Zai Lab Limited

再鼎醫藥有限公司 *

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9688)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

Zai Lab Limited hereby announces the consolidated results of the Company for the year ended December 31, 2024, together with the comparative figures for the year ended December 31, 2023, which have been prepared in accordance with generally accepted accounting principles in the United States and reviewed by the audit committee of the board of directors of Zai Lab Limited.

FINANCIAL HIGHLIGHTS

Year ended December 31, 2024 vs. year ended December 31, 2023 (in $)

- Net product revenue increased by $130.9 million, or 49%, to $397.6 million, primarily driven by increased sales for VYVGART® since its launch in September 2023 and NRDL listing in January 2024 and was also supported by increased sales for ZEJULA® and NUZYRA®.
- Research and development expenses decreased by $31.4 million, or 12%, to $234.5 million, primarily driven by the progress of existing studies, partially offset by increases in licensing fees.
- Selling, general and administrative expenses increased by $17.1 million, or 6%, to $298.7 million, primarily due to higher general selling expenses related to the launch of VYVGART and growing sales for NUZYRA, partially offset by a decrease in selling expenses for other products and a decrease in general and administrative expenses.
- Net loss decreased by $77.5 million, or 23%, to $257.1 million, primarily due to product revenue growing faster than net operating expenses, offset by decreased interest income and increased foreign currency loss.
- Basic and diluted loss per share was $0.26, a decrease of 25% from $0.35.

Independent auditor's report

to the shareholders of Zai Lab Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zai Lab Limited ("the Company") and its subsidiaries (collectively, "the Group") set out on pages 6 to 45, which comprise the consolidated balance sheet as at December 31, 2024, the consolidated statement of operations, the consolidated statement of comprehensive loss, the consolidated statement of shareholders' equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including significant accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with U.S. generally accepted accounting principles and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for* the *audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Evaluation of accrued preclinical and clinical trial expenses	
Refer to Note 24 to the consolidated financial statements and the accounting policies in Note 2.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Company's research and development expenses include costs associated with payments to contract research organizations ("CROs") and contract manufacturing organizations ("CMOs") for various preclinical and clinical trial activities. Expenses related to preclinical and clinical trial activities are accrued based on the Company's estimates of the actual services performed by the CROs and CMOs. As disclosed in the consolidated financial statements, as of December 31, 2024, the Company recorded $100.9 million in accounts payable, which included the accrued preclinical and clinical trial expenses. We identified the evaluation of accrued preclinical and clinical trial expenses as a key audit matter. Specifically, evaluating the estimate of services performed for certain research and development activities at year-end required subjective judgment.	Our audit procedures to evaluate the accrued preclinical and clinical trial expenses included the following: ● evaluating the design and testing the operating effectiveness of certain internal controls related to accrued preclinical and clinical trial expenses. This included controls related to the estimation of the services performed by the CROs and CMOs during the period that are included in accounts payable balances at the end of each reporting period; ● on a sample basis, examining contracts, purchase orders, invoices, and third-party confirmations and comparing them to the Company's estimation of services performed by the CROs and CMOs; and ● examining certain invoices received and/or payments made after year-end and evaluating whether they were associated with services received prior to that date and whether they were included in the Company's estimate of costs incurred at year-end.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with U.S. generally accepted accounting principles and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Frankie C.Y. Lai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
March 28, 2025

CONSOLIDATED BALANCE SHEETS

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

	Notes	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	3	449,667	790,151
Restricted cash, current		100,000	—
Short-term investments	4	330,000	16,300
Accounts receivable (net of allowance for credit losses of $25 and $17 as of December 31, 2024 and 2023, respectively)	23	85,178	59,199
Notes receivable		4,233	6,134
Inventories, net	5	39,875	44,827
Prepayments and other current assets		41,527	22,995
Total current assets		1,050,480	939,606
Restricted cash, non-current		1,114	1,113
Long-term investments	6	3,115	9,220
Prepayments for equipment		18	111
Property and equipment, net	7	47,961	53,734
Operating lease right-of-use assets	8	21,496	14,844
Land use rights, net		2,907	3,069
Intangible assets, net	9	56,027	13,389
Long-term deposits		1,284	1,209
Value added tax recoverable		1,351	—
Total assets		**1,185,753**	**1,036,295**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable	24	100,906	112,991
Current operating lease liabilities	8	8,048	7,104
Short-term debt	12	131,711	—
Other current liabilities	13	58,720	82,972
Total current liabilities		299,385	203,067
Deferred income		31,433	28,738
Non-current operating lease liabilities	8	13,712	8,047
Other non-current liabilities		325	325
Total liabilities		**344,855**	**240,177**
Commitments and contingencies (Note 20)			
Shareholders' equity			
Ordinary shares (par value of $0.000006 per share; 5,000,000,000 shares authorized, 1,082,614,740 and 977,151,270 shares issued as of December 31, 2024 and 2023, respectively; 1,077,702,540 and 972,239,070 shares outstanding as of December 31, 2024 and 2023)		7	6
Additional paid-in capital		3,264,295	2,975,302
Accumulated deficit		(2,453,083)	(2,195,980)
Accumulated other comprehensive income		50,515	37,626
Treasury stock (at cost, 4,912,200 shares as of both December 31, 2024 and 2023)		(20,836)	(20,836)
Total shareholders' equity		**840,898**	**796,118**
Total liabilities and shareholders' equity		**1,185,753**	**1,036,295**

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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Notes	Year Ended December 31, 2024	2023
Revenues			
Product revenue, net	10	397,614	266,719
Collaboration revenue		1,374	—
Total revenues		398,988	266,719
Expenses			
Cost of product revenue		(147,118)	(95,816)
Cost of collaboration revenue		(742)	—
Research and development		(234,504)	(265,868)
Selling, general and administrative		(298,741)	(281,608)
Gain on sale of intellectual property		—	10,000
Loss from operations		(282,117)	(366,573)
Interest income		37,105	39,797
Interest expenses		(2,254)	—
Foreign currency losses		(15,137)	(14,850)
Other income, net	17	5,300	7,006
Loss before income tax		(257,103)	(334,620)
Income tax expense	11	—	—
Net loss		(257,103)	(334,620)
Loss per share — basic and diluted	14	(0.26)	(0.35)
Weighted-average shares used in calculating net loss per ordinary share — basic and diluted		989,477,730	966,394,130

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of $)

	Year Ended December 31,	
	2024	**2023**
Net loss	(257,103)	(334,620)
Other comprehensive income, net of tax of nil:		
Foreign currency translation adjustments	12,889	11,941
Comprehensive loss	**(244,214)**	**(322,679)**

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Ordinary shares		Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income	Treasury Stock		Total
	Number of Shares	Amount				Number of Shares	Amount	
Balance at January 1, 2023	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	8,178,500	0	0	—	—	—	—	—
Exercise of share options	6,516,920	0	2,548	—	—	—	—	2,548
Receipt of shares netted to satisfy tax withholding obligations related to share-based compensation	—	—	—	—	—	(2,675,920)	(8,980)	(8,980)
Share-based compensation	—	—	79,634	—	—	—	—	79,634
Net loss	—	—	—	(334,620)	—	—	—	(334,620)
Foreign currency translation	—	—	—	—	11,941	—	—	11,941
Balance at December 31, 2023	977,151,270	6	2,975,302	(2,195,980)	37,626	(4,912,200)	(20,836)	796,118
Issuance of ordinary shares upon vesting of restricted shares	10,120,260	0	0	—	—	—	—	—
Exercise of share options	5,147,140	0	3,269	—	—	—	—	3,269
Issuance of ordinary shares upon follow-on public offering, net of issuance cost of $2,277	90,196,070	1	215,073	—	—	—	—	215,074
Share-based compensation	—	—	70,651	—	—	—	—	70,651
Net loss	—	—	—	(257,103)	—	—	—	(257,103)
Foreign currency translation	—	—	—	—	12,889	—	—	12,889
Balance at December 31, 2024	1,082,614,740	7	3,264,295	(2,453,083)	50,515	(4,912,200)	(20,836)	840,898

The accompanying notes are an integral part of these consolidated financial statements. "0" in above table means less than 1,000 dollars.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of $)

	Year Ended December 31,	
	2024	**2023**
Cash flows from operating activities		
Net loss	(257,103)	(334,620)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for credit losses	8	6
Inventory write-down	815	973
Depreciation and amortization expenses	11,856	9,029
Impairment of property and equipment	—	57
Amortization of deferred income	(3,520)	(3,383)
Share-based compensation	70,651	79,634
Loss (gain) from fair value changes of equity investment with readily determinable fair value	6,105	(2,789)
Losses on disposal of property and equipment	453	159
Gain on disposal of land use right	—	(408)
Noncash lease expenses	8,419	8,708
Gain from sale of intellectual property	—	(10,000)
Foreign currency remeasurement impact	15,137	14,850
Amortization of debt issuance cost	700	—
Changes in operating assets and liabilities:		
Accounts receivable	(26,975)	(20,040)
Notes receivable	1,762	2,352
Inventories	3,896	(14,907)
Prepayments and other current assets	(18,729)	12,246
Long-term deposits	(75)	187
Value added tax recoverable	(1,367)	—
Accounts payable	(2,209)	36,803
Other current liabilities	(22,022)	19,810
Operating lease liabilities	(9,259)	(8,351)
Deferred income	6,588	11,181
Other non-current liabilities	—	325
Net cash used in operating activities	(214,869)	(198,178)
Cash flows from investing activities		
Purchases of short-term investments	(330,000)	(134,000)
Proceeds from maturity of short-term investment	16,300	117,700
Purchases of property and equipment	(5,657)	(7,212)
Proceeds from the sale of property and equipment	29	122
Acquisition of intangible assets	(55,865)	(1,279)
Proceeds from sale of intellectual property	—	10,000
Proceeds from disposal of land use right	—	3,893
Net cash used in investing activities	(375,193)	(10,776)
Cash flows from financing activities		
Proceeds from short-term debt	131,606	—
Repayment of short-term bank borrowings	(284)	—
Payment of debt issuance cost	(700)	—
Proceeds from exercises of stock options	3,200	2,369
Proceeds from issuance of ordinary shares upon public offerings	217,350	—
Payments of public offering costs	(1,283)	—
Taxes paid related to settlement of equity awards	—	(8,802)
Net cash provided by (used in) financing activities	349,889	(6,433)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(310)	(2,622)
Net decrease in cash, cash equivalents and restricted cash	(240,483)	(218,009)
Cash, cash equivalents and restricted cash — beginning of the year	791,264	1,009,273
Cash, cash equivalents and restricted cash — end of the year	550,781	791,264

	Year Ended December 31,	
	2024	2023
Supplemental disclosure of cash flow information		
Cash paid for interest	2,021	—
Supplemental disclosure on non-cash investing and financing activities		
Payables for purchase of property and equipment	449	2,474
Payables for acquisition of intangible assets	2,721	11,516
Payables for public offering costs	994	—
Right-of-use asset acquired under operating leases	15,150	3,668
Receivables for stock option exercise under equity incentive plans	70	—

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

NOTES TO THE 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). Zai Lab Limited and its subsidiaries are focused on discovering, developing, and commercializing products that address medical conditions with significant unmet needs in the areas of oncology, immunology, neuroscience, and infectious disease.

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

As of December 31, 2024, Zai Lab Limited had the following 16 subsidiaries:

Name of Company	Place of Incorporation	Particulars of Issued/Registered Capital	Percentage of Ownership	Principal Activities and Place of Operation
Zai Lab (Hong Kong) Limited	Hong Kong	HK$1	100%	Operating company for business development and R&D activities and commercialization of innovative medicines and device; Hong Kong
ZLIP Holding Limited	Cayman Islands	$1	100%	Investment holding
ZL Capital Limited	British Virgin Islands	$1	100%	Investment holding
ZL China Holding Two Limited	Hong Kong	HK$1	100%	Investment holding
Zai Anti Infectives Limited	Cayman Islands	$1	100%	Investment holding
Zai Auto Immune Limited	Cayman Islands	$1	100%	Investment holding
Zai Lab (Shanghai) Co., Ltd.	Mainland China*	$466,500,000	100%	Development and commercialization of innovative medicines and devices; mainland China
Zai Lab (AUST) Pty. Ltd.	Australia	A$100	100%	Clinical trial activities; Australia
Zai Lab (Suzhou) Co., Ltd.	Mainland China*	RMB166,500,000	100%	Development and commercialization of innovative medicines; mainland China
Zai Biopharmaceutical (Suzhou) Co., Ltd.	Mainland China*	$15,000,000	100%	Development and commercialization of innovative medicines; mainland China
Zai Lab (US) LLC	United States	$1	100%	Operating company for business development, R&D activities and certain business activities, including legal, compliance and communication functions of the Company; United States
Zai Lab International Trading (Shanghai) Co., Ltd.	Mainland China*	RMB1,000,000	100%	Commercialization of innovative medicines and devices; mainland China
Zai Auto Immune (Hong Kong) Limited	Hong Kong	HK$100	100%	Operating company for business development and R&D activities; Hong Kong
Zai Anti Infectives (Hong Kong) Limited	Hong Kong	HK$100	100%	No substantial business activities
Zai Lab (Taiwan) Limited	Taiwan	TWD1,000,000	100%	Commercialization of innovative medicines and devices; Taiwan
Zai Lab Trading (Suzhou) Co., Ltd.	Mainland China*	RMB10,000,000#	100%	Commercialization of innovative medicines; mainland China

* Limited liability company established in mainland China.

