival
"PANSS"	Positive and Negative Syndrome Scale
"PFS"	progression-free survival
"PK"	pharmacokinetic
"SAEs"	serious adverse events
"TEAEs"	treatment-emergent adverse events
"TKI"	tyrosine kinase inhibitor
"TTFields"	Tumor Treating Fields

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