Out of RMB10,000,000 registered capital, RMB1,000,000 is paid up.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. GAAP. Significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

(b) Principles of Consolidation

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

(c) Use of Estimates

The preparation of the 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 based on the Company's estimates of the actual services performed by the CROs and CMOs, fair value of share-based compensation expenses, recoverability of deferred tax assets, and useful life of intangible assets for commercial products. 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) Foreign Currency Translation

The functional currency of Zai Lab Limited, Zai Lab (Hong Kong) Limited, Zai Lab (US) LLC, and Zai Auto Immune (Hong Kong) Limited are $. The Company's subsidiaries in mainland China determined their functional currency to be RMB. The Company's subsidiary in Australia determined its functional currency to be A$. The Company's subsidiary in Taiwan determined its functional currency to be TWD. The determination of the respective functional currency is based on the criteria of ASC 830, *Foreign Currency Matters*. The Company uses the U.S. dollar as its reporting currency.

Assets and liabilities are translated from each entity's functional currency to the reporting currency at the exchange rate on the balance sheet date. Equity amounts are translated at historical exchange rates. Revenues, expenses, gains, and losses are translated using the average rate for the period presented. The resulted foreign currency translation adjustments are recorded as a component of other comprehensive loss in the consolidated statements of comprehensive loss, and the accumulated foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in the consolidated statements of shareholders' equity.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date.

Non-monetary assets and liabilities are translated into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of operations.

(e) Cash, Cash Equivalents, and Restricted Cash

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of cash on hand, demand deposits, and highly liquid investments with maturity of less than three months and are stated at cost, which approximates fair value.

Restricted Cash

Restricted cash mainly consists of bank deposits held as collateral for issuances of letters of credit for the Company's loan facility (see *Note 12*).

(f) Short-Term Investments

Short-term investments are time deposits with original maturities between three months and one year. Short-term investments are stated at cost, which approximates fair value. Interest earned is included in interest income.

(g) Accounts Receivable

The Company's accounts receivable arise from product sales and represent amounts due from its customers. From January 1, 2020, the Company adopted the ASU 2016-13, *Credit Losses, Measurement of Credit Losses on Financial Instruments*. Accounts receivable are recorded at the amounts net of allowances for credit losses. The allowance for credit losses reflects the Company's current estimate of credit losses expected to be incurred over the life of the receivables. The Company considers various factors in establishing, monitoring, and adjusting its allowance for credit losses including the aging of receivables and aging trends, customer creditworthiness, and specific exposures related to particular customers. The Company also monitors other risk factors and forward-looking information, such as country-specific risks and economic factors that may affect a debtor's ability to pay in establishing and adjusting its allowance for credit losses. Accounts receivable are written off when deemed uncollectible.

(h) Notes Receivable

Notes receivable are equal to contractual amounts owed from signed, secured promissory notes issued from customers to the Company. The Company considers the notes receivable to be fully collectible. Accordingly, no allowance for credit loss has been established as of December 31, 2024 and 2023.

(i) Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined on a weighted average basis. The Company periodically reviews the composition of inventory and shelf life of inventory to identify obsolete, slow-moving, or otherwise non-saleable items. The Company will record a write-down to its net realizable value in cost of product revenue in the period that the decline in value is first identified.

(j) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

	Useful life
Office equipment	3 years
Electronic equipment	1.25-3 years
Vehicles	4 years
Laboratory equipment	5 years
Manufacturing equipment	10 years
Leasehold improvements	lesser of useful life or lease term

Construction in progress represents property and equipment under construction and pending installation and is stated at cost less impairment losses, if any.

(k) Leases

The Company leases facilities for its offices, research and development center, and manufacturing facilities in mainland China, Hong Kong, Taiwan and the United States. On January 1, 2019, the Company adopted ASC 842, using the modified

retrospective transition approach by applying the new standard to all leases existing at the date of initial application and not restating historical periods before the adoption date.

The Company assessed whether an arrangement contains a lease at inception. The Company's leases are all classified as operating leases with fixed lease payments, or minimum payments, as contractually stated in the lease agreements. The Company's leases do not contain any material residual value guarantees or material restrictive covenants.

Operating leases are included in operating lease right-of-use assets and operating lease liabilities in the consolidated balance sheets. Operating lease liabilities that become due within one year of the balance sheet date are classified as current operating lease liabilities. Operating lease expense is recognized on a straight-line basis over the lease term.

At the commencement date of a lease, the Company recognizes a lease liability for future fixed lease payments and a ROU asset representing the right to use the underlying asset during the lease term. The lease liability is initially measured as the present value of the future fixed lease payments that will be made over the lease term. The lease term includes periods for which the Company is reasonably certain that the renewal options will be exercised and the termination options will not be exercised. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company's leases generally do not provide an implicit rate. The incremental borrowing rate is reevaluated upon a lease modification. The Company considered information available at the adoption date of ASC 842 to determine the incremental borrowing rate for leases in existence as of this date.

The ROU asset is measured at the amount of the lease liability with adjustments, if applicable, for lease prepayments made prior to or at lease commencement, initial direct costs incurred by the Company, and lease incentives. Under ASC 842, land use rights agreements are also considered to be operating lease contracts.

The Company elected to apply each of the practical expedients described in ASC 842 which allow companies (i) not to reassess prior conclusions on whether any expired or existing contracts are or contain a lease, lease classification, and initial direct costs upon adoption of ASC 842, (ii) combine lease and non-lease components for all underlying assets groups, and (iii) not recognize ROU assets or lease liabilities for short term leases. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

(l) Land Use Rights

All land in mainland China is subject to government or collective ownership. Land use rights can be purchased for a specified period of time. The purchase price of land use rights represents the operating lease prepayments under ASC 842 and is recorded as land use rights on the consolidated balance sheet, which is amortized over the remaining lease term.

The Company acquired land use rights in 2019 for a term of 30 years from the local Bureau of Land and Resources in Suzhou for the purpose of constructing and operating a research center and biologics manufacturing facility in Suzhou. In 2023, the Company returned a portion of the land use rights and received cash in an amount equal to the respective portion of the original acquisition cost.

(m) Long-Term Deposits

Long-term deposits represent amounts paid in connection with the Company's long-term lease agreements.

(n) Intangible Assets

Intangible assets for commercial products include capitalized post-approval milestone fees and acquired commercial manufacturing know-how and related development costs. The Company is amortizing intangible assets for commercial products as cost of product revenue over the estimated remaining useful life of the related products, which is generally based on expected patent life, the contractual period of the underlying license agreement, and expected commercial benefits of the products. Intangible assets for externally purchased software are amortized over three to five years on a straight-line basis.

(o) Impairment of Long-Lived Assets

The Company evaluates long-lived assets, which includes intangible assets, tangible assets, and ROU assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount of the related asset group to its future undiscounted cash flows. The Company measures the amount of impairment, if any, based on the difference between the carrying value and the estimated fair value of the impaired asset group.

(p) Fair Value Measurements

The Company applies ASC 820 in measuring fair value. ASC 820 defines fair value, establishes a framework for measuring fair value, and requires disclosures to be provided on fair value measurement.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (i) market approach; (ii) income approach; and (iii) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Equity investments with readily determinable fair value are measured using level 1 inputs and were $3.1 million and $9.2 million as of December 31, 2024 and 2023, respectively. The unrealized gains and losses from fair value changes are recognized in other income, net in the 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 December 31, 2024 and 2023, the carrying values of cash and cash equivalents, short-term investments, accounts receivable, prepayments, and other current assets, accounts payable, short-term debt, and other current liabilities approximated their fair values due to the short-term maturity of these instruments, and the carrying value of notes receivable and restricted cash approximated their fair value based on the nature of the assessment of the ability to recover these amounts.

(q) Revenue Recognition

In 2018, the Company adopted ASC 606. Under ASC 606, the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration expected to be received in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer. Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. The Company recognizes as revenue the amount of the transaction price that is allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

The Company's revenue is mainly from product sales. The Company recognizes revenue from product sales when the Company has satisfied the performance obligation by transferring control of the product to the customers. Control of the product generally transfers to the customers when the delivery is made and when title and risk of loss transfers to the consumers. Cost of product revenue mainly consists of the acquisition cost of products, the manufacturing cost of products, royalty fees, and amortization of intangible assets for commercial products.

The Company has applied the practical expedients under ASC 606 with regard to assessment of the financing component and concluded that there is no significant financing component given that the period between delivery of goods and payment is generally one year or less.

In mainland China, the Company sells these products to distributors, who ultimately sell the products to health care providers. Based on the nature of the arrangements, the performance obligations are satisfied upon the delivery of the products to distributors. Rebates are offered to distributors, consistent with pharmaceutical industry practices. The estimated amount of unpaid or unbilled rebates, if any, are recorded as a reduction of revenue. Estimated rebates are determined based on contracted rates and sales volumes and to a lesser extent, distributor inventories. The Company regularly reviews the information related to these estimates and adjusts the amount accordingly.

In Hong Kong, the Company sells the products to customers, which are typically healthcare providers such as oncology centers. The Company utilizes a third party for warehousing services. Based on the nature of the arrangements, the Company has determined that it is a principal in the transaction since the Company is primarily responsible for fulfilling the promise to provide the products to the customers, maintains inventory risk until delivery to the customers, and has latitude in establishing the price. Revenue is recognized upon delivery to customers at mutually agreed upon prices. Consideration paid to the third party is recognized in operating expenses.

The Company did not recognize any contract assets or contract liabilities as of December 31, 2024 and 2023.

(r) Collaborative Arrangements

The Company analyzes its collaboration arrangements to assess whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities and therefore within the scope of ASC 808. This assessment is performed throughout the life of the arrangement based on changes in the responsibilities of all parties in the arrangement.

For collaboration arrangements within the scope of ASC 808 that contain multiple elements, the Company first determines which elements of the collaboration are deemed to be within the scope of ASC 808 and which elements of the collaboration are more reflective of a vendor-customer relationship and therefore within the scope of ASC 606. For elements of collaboration arrangements that are accounted for pursuant to ASC 808, an appropriate recognition method is determined and applied consistently.

(s) Research and Development Expenses

Elements of research and development expenses primarily include (i) payroll and other related costs of personnel engaged in research and development activities; (ii) in-licensed patent rights fees for exclusive development rights for products granted to the Company; (iii) costs related to pre-clinical testing of the Company's technologies under development and clinical trials such as payments to CROs and CMOs, investigators, and clinical trial sites that conduct its clinical studies; (iv) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation, and facility-related expenses; and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when they have no alternative future uses. Liabilities related to third-party research and development expenses are primarily included in accounts payable on the consolidated balance sheet.

The Company has acquired rights to develop and commercialize certain product candidates. Upfront payments that relate to the acquisition of a new product compound, as well as pre-commercial milestone payments, are immediately expensed as acquired in-process research and development in the period in which they are incurred, provided that the new product compound does not also include processes or activities that would constitute a "business" as defined under U.S. GAAP.

Milestone payments made to third parties subsequent to regulatory approval which meet the capitalization criteria would be capitalized as intangible assets and amortized over the estimated remaining useful life of the related product, which is generally based on expected patent life, the contractual period of the underlying license agreement, and expected commercial benefits of the products.

(t) Deferred Income

Deferred income is mainly related to upfront payments received from collaborative partners and government grants.

The Company received certain upfront payments from collaborative partners, which are being amortized over the terms of the contracts. The Company had $30.7 million and $26.7 million in deferred income related to the upfront payments as of December 31, 2024 and 2023, respectively.

Government grants consist of cash subsidies received by the Company's subsidiaries in mainland China from local governments for conducting business in certain local districts. Grant received before the fulfillment of government specified performance obligations is recorded into deferred income. When the performance obligations are satisfied, the Company records the grants into other income, net. The Company had $0.7 million and $2.1 million of deferred income related to government grants as of December 31, 2024 and 2023, respectively.

(u) Share-Based Compensation

The Company grants share options and non-vested restricted shares to eligible employees, non-employees, and directors and accounts for these share-based awards in accordance with ASC 718.

The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. The grant-date fair value of non-vested restricted shares is the market value of the underlying stock on the award's grant date.

The Company has elected to use the straight-line method to recognize compensation expenses for share awards with graded vesting based on service conditions, provided that the minimum amount of cumulative compensation expense recognized is not less than the portion of the award vested to date. For share-based awards with service conditions only, the Company recognizes expenses (i) immediately at grant date if no vesting conditions are required; or (ii) using a straight-line method over the requisite service period, which is the vesting period, if vesting conditions are required. For share-based awards containing performance conditions, the Company recognizes expenses based on the estimated number of performance-based awards expected to vest using the graded vesting attribution method. The Company accounts for the effect of forfeitures as they occur.

(v) Income Taxes

Income tax expense includes (i) deferred tax expense, which generally represents the net change in the deferred tax asset or liability balance during the year plus any change in valuation allowances; (ii) current tax expense, which represents the amount of tax currently payable to or receivable from a taxing authority; and (iii) non-current tax expense, which represents the increases and decreases in amounts related to uncertain tax positions from prior periods and not settled with cash or other tax attributes.

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial statement and income tax bases of assets and liabilities, which are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company evaluates its uncertain tax positions using the provisions of ASC 740, *Income Taxes*, which requires that realization of an uncertain income tax position be recognized in the financial statements. The benefit to be recorded in the financial statements is the amount most likely to be realized assuming a review by tax authorities having all relevant information and applying current conventions. It is the Company's policy to recognize interest and penalties related to unrecognized tax benefits, if any, as a component of income tax expense.

(w) Loss Per Share

Basic loss per ordinary share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per ordinary share reflects the potential dilution that could occur if securities were exercised or converted into ordinary shares. The Company had stock options and non-vested restricted shares, which could potentially dilute basic loss per share in the future. To calculate the number of shares for diluted loss per share, the effect of the stock options and non-vested restricted shares is computed using the treasury stock method. The computation of diluted loss per share does not assume exercise or conversion of securities that would have an anti-dilutive effect.

(x) Comprehensive Loss

Comprehensive loss is defined as the changes in equity of the Company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. For each of the periods presented, the Company's comprehensive loss includes net loss and foreign currency translation adjustments, which are presented in the consolidated statements of comprehensive loss.

(y) Concentration of Risks

Concentration of Customers

In 2024 and 2023, the Company's five largest customers accounted for approximately $128.7 million (32.4%), and $104.7 million (35.0%) of the product revenue, respectively. One customer accounted for approximately $67.3 million (16.9%), and $59.4 million (19.9%) of the product revenue, respectively for the same periods.

Concentration of Credit Risk

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

As of December 31, 2024 and 2023, all of the Company's cash and cash equivalents and short-term investments were held by major financial institutions located in mainland China and international financial institutions outside of mainland China which management believes are of high credit quality and continually monitors the credit worthiness of these financial institutions.

Accounts receivable are typically unsecured and are derived from product sales. The Company manages credit risk of accounts receivable through ongoing monitoring of outstanding balances and limits the amount of credit extended based upon payment history and credit worthiness. Historically, the Company has collected receivables from customers within the credit terms with no significant credit losses incurred. One customer accounted for 10% or more of accounts receivable, with $16.7 million and $7.8 million as of December 31, 2024 and 2023, respectively.

Certain accounts receivable balances may be settled in the form of notes receivable. As of December 31, 2024, notes receivable represented bank acceptance promissory notes that are non-interest bearing and due within six months. Notes receivable were used to collect the receivables based on an administrative convenience, given these notes are readily convertible to be 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 the Company's discretion, and this selection does not impact the agreed contractual purchase prices.

The Company's other receivables were primarily due from its partners, which have good credit ratings. The credit risk for other receivables was generally very low.

Foreign Currency Risk

RMB is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, 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 denominated in RMB of $19.0 million and $25.1 million, as of December 31, 2024 and 2023, respectively, representing 4% and 3% of the cash and cash equivalents as of December 31, 2024 and 2023, respectively.

(z) Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

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

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This ASU requires disclosure, in the notes to financial statements, of specified information about certain costs and expenses. This ASU will be effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. This ASU will result in the required additional disclosures being included in the notes to consolidated financial statements, once adopted. The Company is currently evaluating the impact of this ASU and expects to adopt it for the year ending December 31, 2027.

Recently Adopted Accounting Standards

In November 2023, the FASB issued ASU No. 2023-07, *Improvements to Reportable Segment Disclosures* (Topic 280). This ASU requires all public entities, including public entities with a single reportable segment, to disclose the title and position of the CODM and the significant segment expenses and any additional measures of a segment's profit or loss used by the CODM to allocate resources and assess performance. This ASU is effective on a retrospective basis for fiscal years beginning after December 15, 2023 and for interim periods beginning after December 15, 2024. Early adoption is permitted. The Company adopted this ASU for the year ended December 31, 2024 and disclosed additional descriptive information as required under ASC 280 (see *Note 21*).

3. Cash and Cash Equivalents

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

	December 31,	
	2024	**2023**
Cash	448,508	789,051
Cash equivalents (i)	1,159	1,100
	449,667	790,151
Denominated in:		
US$	429,887	762,436
RMB (ii)	18,979	25,093
HK$	114	1,974
A$	522	587
TWD	165	61
	449,667	790,151

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

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

4. Short-Term Investments

Short-term investments are primarily comprised of time deposits with original maturities between three months and one year. The short-term investments balance was $330.0 million and $16.3 million as of December 31, 2024 and 2023, respectively. No allowance for credit loss was recorded as of December 31, 2024 and 2023.

5. Inventories, Net

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

	December 31,	
	2024	2023
Finished goods	24,063	22,702
Raw materials	13,268	17,655
Work in progress	2,544	4,470
Inventories, net	39,875	44,827

The Company writes down inventory for any excess or obsolete inventories or when the Company believes that the net realizable value of inventories is less than the carrying value. The Company recorded write-downs in inventory, which were included in cost of product revenue of $0.8 million and $1.0 million in 2024 and 2023, respectively.

6. Long-Term Investments

In July 2021, the Company made an equity investment in MacroGenics, a biopharmaceutical company focused on developing and commercializing innovative monoclonal antibody-based therapeutics for the treatment of cancer, in a private placement with total contributions of $30.0 million and obtained 958,467 newly issued common shares of MacroGenics at $31.30 per share. The Company recorded this investment at acquisition cost and subsequently measured it at fair value, with the changes in fair value recognized in other income, net in the consolidated statements of operations. The equity investments with readily determinable fair value are measured using level 1 inputs and were $3.1 million and $9.2 million as of December 31, 2024 and 2023, respectively. The Company recognized a loss of $6.1 million and a gain of $2.8 million in 2024 and 2023, respectively.

7. Property and Equipment, Net

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

	December 31,	
	2024	2023
Office equipment	1,230	1,047
Electronic equipment	9,211	9,161
Vehicle	196	199
Laboratory equipment	20,516	20,140
Manufacturing equipment	17,493	17,680
Leasehold improvements	11,306	11,371
Construction in progress	25,129	24,272
	85,081	83,870
Less: accumulated depreciation	(37,120)	(30,136)
Property and equipment, net	47,961	53,734

Depreciation expense was $8.6 million and $8.4 million for 2024 and 2023, respectively.

8. Leases

The Company leases facilities for its offices, research and development center, and manufacturing facilities in mainland China, Hong Kong, Taiwan, and the United States. Lease terms vary based on the nature of operations and market dynamics; however, all leased facilities are classified as operating leases with remaining lease terms between one and eight years.

The following table presents operating lease costs ($ in thousands). Total lease expense related to short-term leases was insignificant for those periods presented.

	Year Ended December 31,	
	2024	2023
Operating fixed lease cost	8,751	8,691

The following table presents operating cash flows related to leases ($ in thousands):

	Year Ended December 31,	
	2024	2023
Cash paid for amounts included in measurement of lease liabilities	8,831	9,317
Non-cash operating lease liabilities arising from obtaining operating right-of-use assets	15,150	3,668

The maturities of lease liabilities in accordance with ASC 842 in each of the next five years and thereafter were as follows ($ in thousands):

	Year Ended December 31, 2024
2025	8,611
2026	4,994
2027	3,725
2028	2,908
2029	2,312
Thereafter	609
Total lease payments	23,159
Less: imputed interest	(1,399)
Present value of minimum operating lease payments	21,760

Weighted-average remaining lease terms and discount rates were as follows:

	December 31,	
	2024	2023
Weighted-average remaining lease term	3.7 years	2.5 years
Weighted-average discount rate	3.4 %	3.0 %

9. Intangible Assets, Net

The following table presents the components of the Company's intangible assets, net ($ in thousands):

	As of December 31,					
	2024			2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets						
Commercial products (i)	57,104	(2,637)	54,467	11,351	(186)	11,165
Software	4,360	(2,800)	1,560	4,340	(2,116)	2,224
Total	**61,464**	**(5,437)**	**56,027**	**15,691**	**(2,302)**	**13,389**

(i) The increase in the net carrying value is primarily driven by $33.4 million of regulatory milestone fees for repotrectinib and SUL-DUR (see *Note 16*) and $12.2 million of acquired commercial manufacturing know-how and related development costs.

Amortization expense was $3.2 million and $0.7 million in 2024 and 2023, respectively. The weighted-average remaining amortization period for intangible assets for commercial products and software was 9.5 years and 3.0 years, respectively.

Expected future amortization expense for the five succeeding years and thereafter is as follows ($ in thousands):

	Year Ended December 31
2025	5,834
2026	6,350
2027	6,859
2028	6,686
2029	4,336
Thereafter	25,962
	56,027

10. Revenues

Product Revenue, Net

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

	Year Ended December 31,	
	2024	2023
Product revenue - gross	423,855	298,911
Less: Rebates and sales returns	(26,241)	(32,192)
Product revenue - net	397,614	266,719

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

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

	Year Ended December 31,	
	2024	2023
ZEJULA	187,082	168,843
VYVGART / VYVGART Hytrulo	93,639	10,011
NUZYRA	43,199	21,656
OPTUNE	40,475	46,969
QINLOCK	28,826	19,240
XACDURO	3,305	—
AUGTYRO	1,088	—
Product revenue - net	397,614	266,719

11. Income Tax

Cayman Islands

Zai Lab Limited, ZLIP Holding Limited, Zai Auto Immune Limited, and Zai Anti Infectives Limited are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, Zai Lab Limited, ZLIP Holding Limited, Zai Auto Immune Limited, and Zai Anti Infectives Limited are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands Taxation

ZL Capital Limited is incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands, ZL Capital Limited is not subject to income tax.

Australia

Zai Lab (AUST) Pty. Ltd. is incorporated in Australia and is subject to corporate income tax at a rate of 30%. Zai Lab (AUST) Pty. Ltd. had no taxable income for the periods presented; therefore, no provision for income taxes is required.

United States

Zai Lab (US) LLC is incorporated in the United States and is subject to U.S. federal corporate income tax at a rate of 21%. Zai Lab (US) LLC is also subject to state income tax in Delaware. Zai Lab (US) LLC had no taxable income for the periods presented; therefore, no provision for income taxes is required.

Taiwan

Zai Lab (Taiwan) Limited is incorporated in Taiwan and is subject to corporate income tax at a rate of 20%. Zai Lab (Taiwan) Limited had no taxable income for the periods presented; therefore, no provision for income taxes is required.

Hong Kong

Zai Lab (Hong Kong) Limited, ZL China Holding Two Limited, Zai Auto Immune (Hong Kong) Limited, and Zai Anti Infectives (Hong Kong) Limited are incorporated in Hong Kong. Companies registered in Hong Kong are subject to Hong Kong profits tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2.0 million will be taxed at 16.5%. In 2024 and 2023, Zai Lab (Hong Kong) Limited, ZL China Holding Two Limited, Zai Auto Immune (Hong Kong) Limited, and Zai Anti Infectives (Hong Kong) Limited did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong for any of the periods presented. Under the Hong Kong tax law, Zai Lab (Hong Kong) Limited, ZL China Holding Two Limited, Zai Auto Immune (Hong Kong) Limited, and Zai Anti Infectives (Hong Kong) Limited are exempted from income tax on its foreign-derived income, and there are no withholding taxes in Hong Kong on remittance of dividends.

People's Republic of China

Under EIT Law, the statutory income tax rate is 25%, and the EIT rate will be reduced to 15% for state-encouraged HNTEs. Zai Lab (Shanghai) Co., Ltd., first obtained an HNTE certificate in 2018 and began to enjoy the preferential tax rate of 15% from 2018 to 2020 and further extended the certificate effective for 2021 to 2026. Zai Lab International Trading (Shanghai) Co., Ltd., Zai Lab (Suzhou) Co., Ltd., Zai Biopharmaceutical (Suzhou) Co., Ltd., and Zai Lab Trading (Suzhou) Co., Ltd. are subject to the statutory rate of 25%.

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

The following table presents loss (income) before income taxes ($ in thousands):

	Year Ended December 31,	
	2024	2023
Cayman Islands	(2,453)	(16,792)
British Virgin Islands	—	—
Mainland China	146,725	253,274
Hong Kong	1,808	4,483
United States	110,422	92,869
Australia	19	14
Taiwan	582	772
	257,103	334,620

Reconciliations of the differences between the Chinese statutory income tax rate and the Company's effective income tax rate were as follows:

	Year Ended December 31,	
	2024	2023
Statutory income tax rate	25%	25%
Tax-exempted income	0.42%	0.19%
Share-based compensation	(3.52%)	(2.08%)
Research and development super deduction	5.28%	7.11%
Non-deductible expenses	(0.77%)	(2.83%)
Prior year tax filing adjustment	(3.05%)	1.32%
Effect of different tax rate of subsidiary operation in other jurisdictions	(0.73%)	0.02%
Preferential tax rate	(5.05%)	(7.12%)
Expiration of tax loss	(2.72%)	—%
Expiration of deductible qualified donation	(0.78%)	2.28%
Changes in valuation allowance	(14.08%)	(23.89%)
Effective income tax rate	—%	—%

The following table presents the principal components of deferred tax assets and liabilities ($ in thousands):

	Year Ended December 31,	
	2024	2023
Deferred tax assets:		
Depreciation of property and equipment	171	131
Research and experimental capitalization	38,215	30,429
Share-based compensation	3,797	3,422
Accrued expenses	1,038	707
Government grants	98	467
Deferred revenue	3,442	4,354
Qualified donation	26,832	22,992
Lease liability	3,885	2,967
Net operating loss carry forwards	321,068	295,313
Less: valuation allowance	(394,778)	(357,956)
Total Deferred tax assets	3,768	2,826
Deferred tax liabilities:		
Right-of-use assets	(3,768)	(2,826)
Deferred tax assets, net	—	—

ASC 740, *Income Taxes,* provides for the recognition of deferred tax assets if realization of such assets is more likely than not. The Company's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carry forward periods provided for in the tax law. In assessing the need for any additional valuation allowance for 2024, the Company considered all available evidence both positive and negative, including potential for prudent and feasible tax planning strategies, recent losses, and forecasts of future profitability. As of December 31, 2024 and 2023, the Company determined that the deferred tax assets on temporary differences and net operating loss carry forwards related to certain subsidiaries will not be realized, and as such it has fully provided the corresponding valuation allowance.

The following table presents that movement of the valuation allowance on deferred tax assets ($ in thousands):

	2024	2023
Balance as of January 1,	(357,956)	(284,072)
Additions	(36,822)	(73,884)
Balance as of December 31,	(394,778)	(357,956)

As of December 31, 2024 and 2023, the Company had net operating loss carry forwards of $1,951.5 million and $1,804.9 million, respectively. As of December 31, 2024, net operating losses were primarily comprised of: $1,497.0 million derived from a certain entity in mainland China which expires in years 2025 through 2034; $83.6 million derived from other entities in mainland China which expire in years 2025 through 2029; $2.5 million derived from Taiwan which expires in years 2025 through 2034; and $57.7 million, $306.9 million, and $3.8 million derived from Hong Kong, the United States, and Australia, respectively, that have indefinite carryforwards. Net operating loss carryforwards in mainland China and Taiwan expire through 2034 and those in Hong Kong, the United States, and Australia do not expire.

Uncertainties exist with respect to how the current income tax law in mainland China applies to the Company's overall operations, and more specifically, with regard to tax residency status. The EIT Law includes a provision specifying that legal entities organized outside of mainland China will be considered residents for Chinese income tax purposes if the place of effective management or control is within mainland China. The implementation rules to the EIT Law provide that non-resident legal entities will be considered Chinese residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, and properties occurs within mainland China. Despite the present uncertainties resulting from the limited Chinese tax guidance on the issue, the Company does not believe that the legal entities organized outside of mainland China within the Company should be treated as residents for EIT Law purposes. If the Chinese tax authorities subsequently determine that the Company and its subsidiaries registered outside of mainland China should be deemed resident enterprises, the Company and its subsidiaries registered outside of mainland China will be subject to Chinese income taxes, at a rate of 25%. The Company is not subject to any other uncertain tax position.

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB0.1 million. In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Company's PRC subsidiary for the years from 2015 to 2024 are open to examination by the PRC tax authorities.

For Hong Kong income tax purposes, the statute of limitations is six years after the relevant year of assessment. This can be extended to 10 years in the case of fraud or willful evasion of taxes. There are no provisions that govern the time limit for tax collection.

For U.S. federal income tax purposes, the statute of limitations is generally 3 years after the due date of the return, or 3 years after the date the return was actually filed, whichever is later. The statute of limitations does not apply to fraud or tax evasion. Also, the statute of limitations is indefinite if no tax return is filed. For state income tax purposes, the statute of limitations is generally 4 years from the return filing date or due date in states including California, Kentucky, and New Jersey, subject to certain exceptions (e.g., fraud, failure to file).

12. Borrowings

The Company has debt arrangements with the Bank of China, SPD Bank, CMB, and Ningbo Bank to support its working capital needs in mainland China. The following table presents the Company's short-term debt as of December 31, 2024 ($

in thousands):

	Weighted average interest rate per annum	December 31, 2024
Bank of China Working Capital Loans	2.77 %	69,138
SPD Bank Working Capital Loans	3.13 %	27,823
China Merchant Bank Working Capital Loans	2.91 %	34,750
Total short-term debt	2.88 %	131,711

Bank of China Working Capital Loan Facility

On February 5, 2024, the Company entered into an uncommitted facility letter with BOC HK pursuant to which BOC HK will provide standby letters of credit for loans of up to $100.0 million for a term of one year. In connection with this agreement, the Company paid a one-time, non-refundable fee of $0.7 million in the first quarter of 2024. In accordance with this agreement, the Company also maintained restricted deposits of $100.0 million, which are presented as restricted cash-current on the consolidated balance sheet, to secure the standby letters of credit. On February 6, 2024 and June 20, 2024, upon the Company's application, BOC HK provided standby letters of credit in favor of BOC Pudong Branch for $50.0 million and $23.0 million, respectively, which are or may become payable by Zai Lab Shanghai. BOC HK and BOC Pudong Branch are collectively referred to as Bank of China. Zai Lab Shanghai entered into working capital loans with BOC Pudong Branch under this facility in the first half of 2024, and the aggregate principal amount outstanding was RMB497.0 million (approximately $69.1 million) as of December 31, 2024. Each working capital loan has a one-year term and is subject to a floating interest rate, which is subject to adjustment every six months.

SPD Bank Working Capital Loan Facility

On February 6, 2024, the Company entered into a maximum-amount guarantee contract with SPD Bank, pursuant to which the Company will guarantee working capital loans of up to RMB300.0 million (approximately $42.0 million) from SPD Bank to Zai Lab Shanghai over a three-year period. Zai Lab Shanghai entered into working capital loan contracts with SPD Bank under this debt facility in 2024, and the aggregate principal amount outstanding was RMB200.0 million (approximately $27.8 million) as of December 31, 2024. Each working capital loan has a one-year term and is subject to a fixed interest rate.

Ningbo Bank Working Capital Loan Facility

On February 6, 2024, Zai Lab Suzhou entered into a maximum credit contract with Ningbo Bank as well as an Electronic Commercial Draft Discounting Master Agreement and Online Working Capital Loan Master Agreement. The Ningbo Bank Agreements permit Zai Lab Suzhou to utilize, including through discounting or working capital loan agreements and subject to the terms and conditions in related master agreements, up to RMB230.3 million (approximately $32.4 million), of which Zai Lab Suzhou is authorized to utilize up to RMB160.0 million (approximately $22.5 million). In connection with the arrangements described in the Ningbo Bank Agreements, Zai Lab Suzhou agreed to pledge certain real property it owns in Suzhou. As of December 31, 2024, Zai Lab Suzhou had not entered into any discounting arrangements or working capital loans under this Ningbo Bank working capital loan facility.

China Merchants Bank Working Capital Loan Facility

On July 5, 2024, the Company issued a maximum-amount irrevocable letter of guarantee to CMB, pursuant to which the Company will guarantee working capital loans of up to RMB250.0 million (approximately $34.4 million) from CMB to Zai Lab Shanghai, and Zai Lab Shanghai entered into a Credit Agreement with CMB with respect to the RMB250.0 million facility. The credit facility will be available for one year. As of December 31, 2024, Zai Lab Shanghai has an aggregate principal amount outstanding of RMB249.8 million (approximately $34.8 million) under this debt facility. Each working capital loan has a one-year term and is subject to a floating interest rate, which is subject to adjustment every three months.

13. Other Current Liabilities

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

	December 31,	
	2024	2023
Accrued payroll	30,198	33,711
Accrued professional service fee	5,728	7,520
Payables for purchase of property and equipment	449	2,474
Accrued rebate to distributors	10,839	16,926
Tax payables	5,154	16,988
Other (i)	6,352	5,353
Total	58,720	82,972

(i) Other primarily includes accrued travel, business-related expenses, other payables to employees, and advance payments from partners.

14. 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):

	Year Ended December 31,	
	2024	2023
Numerator:		
Net loss attributable to ordinary shareholders	(257,103)	(334,620)
Denominator:		
Weighted average number of ordinary shares - basic and diluted	989,477,730	966,394,130
Net loss per share-basic and diluted	(0.26)	(0.35)

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

	December 31,	
	2024	2023
Share options	101,015,470	104,584,050
Non-vested restricted shares	31,951,710	31,279,600

15. Share-Based Compensation

The Company has adopted equity incentive plans, pursuant to which the Company grants share options, SARs, restricted and unrestricted shares, and share units, performance awards, and other awards that are convertible into or otherwise based on ordinary shares to employees and directors of the Company as well as to certain advisors and service providers. In March 2015, the Board of Directors of the Company approved the 2015 Plan. In August 2017, in connection with the completion of the Company's IPO on Nasdaq, the Board of Directors approved the 2017 Plan. No new equity-based awards would be granted under the 2015 Plan subsequent to the IPO on Nasdaq; new equity-based awards would be granted under the 2017 Plan.

The Company adopted the 2022 Plan, which became effective in June 2022 following required approvals from the Company's shareholders and Board of Directors. No new equity-based awards will be made under the 2017 Plan as of the effective date of the 2022 Plan. The initial aggregate number of shares available for issuance under the 2022 Plan was 97,908,743 ordinary shares.

The Company adopted the 2024 Plan, which became effective in June 2024 following required approvals from the Company's shareholders and Board of Directors. No new equity-based awards will be made under the 2022 Plan as of the effective date of the 2024 Plan. The initial aggregate number of shares available for issuance under the 2024 Plan was 99,208,743 ordinary shares.

The share options granted under the equity incentive plans described above have a contractual term of ten years. Share options granted since April 2023 generally vest ratably over a four-year period, and share options granted prior to April 2023 generally vest ratably over a five-year period, with 25% or 20% of the awards vesting on each anniversary of the grant date, respectively, subject to continued employment/service with the Company on the vesting date. The restricted shares granted generally vest ratably over a specified period on the anniversary of the grant date, subject to continued employment/service with the Company on the vesting date. The shares underlying restricted share grants represent shares not yet vested until they have met related consideration or vesting requirements, which are generally continued employment/service to the Company or satisfaction of specified performance conditions. The restricted shares will be released from the restrictions once they vest. Upon termination of the award holders' service with the Company for any reason, any shares that are outstanding and not yet vested will be immediately forfeited unless otherwise determined by the administrator or set forth in an agreement between the Company and the award holder.

Before November 2023, upon each settlement date of the share awards, shares were generally withheld to cover the required withholding tax, which was based on the value of a share on the settlement date as determined by the closing 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.

Stock Option Activity

The following table presents a summary of option activity and related information in 2024:

	Number of options	Weighted average exercise price ($)	Weighted average remaining contractual term (years)	Aggregate intrinsic value ($ in thousands)
Outstanding at December 31, 2023	104,584,050	3.14	5.97	83,424
Granted	20,947,480	1.69		
Exercised	(5,147,140)	0.64		
Forfeited	(19,368,920)	3.93		
Outstanding at December 31, 2024	101,015,470	2.82	5.81	83,381
Vested and exercisable as of December 31, 2024	55,805,360	2.50	3.73	65,797

The aggregate intrinsic value of stock options exercised during 2024 and 2023 was $9.4 million and $20.3 million, respectively.

Stock Option Valuation Assumptions

The following table presents the assumptions used to estimate the fair values of the share options granted:

	2024	2023
Risk-free rate of return	3.5%-4.5%	3.5%-4.7%
Expected term (in years)	6.25	6, 6.25 or 6.5
Estimated volatility rate	70%	70%
Expected dividend rate	0%	0%

Options granted are measured based on grant-date fair value using the Black-Scholes option pricing model. The weighted-average grant-date fair value per share for options granted during 2024 and 2023 were $1.12 and $2.21 per share, respectively.

Non-Vested Restricted Shares Activity

The following table summarized the Company's non-vested restricted share activity in 2024:

	Numbers of non-vested restricted shares	Aggregate intrinsic value ($ in thousands)
Non-vested as of December 31, 2023	31,279,600	85,487
Granted	17,687,410	
Vested	(10,120,260)	
Forfeited	(6,895,040)	
Non-vested as of December 31, 2024	31,951,710	83,682

The grant-date fair value of restricted shares is the fair value of the underlying stock on the award's grant date. The weighted-average grant-date fair value per share for restricted shares granted in 2024 and 2023 were $1.73 and $3.18 per share, respectively.

Stock-Based Compensation Expenses

The following table presents the share-based compensation expense which has been reported in the Company's consolidated statements of operations ($ in thousands):

	Year Ended December 31,	
	2024	2023
Selling, general and administrative	42,532	48,017
Research and development	28,119	31,617
Total	70,651	79,634

As of December 31, 2024, there was unrecognized share-based compensation expense related to unvested share options and unvested restricted shares of $70.3 million and $73.3 million, respectively, which the Company expects to recognize over a weighted-average period of 2.63 years and 2.45 years, respectively.

16. License and Collaboration Agreements

The Company may enter into collaboration agreements with third parties to license intellectual property. These agreements may require the Company to make upfront payments and payments related to certain future development, regulatory, and sales-based milestones as well as certain royalties at tiered percentage rates on annual sales of the licensed products in the licensed territory. These agreements generally remain in effect, unless earlier terminated, until the expiration of the last-to-expire royalty term for the last licensed product. The royalty terms generally continue until the latest of: (i) the expiration of the last-to-expire valid claim with respect to licensed patent rights; (ii) the expiration of market or regulatory exclusivity; or (iii) a specified period of time, generally around ten years, after the date of the first commercial sale of the licensed product. These agreements also contain customary provisions for termination by either party, including in the event of a material breach by the other party that remains uncured; by the Company for convenience upon a specified notice period; for certain bankruptcy, insolvency, or other similar events; and by its partners upon challenge of their licensed patent rights.

Payments under these agreements generally become due and payable upon the achievement of such milestones or sales. These commitments are not recorded as liabilities on the consolidated balance sheet because the achievement and timing of these milestones are not fixed and determinable. The following is a description of the Company's significant license and collaboration agreements as of December 31, 2024, including milestone fees incurred in 2024 and 2023.

Significant License and Collaboration Arrangements

License and Collaboration Agreement with GSK (Niraparib)

In September 2016, the Company entered into a collaboration, development, and license agreement with Tesaro, a company later acquired by GSK, pursuant to which the Company obtained an exclusive sublicense under certain patents and know-how of GSK to develop, manufacture, and commercialize GSK's proprietary PARP inhibitor, niraparib, for the diagnosis and prevention of any human diseases or conditions (other than prostate cancer) in mainland China, Hong Kong, and Macau. The Company will purchase ZEJULA from GSK for commercial use in Hong Kong. The Company is not otherwise obligated to purchase ZEJULA or other licensed products from GSK.

The Company recorded a sales-based milestone fee into an intangible asset of $12.0 million in 2023. The Company may be required to pay an additional aggregate amount of up to $16.0 million in sales-based milestones as well as certain royalties at tiered percentage rates ranging from mid- to high-teens on annual net sales of the licensed products in the licensed territories.

Collaboration and License Agreement with argenx (Efgartigimod)

In January 2021, the Company entered into a collaboration and license agreement with argenx, pursuant to which the Company obtained an exclusive license under certain patients and know-how of argenx to develop and commercialize products containing efgartigimod as an active ingredient in all human and animal uses for any preventative or therapeutic indications in Greater China. The Company will purchase the licensed products exclusively from argenx.

Pursuant to the collaboration and license agreement, the Company and argenx entered into a share issuance agreement. The Company issued as an upfront payment to argenx of 5,681,820 ordinary shares of the Company. In determining the fair value of the ordinary shares at closing, the Company considered the closing price of the ordinary shares on the closing date and included a lack of marketability discount because the shares were subject to certain restrictions. The fair value of the shares on the closing date was determined to be $62.3 million in the aggregate.

The Company may be required to pay an additional aggregate amount of up to $42.5 million in sales-based milestones as well as certain royalties at tiered percentage rates ranging from mid-teens to low-twenties on annual net sales of licensed products in the licensed territory.

License and Collaboration Agreement with Novo Holdings (Omadacycline)

In April 2017, the Company entered into a license and collaboration agreement with Paratek (which was subsequently acquired by Gurnet Point Capital and Novo Holdings), pursuant to which the Company obtained both an exclusive license under certain patents and know-how of Paratek and an exclusive sub-license under certain intellectual property that Paratek licensed from Tufts University to develop, manufacture, and commercialize products containing omadacycline as an active ingredient in the field of all human therapeutic and preventative uses other than biodefense in Greater China.

The Company may be required to pay an additional aggregate amount of up to $40.5 million in sales-based milestones as well as certain royalties at tiered percentage rates ranging from low- to mid-teens on annual net sales of licensed products in the licensed territory.

License and Collaboration Agreement with NovoCure (Tumor Treating Fields)

In September 2018, the Company entered into a license and collaboration agreement with NovoCure, pursuant to which it obtained an exclusive license under certain patents and know-how of NovoCure to develop and commercialize any Tumor Treating Fields treatment or delivery system, including the device branded as OPTUNE, in all human therapeutic and preventative uses in the field of oncology in Greater China. The Company will purchase the licensed products exclusively from NovoCure.

The Company may be required to pay an additional aggregate amount of up to $68.0 million in regulatory and sales-based milestones as well as certain royalties at tiered percentage rates ranging from low- to mid-teens on annual net sales of the licensed products in the licensed territory.

License and Collaboration Agreement with Deciphera (Ripretinib)

In June 2019, the Company entered into a license agreement with Deciphera, pursuant to which it obtained an exclusive license under certain patents and know-how of Deciphera to develop and commercialize products containing ripretinib in the field of the prevention, prophylaxis, treatment, cure, or amelioration of any disease or medical condition in humans in Greater China. The Company will purchase the licensed products exclusively from Deciphera.

The Company may be required to pay an additional aggregate amount of up to $173.0 million in development, regulatory, and sales-based milestones as well as certain royalties at tiered percentage rates ranging from low- to high-teens on annual net sales of the licensed products in the licensed territory.

License and Collaboration Agreement with Innoviva (SUL-DUR)

In April 2018, the Company entered into a license and collaboration agreement with Entasis (now a wholly owned subsidiary of Innoviva), pursuant to which it obtained an exclusive license under certain patents and know-how of Entasis to develop and commercialize products containing Entasis's proprietary compounds known as durlobactam with Sulbactam (the combination, SUL-DUR) with the possibility of developing and commercializing a combination of such compounds with Imipenem in all human diagnostic, prophylactic, and therapeutic uses in Greater China, Korea, Vietnam, Thailand, Cambodia, Laos, Malaysia, Indonesia, the Philippines, Singapore, Australia, New Zealand, and Japan. The Company will purchase the licensed products exclusively from Innoviva.

The Company recorded a regulatory milestone fee of $8.0 million as an intangible asset in 2024. The Company recorded development milestone fees into research and development expenses of $3.0 million in 2023. The Company may be required to pay an additional aggregate amount of up to $78.0 million in development, regulatory, and sales-based milestones as well as certain royalties at tiered percentage rates ranging from high single digits to low-teens on annual net sales of the licensed products in the licensed territory. The Company is also responsible for a portion of the costs of the global pivotal Phase III ATTACK clinical trial of SUL-DUR outside of the licensed territory.

License Agreement with BMS (Repotrectinib)

In July 2020, the Company entered into an exclusive license agreement with Turning Point (now a wholly-owned subsidiary of BMS), pursuant to which the Company received an exclusive license to develop and commercialize products containing repotrectinib as an active ingredient in all human therapeutic indications in Greater China. The Company will purchase the licensed products exclusively from BMS.

The Company recorded regulatory milestone fees of $25.0 million as an intangible asset in 2024. The Company recorded development milestone fees into research and development expenses of $5.0 million in 2023. The Company may be required to pay an additional aggregate amount of up to $116.0 million in development, regulatory, and sales-based milestones as well as certain royalties at tiered percentage rates ranging from low- to high-teens on annual net sales of the licensed products in the licensed territory.

License and Collaboration Agreement with Amgen (Bemarituzumab)

In December 2017, the Company entered into a license and collaboration agreement with Five Prime (a company later acquired by Amgen), pursuant to which it obtained an exclusive license under certain patents and know-how of Five Prime to develop and commercialize products containing Five Prime's proprietary afucosylated FGFR2b antibody known as bemarituzumab (FPA144) as an active ingredient in the treatment or prevention of any disease or condition in humans in Greater China. The Company will purchase the licensed products exclusively from Amgen.

The Company may be required to pay an additional aggregate amount of up to $37.0 million in development and regulatory milestones as well as certain royalties at tiered percentage rates in high-teens on annual net sales of the licensed products in the licensed territory.

Under the terms of the agreement, provided that the Company enrolls and treats a specified number of patients in the bemarituzumab FPA144-004 study in mainland China, the Company is eligible to receive a low single-digit percentage quarterly royalty, on a licensed product-by-licensed product basis on net sales of all licensed products outside of the licensed territory until the tenth (10th) anniversary of the first commercial sale of each such licensed product outside of the licensed territory.

Collaboration and License Agreement with Pfizer (Tisotumab Vedotin)

In September 2022, the Company entered into a collaboration and license agreement with Seagen (a company later acquired by Pfizer), pursuant to which the Company and Seagen agreed to collaboratively develop and commercialize tisotumab vedotin (TIVDAK). Under the agreement, the Company obtained an exclusive license to develop and commercialize TIVDAK in Greater China. The Company will purchase the licensed products exclusively from Pfizer.

The Company may be required to pay an additional aggregate amount of up to $258.0 million in development, regulatory, and sales-based milestone payments as well as certain royalties at tiered percentage rates ranging from mid-teens to low-twenties on annual net sales of the licensed products in Greater China.

License Agreement with BMS (Xanomeline and Trospium Chloride)

In November 2021, the Company entered into a license agreement with Karuna (a company later acquired by BMS), pursuant to which the Company obtained an exclusive license to develop, manufacture, and commercialize xanomeline-trospium (KarXT) in Greater China.

The Company recorded development milestone fees into research and development expenses of $10.0 million in 2024. The Company may be required to pay an additional aggregate amount of up to $132.0 million in regulatory and sales-based milestones as well as certain royalties at tiered percentage rates ranging from low- to high-teens on annual net sales of the licensed products in Greater China.

Collaboration and License Agreement with MediLink Therapeutics (DLL3 ADC)

In April 2023, the Company entered into a collaboration and license agreement with MediLink, pursuant to which the Company obtained an exclusive global license to research, develop, manufacture, and commercialize MediLink's proprietary ADC compound targeting DLL3.

The Company recorded an upfront payment into research and development expenses of $10.0 million in 2023. The Company may be required to pay an additional aggregate amount of up to $592.0 million in development, regulatory, and sales-based milestone payments as well as certain royalties at tiered percentage rates ranging from high single digits to low double digits on annual net sales of the licensed products.

Other License and Collaboration Arrangements That Are Not Individually Significant

The Company may be required to pay an additional aggregate amount of up to $2,045.4 million in development, regulatory, and sales-based milestones as well as certain royalties at tiered percentage rates on annual net sales under such agreements.

17. Other Income, Net

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

	Year Ended December 31,	
	2024	2023
Government grants	8,170	2,433
(Loss) Gain on equity investments with readily determinable fair value	(6,105)	2,789
Other miscellaneous gain	3,235	1,784
Total	5,300	7,006

18. 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 consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company's Chinese subsidiaries.

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

No appropriation to statutory reserves was made in 2024 and 2023 because the Chinese subsidiaries had substantial losses during such periods.

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

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

19. Employee Defined Contribution Plans

Full-time employees of the Company in mainland China participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund, and other welfare benefits are provided to employees. Chinese labor regulations require that the Company's subsidiaries in mainland China make contributions to the government for these benefits primarily based on certain percentages of the employees' salaries subject to certain caps and other government requirements. The total amounts for such employee benefits, which were expensed as incurred, were $26.0 million and $25.8 million for 2024 and 2023, respectively.

The Company's employees who are U.S. taxpayers and who meet certain age and service requirements are eligible to participate in a broad-based, defined contribution retirement plan which is qualified under Section 401 of the Internal Revenue Code. The Company makes a matching contribution equal to 100% in 2024 and 2023 of the first 5% of the employee's elective contributions under the plan, up to 5.0% of an employee's eligible compensation. Contributions made by the Company vest 100% upon contribution. The total amounts for such employee benefits, which were expensed as incurred, were $1.1 million and $1.0 million in 2024 and 2023, respectively.

The Company also provides required Mandatory Provident Fund contribution for its full-time employees located in Hong Kong and provides social benefits contribution for its full-time employees located in Taiwan. The total amounts for these contributions, which were expensed as incurred, was $0.2 million in each of 2024 and 2023.

There is no forfeiture of contribution related to any of the Company's employee defined contribution plans as described above.

20. Commitments and Contingencies

(a) Purchase Commitments

As of December 31, 2024, the Company's commitments related to commercial manufacturing development and facilities construction and improvement activities that are contracted but not yet reflected in the consolidated financial statements were $6.8 million and were expected to be incurred within one year.

(b) Legal Proceedings

The Company is not currently a party to any material legal proceedings. Each quarter, the Company evaluates whether there have been any developments in legal proceedings that would require an accrual. In accordance with the accounting guidance for contingencies, the Company will accrue for losses that are both probable and reasonably estimable. The Company will record any legal and other third-party costs related to its legal contingencies as incurred.

(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. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, the Company may be required to reimburse the loss. These indemnifications are generally subject to various restrictions and limitations. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations.

21. Segment Information

The Company operates as a single operating segment engaged in discovering, developing, and commercializing products that address medical conditions with significant unmet needs in the areas of oncology, immunology, neuroscience, and infectious disease. A global research and development organization and a supply chain organization discover, develop, manufacture, and supply our products. A global commercial organization markets, distributes, and sells the products. The business is also supported by global corporate staff functions. The Company's CODM is the Chief Executive Officer, who assesses performance and allocates resources based on the significant expenses and net income on a consolidated basis. The significant expenses that are regularly provided to the CODM include those amounts that are also reported on the consolidated statement of operations as well as below additional disaggregated measures. The CODM also reviews cash position (which are cash and cash equivalents, current restricted cash, and short-term investments) that are also reported on the consolidated balance sheets when making operating decisions. In accordance with ASC 280, the Company has only one reportable segment.

The following tables present disaggregated expenses that are regularly provided to the CODM:

	Year Ended December 31,	
	2024	**2023**
Selling and marketing expenses	190,367	169,555
General and administrative expenses	108,374	112,053
Total selling, general, and administrative expenses	298,741	281,608

	Year Ended December 31,	
	2024	2023
Personnel compensation and related costs	106,154	115,749
Licensing fees	30,997	19,291
CROs/CMOs/Investigators expenses	69,870	103,333
Other costs	27,483	27,495
Total research and development expenses	234,504	265,868

	Year Ended December 31,	
	2024	2023
Clinical programs	86,126	112,158
Pre-clinical programs	31,913	17,356
Unallocated research and development expenses	116,465	136,354
Total research and development expenses	234,504	265,868

	Year Ended December 31,	
	2024	2023
Personnel compensation and related costs	174,958	173,389
Other costs	123,783	108,219
Total selling, general, and administrative expenses	298,741	281,608

22. Subsequent Events

In January 2025, the Company identified an additional opportunity to access capital denominated in RMB through a debt facility with Bank of Communications on favorable commercial terms to support its working capital needs in mainland China. As a result, on January 2, 2025, the Company entered into a guarantee contract with BOCOM pursuant to which the Company will guarantee working capital loans from BOCOM to Zai Lab Shanghai, and Zai Lab Shanghai entered into a working capital loan contract with BOCOM with respect to a revolving credit facility of up to RMB300.0 million (approximately $41.1 million), of which the full amount was subsequently withdrawn by Zai Lab Shanghai in February 2025. The working capital loan has a one-year term and is subject to a floating interest rate, which is subject to adjustment every three months.

In February 2025, upon the maturity of a portion of the short-term debt with BOC Pudong Branch (see *Note 12*), Zai Lab Shanghai repaid RMB340.0 million (approximately $46.9 million) of the loan balance.

In February and March 2025, upon the maturity of a portion of the short-term debt with SPD Bank (see *Note 12*), Zai Lab Shanghai repaid RMB100.0 million (approximately $13.9 million) of the loan balance, and entered into new working capital loan contracts for an aggregate amount of RMB150.0 million (approximately $20.7 million) with SPD Bank under the debt facility. The working capital loans each have a one-year term and are subject to a fixed interest rate.

In March 2025, pursuant to the debt arrangements described in the Ningbo Bank Agreements (see *Note 12*), Zai Lab Suzhou entered into an electronic commercial draft discounting agreement with Ningbo Bank, and discounted RMB49.4 million (approximately $6.8 million) of its intercompany receivables. The discounted bill has a 6-month term. The cash proceeds from the discounting arrangement were classified as short-term debt.

23. Accounts Receivable

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

	December 31,	
	2024	2023
Accounts receivable, gross	85,203	59,216
Allowance for credit loss	(25)	(17)
Accounts receivable, net	85,178	59,199

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

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

	December 31,	
	2024	2023
Within 3 months	85,167	59,199
3 months to 6 months	11	—
Total	85,178	59,199

24. Accounts Payable

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

	December 31,	
	2024	2023
Within 3 months	100,456	112,328
3 months to 6 months	145	497
6 months to 1 year	23	2
Over 1 year	282	164
Total	100,906	112,991

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

25. Director and Chief Executive Remuneration

Director and chief executive remuneration in 2024 and 2023 are disclosed pursuant to the HK Listing Rules, section 383(1)(a), (b), (c), and (f) of the Hong Kong Companies Ordinance, and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and were as follows ($ in thousands):

	Year Ended December 31,	
	2024	2023
Fees	604	590
Other emoluments:		
Salaries, allowances and benefits in kind	926	894
Performance related and discretionary bonuses	851	868
Share-based compensation expense*	15,675	14,490
Pension scheme contributions	12	14
Total other emoluments	17,464	16,266
Total fees and other emoluments	18,068	16,856

** The fair value of share-based compensation, which has been recognized in the consolidated statements of operations over the vesting period, was determined on the date of grant in accordance with ASC 718. Refer to Note 15 for additional information.*

None of the Company's directors waived any emoluments in 2024 and 2023.

In 2024 and 2023, no emoluments were paid or payable by the Company to any of the Company's directors as an inducement to join or upon joining the Company or as compensation for loss of office.

The remuneration of each director in 2024 and 2023 were as follows ($ in thousands):

Year Ended December 31, 2024

	Fees	Salaries, allowances and benefits in kind	Performance related and discretionary bonuses	Share-based compensation expense	Pension scheme contributions	Total remuneration
Executive director and chief executive						
Dr. Samantha Du *Note (i)*		926	851	11,558	12	13,347
Independent non-executive directors						
Dr. John Diekman	114	—	—	462	—	576
Dr. Kai-Xian Chen *Note (ii)*	58	—	—	462	—	520
Dr. Richard Gaynor	65	—	—	684	—	749
Ms. Nisa Leung	—	—	—	—	—	—
Mr. William Lis	56	—	—	462	—	518
Mr. Scott W. Morrison	75	—	—	658	—	733
Mr. Leon O. Moulder, Jr.	80	—	—	462	—	542
Mr. Michel Vounatsos	73	—	—	465	—	538
Mr. Peter Wirth	83	—	—	462	—	545

Year Ended December 31, 2023

	Fees	Salaries, allowances and benefits in kind	Performance related and discretionary bonuses	Share-based compensation expense	Pension scheme contributions	Total remuneration
Executive director and chief executive						
Dr. Samantha Du *Note (i)*	—	894	868	12,009	14	13,785
Independent non-executive directors						
Dr. John Diekman	108	—	—	254	—	362
Dr. Kai-Xian Chen *Note (ii)*	58	—	—	254	—	312
Dr. Richard Gaynor	65	—	—	502	—	567
Ms. Nisa Leung	—	—	—	—	—	—
Mr. William Lis	67	—	—	254	—	321
Mr. Leon O. Moulder, Jr.	74	—	—	254	—	328
Mr. Scott W. Morrison	71	—	—	502	—	573
Mr. Michel Vounatsos *Note (iii)*	71	—	—	207	—	278
Mr. Peter Wirth	76	—	—	254	—	330

Notes:

(i) The Company compensates its independent non-executive directors pursuant to its non-employee director compensation policy. Dr. Samantha Du, as the Chief Executive Officer of the Company, is not compensated separately for her service to the Company as executive director.

(ii) Dr. Chen ceased to be an independent director of the Company with effect from December 31, 2024.

(iii) Effective on January 7, 2023, the Board appointed Mr. Michel Vounatsos as an independent director of the Company.

26. Five Highest Paid Individuals

The five highest paid individuals in 2024 and 2023 included the following number of directors and chief executive (headcount):

	Year Ended December 31,	
	2024	2023
Director and chief executive[#]	1	1
Neither director nor chief executive	4	4
	5	5

 # Details of the remuneration of the Director and chief executive are set out in Note 25 above.

The aggregate of the emoluments in respect of the remaining individuals who are neither a director nor chief executive of the Company were as follows ($ in thousands):

	Year Ended December 31,	
	2024	2023
Salaries, allowances and benefits in kind	2,482	2,519
Performance related and discretionary bonuses	1,319	1,456
Share-based compensation expense*	11,645	11,591
Pension scheme contributions	45	52
Inducement to join or upon joining the Company	—	750
	15,491	16,368

** The fair value of share-based compensation, which has been recognized in the consolidated statements of operations over the vesting period, was determined on the date of grant in accordance with ASC 718. Refer to Note 15 for additional information.*

The number of non-director and non-chief executive highest paid individuals whose remuneration fell within the following bands is as follows (headcount):

	2024	2023
HK$21,500,001 to HK$22,000,000	1	—
HK$28,000,001 to HK$28,500,000	—	1
HK$29,000,001 to HK$29,500,000	1	—
HK$33,000,001 to HK$33,500,000	—	2
HK$33,500,001 to HK$34,000,000	1	1
HK$35,500,001 to HK$36,000,000	1	—
	4	4

Share-based compensation amount is included in the above disclosures. The fair value of share-based compensation, which has been recognized in the consolidated statements of operations over the vesting period, was determined on the date of grant in accordance with ASC 718. Refer to *Note 15* for additional information.

In 2024 and 2023, no emoluments were paid or payable by the Company to any of the five highest paid individuals of the Company as compensation for loss of office.

27. Auditors' Remuneration

The fees paid or payable by the Company in relation to audit services in 2024 and 2023 were $3.6 million and $3.4 million, respectively. The auditor's remuneration paid or payable by the Company in relation to non-audit services in 2024 and 2023 were both nil.

28. Dividends

The Board did not recommend any final dividend in 2024 and 2023.

29. Reconciliation Between U.S. GAAP and International Financial Reporting Standards

The consolidated financial statements of the Company are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRS. The following tables present the effect of material differences on the financial information of the Company prepared under U.S. GAAP and IFRS.

Reconciliation of consolidated statements of operations ($ in thousands)

	Year Ended December 31, 2024		
	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	(234,504)	5,367	(229,137)
Selling, general and administrative	(298,741)	7,159	(291,582)
Net loss	(257,103)	12,526	(244,577)

	Year Ended December 31, 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	(265,868)	(8,102)	(273,970)
Selling, general and administrative	(281,608)	(7,393)	(289,001)
Net loss	(334,620)	(15,495)	(350,115)

Reconciliation of consolidated balance sheets ($ in thousands)

	As of December 31, 2024		
	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	3,264,295	49,039	3,313,334
Accumulated deficit	(2,453,083)	(49,039)	(2,502,122)
Total shareholders' equity	840,898	—	840,898

	As of December 31, 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	2,975,302	61,565	3,036,867
Accumulated deficit	(2,195,980)	(61,565)	(2,257,545)
Total shareholders' equity	796,118	—	796,118

Notes:

(i) Share-Based Compensation

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

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

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

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

A difference of $12.5 million and $15.5 million arose between the amount of share-based compensation (included in research and development expenses, and selling, general and administrative expenses) recognized under U.S. GAAP and IFRS in 2024 and 2023, respectively.

The accumulated differences on share-based compensation recognized in accumulated deficit and additional paid in capital under U.S. GAAP and IFRS were $49.0 million and $61.6 million as of December 31, 2024 and 2023, respectively.

(ii) Leases

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

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

30. Financial Information of Parent Company

PARENT COMPANY BALANCE SHEETS

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

	December 31,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	98,755	565,981
Restricted Cash, current	100,000	—
Short-term investments	330,000	—
Prepayments and other current assets	5,227	7,423
Total current assets	533,982	573,404
Investment in subsidiaries	309,901	224,954
Total assets	**843,883**	**798,358**
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Other current liabilities	2,985	2,240
Total current liabilities	2,985	2,240
Total liabilities	**2,985**	**2,240**
Shareholders' equity		
Ordinary shares (par value of $0.000006 per share; 5,000,000,000 shares authorized, 1,082,614,740 and 977,151,270 shares issued as of December 31, 2024 and 2023, respectively; 1,077,702,540 and 972,239,070 shares issued and outstanding as of December 31, 2024 and 2023, respectively)	7	6
Additional paid-in capital	3,264,295	2,975,302
Accumulated deficit	(2,453,083)	(2,195,980)
Accumulated other comprehensive income	50,515	37,626
Treasury stock	(20,836)	(20,836)
Total shareholders' equity	**840,898**	**796,118**
Total liabilities and shareholders' equity	**843,883**	**798,358**

PARENT COMPANY STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Ordinary shares		Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income	Treasury Stock		Total
	Number of Shares	Amount				Number of Shares	Amount	
Balance at January 1, 2023	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	8,178,500	0	0	—	—	—	—	—
Exercise of share options	6,516,920	0	2,548	—	—	—	—	2,548
Receipt of shares netted to satisfy tax withholding obligations related to share-based compensation	—	—	—	—	—	(2,675,920)	(8,980)	(8,980)
Share-based compensation	—	—	79,634	—	—	—	—	79,634
Net loss	—	—	—	(334,620)	—	—	—	(334,620)
Foreign currency translation	—	—	—	—	11,941	—	—	11,941
Balance at December 31, 2023	977,151,270	6	2,975,302	(2,195,980)	37,626	(4,912,200)	(20,836)	796,118
Issuance of ordinary shares upon vesting of restricted shares	10,120,260	0	0	—	—	—	—	—
Exercise of share options	5,147,140	0	3,269	—	—	—	—	3,269
Issuance of ordinary shares upon follow-on public offering, net of issuance cost of $2,277	90,196,070	1	215,073	—	—	—	—	215,074
Share-based compensation	—	—	70,651	—	—	—	—	70,651
Net loss	—	—	—	(257,103)	—	—	—	(257,103)
Foreign currency translation	—	—	—	—	12,889	—	—	12,889
Balance at December 31, 2024	1,082,614,740	7	3,264,295	(2,453,083)	50,515	(4,912,200)	(20,836)	840,898

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

The above statement of financial position of the Company has been prepared in accordance with U.S. GAAP, and in conformity with the disclosure requirements of the HK Listing Rules and the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are a patient-focused, innovative, commercial-stage, global biopharmaceutical company with a substantial presence in both Greater China and the United States. We are focused on discovering, developing, and commercializing products that address medical conditions with significant unmet needs in the areas of oncology, immunology, neuroscience, and infectious disease. We intend to leverage our competencies and resources to positively impact human health in Greater China and worldwide. We currently have seven commercial programs – ZEJULA, VYVGART / VYVGART Hytrulo®, NUZYRA, OPTUNE, QINLOCK®, XACDURO®, and AUGTYRO® – with products that have received marketing approval and that we have commercially launched in one or more territories in Greater China. We also have multiple programs in late-stage product development and a number of ongoing pivotal trials across our portfolio.

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

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

Business Developments

In 2024, we continued to demonstrate strong financial performance, with a 50% increase in total revenue to $399.0 million and a 23% decrease in net loss to $257.1 million compared to the prior year. Our revenue increase was primarily driven by VYVGART, which has steadily increased sales since its strong commercial launch in September 2023 and initial NRDL listing in January 2024, ZEJULA, which continued to lead PARP inhibitor sales for ovarian cancer in the hospital setting, and NUZYRA, which was supported by the inclusion in the NRDL of its IV formulation for the treatment of CABP and/or ABSSSI in January 2023 and its oral formulation for these indications in January 2024. Since the fourth quarter of 2024, we are excited to have expanded our commercial portfolio with the launch in mainland China of VYVGART Hytrulo, the subcutaneous formulation of VYVGART, for gMG and CIDP, XACDURO for HABP and VABP caused by ABC, and AUGTYRO for *ROS1*+ NSCLC. AUGTYRO was included in the NRDL for this indication in January 2025. In 2025, we expect our revenues to continue to increase for our existing and more recently launched commercial products.

We also continued to make progress across our product pipeline. For our global assets, we had promising results from the global Phase I study of ZL-1310, a potential first-in-class and best-in-class DLL3-targeted ADC for the treatment of extensive stage SCLC, and promising pre-clinical data for ZL-1503, our internally developed IL-13/IL-31R bispecific antibody for atopic dermatitis. For our late-stage regional pipeline, we had positive data readouts during the year, including for KarXT in schizophrenia, and we completed enrollment for the second Phase III study of bemarituzumab for the treatment of gastric cancer. We have also expanded and strengthened our global and regional pipelines through synergistic business development activities, including a strategic collaboration and worldwide license agreement with MediLink to use MediLink's TMALIN ADC platform for the development of ZL-6201, a novel potential first-in-class LRRC15 ADC consisting of an antibody discovered by Zai Lab, for the treatment of certain solid tumors and a strategic collaboration with Vertex for the license of povetacicept, a potential best-in-class treatment for IgAN and other B-cell mediated diseases, in mainland China, Hong Kong, Macau, Taiwan, and Singapore.

We also continued to strengthen our business through key new additions to our global leadership team. For example, after we promoted Dr. Rafael Amado to President, Head of Global Research and Development, expanding his role to encompass our R&D efforts across all of our therapeutic areas in June 2024, we appointed Dr. Prista Charuworn as our Vice President, Immunology, Global R&D to provide strategic leadership and support with respect to the development of our immunology, neuroscience, and infectious disease pipeline.

We further discuss below key factors affecting our results of operations, key components and primary drivers of changes in our results of operations in 2024, and our liquidity and capital resources.

Factors Affecting Our Results of Operations

Our Commercial Products

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

Research and Development Expenses

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

Elements of research and development expenditures primarily include:

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

Selling, General, and Administrative Expenses

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

Our Ability to Commercialize Our Product Candidates

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

License and Collaboration Arrangements

Our results of operations have been, and will continue to be, affected by our license and collaboration agreements. In accordance with these agreements, we may be required to make upfront payments and milestone payments upon the achievement of certain development, regulatory, and sales-based milestones for the relevant products as well as certain royalties at tiered percentage rates based on annual net sales of the licensed products in the licensed territories. As of December 31, 2024, we may in the future be required to pay development and regulatory milestone payments of up to an additional aggregate amount of $211.5 million for our current clinical programs and $766.9 million for other programs. Such development and regulatory milestone payments are contingent on the progress of our product candidates prior to commercialization, and we see these payments as favorable because they indicate that product candidates are advancing. As of December 31, 2024, we also may in the future be required to pay sales-based milestone payments of up to an additional aggregate amount of $2,620.0 million as well as certain royalties at tiered percentage rates on annual net sales. Such sales-based milestone and royalty payments are contingent on the performance of our commercial products, and we see these payments as favorable because they signify that a product is achieving higher sales levels.

Future and Outlook

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

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

- **Accelerate Medicines to Patients:** We seek to advance our global and regional pipelines by continuing to invest in research and development activities;
- **Expand and Strengthen Our Pipeline:** We seek to continue to expand and strengthen our differentiated global and regional pipelines through our internal discovery efforts and synergistic collaborations and corporate development activities; and
- **Continue Our Commercial Excellence and Execution:** We seek to continue delivering strong financial performance, including by increasing access to our existing commercial products and driving further increases in our efficiency and productivity as we prepare to launch additional products or new indications for existing products, as we advance along our path to achieve profitability.

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

FINANCIAL REVIEW

Results of Operations

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

	Year Ended December 31		Change	
	2024	2023	$	%
Revenues				
Product revenue, net	397,614	266,719	130,895	49 %
Collaboration revenue	1,374	—	1,374	NM
Total revenues	398,988	266,719	132,269	50 %
Expenses				
Cost of product revenue	(147,118)	(95,816)	(51,302)	54 %
Cost of collaboration revenue	(742)	—	(742)	NM
Research and development	(234,504)	(265,868)	31,364	(12)%
Selling, general and administrative	(298,741)	(281,608)	(17,133)	6 %
Gain on sale of intellectual property	—	10,000	(10,000)	(100)%
Loss from operations	(282,117)	(366,573)	84,456	(23)%
Interest income	37,105	39,797	(2,692)	(7)%
Interest expenses	(2,254)	—	(2,254)	NM
Foreign currency losses	(15,137)	(14,850)	(287)	2 %
Other income, net	5,300	7,006	(1,706)	(24)%
Loss before income tax	(257,103)	(334,620)	77,517	(23)%
Income tax expense	—	—	—	— %
Net loss	(257,103)	(334,620)	77,517	(23)%

NM - Not Meaningful

Revenues

Product Revenue, Net

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

	Year Ended December 31		Change	
	2024	2023	$	%
ZEJULA	187,082	168,843	18,239	11 %
VYVGART / VYVGART Hytrulo	93,639	10,011	83,628	835 %
NUZYRA	43,199	21,656	21,543	99 %
OPTUNE	40,475	46,969	(6,494)	(14)%
QINLOCK	28,826	19,240	9,586	50 %
XACDURO	3,305	—	3,305	NM
AUGTYRO	1,088	—	1,088	NM
Total	397,614	266,719	130,895	49 %

NM - Not Meaningful

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

Our net product revenue increased by $130.9 million in 2024, primarily driven by increased sales for VYVGART since its launch in September 2023 and NRDL listing in January 2024 for the treatment of gMG. Other key drivers of net product revenue growth include increased sales volumes for ZEJULA and NUZYRA in 2024. ZEJULA sales remained strong as it continued to be the leading PARP inhibitor in hospital sales for ovarian cancer in mainland China. The growth in NUZYRA sales was supported by the inclusion in the NRDL for its IV formulation for the treatment of CABP and/or ABSSSI in the first quarter of 2023 and for its oral formulation for these indications in the first quarter of 2024.

Research and Development Expenses

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

	Year Ended December 31		Change	
	2024	2023	$	%
Personnel compensation and related costs	106,154	115,749	(9,595)	(8)%
Licensing fees	30,997	19,291	11,706	61 %
CROs/CMOs/Investigators expenses	69,870	103,333	(33,463)	(32)%
Other costs	27,483	27,495	(12)	— %
Total	234,504	265,868	(31,364)	(12)%

Research and development expenses decreased by $31.4 million in 2024 primarily due to:

- a decrease of $33.5 million in CROs/CMOs/Investigators expenses related to ongoing clinical trials; and
- a decrease of $9.6 million in personnel compensation and related costs primarily driven by the Company's ongoing resource prioritization and efficiency efforts; partially offset by
- an increase of $11.7 million in licensing fees in connection with increased upfront and milestone payments for our license and collaboration agreements.

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

	Year Ended December 31		Change	
	2024	2023	$	%
Clinical programs	86,126	112,158	(26,032)	(23)%
Pre-clinical programs	31,913	17,356	14,557	84 %
Unallocated research and development expenses	116,465	136,354	(19,889)	(15)%
Total	234,504	265,868	(31,364)	(12)%

Research and development expenses attributable to clinical programs decreased by $26.0 million in 2024 primarily driven by a decrease of $28.7 million in CROs/CMOs/Investigators expenses related to the progress of existing studies, offset by an increase of $2.7 million in licensing fees. Research and development expenses attributable to pre-clinical programs increased by $14.6 million in 2024, primarily driven by an increase of $9.0 million in licensing fees and an increase of $5.6 million in CROs/CMOs/Investigators expenses related to newly initiated studies.

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

Selling, General, and Administrative Expenses

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

	Year Ended December 31		Change	
	2024	2023	$	%
Personnel compensation and related costs	174,958	173,389	1,569	1 %
Other costs	123,783	108,219	15,564	14 %
Total	298,741	281,608	17,133	6 %

Selling, general, and administrative expenses increased by $17.1 million in 2024 primarily due to higher general selling expenses and personnel compensation and related costs for VYVGART, which was launched in September 2023, and NUZYRA, which was first included in the NRDL for its IV formulation in January 2023 and for its oral formulation in January 2024.

Gain on Sale of Intellectual Property

We had a gain on sale of intellectual property of $10.0 million in 2023 in connection with our sale of certain patent rights and related know-how to a third party. We had no such gain or loss in 2024.

Interest Income

Interest income decreased by $2.7 million in 2024, primarily due to decreased cash and cash equivalents.

Interest Expense

Interest expense increased by $2.3 million in 2024, primarily due to interest expense on short-term debt we entered into in 2024. We had no such interest expense in 2023.

Foreign Currency Losses

Foreign currency losses increased by $0.3 million in 2024, primarily driven by increased remeasurement loss due to depreciation of the RMB against the U.S. dollar.

Other Income, Net

Other income, net decreased by $1.7 million in 2024 primarily due to the shift from a gain of $2.8 million in 2023 to a loss of $6.1 million in 2024 for our investment in MacroGenics as a result of changes in its stock price, partially offset by an increase of $5.7 million in government grants.

Income Tax Expense

Income tax expense was nil in both 2024 and 2023.

Net Loss

Net loss was $257.1 million in 2024, or a loss per ordinary share attributable to common stockholders of $0.26 (or loss per ADS of $2.60), compared to a net loss of $334.6 million in 2023, or a loss per ordinary share of $0.35 (or loss per ADS of $3.46).

Discussion of Certain Key Balance Sheet Items

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

Cash, Cash Equivalents, and Restricted Cash

As of December 31, 2024, the Company's cash, cash equivalents, and restricted cash amounted to $550.8 million and was primarily comprised of (1) $531.0 million denominated in U.S. dollars; (2) $19.0 million denominated in RMB; and (3) $0.8 million in aggregate denominated in HK dollars, Australian dollars, and Taiwan dollars.

Short-Term Investments

The Company's short-term investments increased by $313.7 million to $330.0 million as of December 31, 2024 and was primarily comprised of time deposits with original maturities between three months and one year.

Accounts Receivable

Accounts receivable increased by $26.0 million to $85.2 million as of December 31, 2024, primarily due to increased product sales.

Inventories, Net

Inventories decreased by $5.0 million to $39.9 million as of December 31, 2024, primarily due to increased product sales.

Property and Equipment, Net

Property and equipment, net decreased by $5.8 million to $48.0 million as of December 31, 2024, primarily due to depreciation.

Intangible Assets, Net

Intangible assets, net increased by $42.6 million to $56.0 million as of December 31, 2024, primarily due to an increase in capitalized post-approval milestone fees and acquired commercial manufacturing know-how and related development costs.

Accounts Payable

Accounts payable decreased by $12.1 million to $100.9 million as of December 31, 2024, primarily due to decreases in payable for research and development expenses primarily driven by the progress of existing studies.

Short-Term Debt

As of December 31, 2024, the Company had short-term debt of $131.7 million, which related to debt arrangements with certain Chinese financial institutions on favorable commercial terms to support our working capital needs in mainland China. We did not have such short-term debt as of December 31, 2023.

Other Current Liabilities

Other current liabilities decreased by $24.3 million to $58.7 million as of December 31, 2024, primarily due to payments of withholding taxes, decreases in accrued rebate to distributors in connection with NRDL-related price reductions, and decreases in accrued payroll.

Liquidity and Capital Resources

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

	December 31,	
	2024	2023
Cash and cash equivalents	449,667	790,151
Restricted cash, current	100,000	—
Short-term investments	330,000	16,300
Restricted cash, non-current	1,114	1,113
Total	880,781	807,564

To date, we have financed our activities primarily through private placements, our September 2017 initial public offering and various follow-on offerings on Nasdaq, and our September 2020 secondary listing and initial public offering on the Hong Kong Stock Exchange. In addition, we have raised approximately $164.6 million in private equity financing and approximately $2,677.8 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 $214.9 million and $198.2 million in 2024 and 2023, respectively. For information on our research and development activities and related expenditures see the *Research and Development Expenses*, *Selling, General, and Administrative Expenses*, *License and Collaboration Arrangements*, and *Results of Operations* sections above. In addition, as of December 31, 2024, we had commitments for capital expenditures of $6.8 million mainly for the purpose of commercial manufacturing development and facilities construction and improvement activities.

As of December 31, 2024, we had cash and cash equivalents, current restricted cash, and short-term investments of $879.7 million, which we expect will enable us to meet our cash requirements including the funding of operating expenses, capital expenditures, and debt obligations for at least the next 12 months.

Although we believe that we have sufficient capital to fund our operations for at least the next twelve months, we may, from time to time, identify opportunities to access capital through debt arrangements on favorable commercial terms. In 2024, we entered into four such debt arrangements with Chinese financial institutions that allow certain of our subsidiaries to borrow up to approximately $198.9 million (or RMB1,421.7 million) to support our working capital needs in mainland China. As of December 31, 2024, we had short-term debt of approximately $131.7 million (or RMB946.8 million) pursuant to these debt arrangements. In January 2025, we entered into a working capital loan contract with another Chinese financial institution with respect to a revolving credit facility of up to RMB300.0 million (approximately $41.1 million). These debt arrangements will provide us with additional capital capacity that gives us enhanced flexibility to execute on our corporate strategic goals. For more information, see *Note 12* and *Note 22*.

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

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

	Year Ended December 31,		Change
	2024	2023	$
Net cash used in operating activities	(214,869)	(198,178)	(16,691)
Net cash used in investing activities	(375,193)	(10,776)	(364,417)
Net cash provided by (used in) financing activities	349,889	(6,433)	356,322
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(310)	(2,622)	2,312
Net decrease in cash, cash equivalents and restricted cash	(240,483)	(218,009)	(22,474)

Net Cash Used in Operating Activities

Net cash used in operating activities increased by $16.7 million in 2024, primarily due to a decrease of $77.5 million in net loss and an increase of $13.8 million in adjustments to reconcile net loss to net cash used in operating activities, partially offset by a decrease of $108.0 million in net changes in operating assets and liabilities.

Net Cash Used in Investing Activities

Net cash used in investing activities increased by $364.4 million in 2024, primarily due to an increase of $196.0 million purchases of short-term investments, a decrease of $101.4 million in proceeds from maturity of short-term investments, an increase of $54.6 million in acquisition of intangible assets, a decrease of $10.0 million in proceeds from sale of intellectual property, and a decrease of $3.9 million in proceeds from land use right, partially offset by a decrease of $1.6 million in purchases of property and equipment.

Net Cash Used in Financing Activities

Net cash provided by financing activities was $349.9 million in 2024, compared to net cash used in financing activities of $6.4 million in 2023. This shift was primarily due to an increase of $216.1 million in proceeds from issuance of ordinary shares upon public offerings net of offering costs, an increase of $131.6 million in proceeds from short-term debt, and a decrease of $8.8 million in taxes paid related to 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 may require or seek to obtain additional funding in connection with our operations through public or private equity offerings, debt financing, collaborations or licensing arrangements, or other sources. If we are unable to raise capital when needed or on acceptable terms, we could incur losses or be forced to delay, reduce, or terminate certain programs or activities.

Although we believe our cash and cash equivalents and short-term investments as of December 31, 2024 will enable us to fund our operating expenses and capital expenditure requirements for at least the next twelve months, we could use our capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- revenues from our approved commercial products and related product costs;
- the cost and timing of future commercialization activities for our products and any other product candidates for which we receive regulatory approval;

- the cost, timing, and outcome of seeking, obtaining, and maintaining regulatory approval for our products and product candidates;
- the scope, progress, timing, results, and costs of researching and developing our product candidates, including additional indications for our existing commercial products, and conducting pre-clinical and clinical trials;
- our ability to establish and maintain strategic partnerships, including collaboration, licensing, or other arrangements and the economic and other terms, timing, and success of such arrangements, such as with respect to any upfront fees, development and regulatory milestones that may be payable prior to commercialization or before we have generated revenue from the related product, and sales-based milestones or royalty payments that may be payable after commercial launch;
- the cost, timing, and outcome of preparing, filing, and prosecuting patent applications, maintaining and enforcing our intellectual property rights, and defending any intellectual property related claims;
- cash requirements of any future acquisitions;
- resources and costs required to promote compliance with applicable laws and regulations by us and our third-party partners;
- costs of our personnel; and
- the costs of operating as a public company in both the United States and Hong Kong.

Contractual Obligations and Commitments

As of December 31, 2024, we had purchase commitments of $6.8 million related to commercial manufacturing development and facilities construction and improvement activities that are contracted but not yet reflected in the consolidated financial statements and were 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 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 $19.0 million and $25.1 million, which were denominated in RMB, as of December 31, 2024 and 2023, respectively, representing 4% and 3% of the cash and cash equivalents as of December 31, 2024 and 2023, respectively.

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

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

The value of our ADSs and our ordinary shares will be affected by the foreign exchange rates between U.S. dollars, HK dollars, and the RMB. For example, to the extent that we need to convert U.S. dollars or HK dollars into RMB for our

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

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

Credit Risk

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

The carrying amounts of cash and cash equivalents and short-term investments represent the maximum amount of losses due to credit risk. As of December 31, 2024 and 2023, we had cash and cash equivalents of $449.7 million and $790.2 million, restricted cash of $101.1 million and $1.1 million, and short-term investments of $330.0 million and $16.3 million, respectively. As of December 31, 2024 and 2023, all of our cash and cash equivalents, restricted cash, and short-term investments were held by major financial institutions located in mainland China and international financial institutions outside of mainland China which we believe are of high credit quality and for which we monitor continued credit worthiness.

Accounts receivable are typically unsecured and are derived from product revenue. 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 December 31, 2024, our two largest customers accounted for approximately 23% of our total accounts receivable collectively.

Certain accounts receivable balances are settled in the form of notes receivable. As of December 31, 2024, such notes receivable included bank acceptance promissory notes that are non-interest bearing and due within six months. These notes receivable were used to collect the receivables based on an administrative convenience, given these notes are readily convertible to known amounts of cash. In accordance with the sales agreements, whether to use cash or bank acceptance promissory notes to settle the receivables is at our discretion, and this selection does not impact the agreed contractual purchase prices.

Interest Rate Risk

We are exposed to risks related to changes in interest rates on our cash and cash equivalents, restricted cash, and short-term investments. As of December 31, 2024 and 2023, we had cash and cash equivalents of $449.7 million and $790.2 million, restricted cash of $101.1 million and $1.1 million, and short-term investments of $330.0 million and $16.3 million, respectively. Our investment portfolio, which relates to cash equivalents and short-term investments, primarily consists of time deposits. The primary objectives of our investment activities are to preserve principal, provide liquidity, and maximize income without significantly increasing risk. Given the short-term nature of our deposits and investments, we believe that a sudden change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operation. For example, a hypothetical 10% relative change in interest rates during any of the periods presented would not have a material impact on future interest income.

We are also exposed to risks related to changes in interest rates on our short-term debt, which is currently subject to a mix of fixed and floating interest rates. We had $131.7 million of short-term debt as of December 31, 2024. A 100-basis point increase in interest rates as of December 31, 2024 would not materially increase our interest expense. Our interest rate exposure from short-term debt is also offset by our exposure in cash and cash equivalents, restricted cash, and short-term investments, as discussed above. For more information on our short-term debt, see *Note 12* and *Note 22*.

Gearing Ratio

The gearing ratio of the Company, which was calculated by dividing total interest-bearing loans by total shareholders' equity as of the end of the year, was 16% and nil as of December 31, 2024 and 2023.

Significant Investments Held

Except the equity investment disclosed in *Note 6*, we did not hold any other significant investments as of December 31, 2024 and 2023.

Future Plans for Material Investments and Capital Assets

We did not have any future plans for material investments or capital assets as of December 31, 2024.

Material Acquisitions and Disposals of Subsidiaries, Associates, and Joint Ventures

In 2024, we did not have any material acquisitions or disposals of subsidiaries, associates, or joint ventures.

Employee and Remuneration Policy

As of December 31, 2024, we had a global team of 1,844 full-time employees, which decreased from 2,148 full-time employees as of December 31, 2023.

The remuneration policy for our employees is periodically reviewed by the Compensation Committee of the Board. Employee remuneration packages are determined in consideration of a variety of factors, including our pay-for-performance compensation model and market data for companies in similar industries and with similar complexity and size. In addition to cash compensation and benefits, we may issue share options, share appreciation rights, restricted shares, unrestricted shares, share units including restricted share units, performance awards, and other types of awards to our employees in accordance with our equity incentive plans. For more details about share-based compensation, please refer to the section headed "Equity Incentive Plans" and *Note 15*.

The total remuneration cost incurred by the Company was $281.1 million and $288.6 million for 2024 and 2023, respectively.

Charges on Group Assets

As of December 31, 2024, we had a charge over deposit of $100.0 million in restricted cash with BOC HK to secure the standby letters of credit. As of December 31, 2023, we did not have any charges on the Company's assets.

Contingent Liabilities

As of December 31, 2024 and 2023, we did not have any material contingent liabilities. See *Note 16* for contractual obligations under licenses and collaborative agreements.

Recent Accounting Pronouncements

See *Note 2* for recent accounting pronouncements.

OTHER INFORMATION

Compliance with the Corporate Governance Code

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

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the responsibilities of the Chairperson and the Chief Executive Officer should be segregated and should not be performed by the same individual. Our Founder and Chief Executive Officer, Dr. Samantha Du, currently serves as the Chairperson of the Board. The Board believes that Dr. Du is the director best suited to serve as Chairperson. Dr. Du has an extensive understanding of our business and industry, is adept at identifying strategic opportunities, promoting the effective execution of those strategic initiatives, and facilitating the flow of information between management and the Board. The Board also believes that the combined role of Chairperson and Chief Executive Officer promotes effective execution of strategic initiatives To promote strong corporate governance while the roles of Chairperson and Chief Executive Officer are combined, the Board has established a lead independent director and appointed Dr. John Diekman to serve in this important position. Our lead independent director, among other things, leads meetings of the Board when the Chairperson is not present, serves as liaison between the Chairperson and independent directors, has the authority to call meetings of the independent directors, and, if requested by a significant portion of our shareholders, will be available for consultation and direct communication. While the roles of Chairperson 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 announcement, the Company has complied with the code provisions set out in Part 2 of the CG Code.

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

Compliance with Policies Equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers

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

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

Purchase, Sale, or Redemption of the Company's Listed Securities

During the Reporting Period, the Company did not purchase, sell, or redeem any of the Company's securities listed on the Hong Kong Stock Exchange.

During the Reporting Period and as at December 31, 2024, the Company did not have any treasury shares (as defined in the HK Listing Rules).

Use of Net Proceeds

Use of Net Proceeds from the 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 announcement, 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% to fund new business and corporate development and licensing opportunities;
- Approximately 30% to complete clinical trials and advance new drug candidates;
- Approximately 20% to expand the Company's commercialization efforts;
- Approximately 15% to enhance the Company's global pipeline; and
- Approximately 5% 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 December 31, 2024 ($ in millions):

Purpose	Percentage to total amount	Net proceeds from the offering	Amount of net proceeds unutilized as of January 1, 2024	Amount of net proceeds utilized during the Reporting Period	Actual use of proceeds up to December 31, 2024	Unutilized amount as of December 31, 2024	Expected timeline for use of unutilized proceeds
Fund new business and corporate development and licensing opportunities	30.0 %	245.4	245.4	—	—	245.4	By December 2027
Complete clinical trials and advance new drug candidates	30.0 %	245.4	—	—	245.4	—	Not applicable
Expand the Company's commercialization efforts	20.0 %	163.6	—	—	163.6	—	Not applicable
Enhance the Company's global pipeline	15.0 %	122.7	108.6	21.5	35.6	87.1	By December 2027
Working capital and other general corporate purposes	5.0 %	40.9	40.9	—	—	40.9	By December 2027
Total	100.0 %	818.0	394.9	21.5	444.6	373.4	

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

Use of Net Proceeds from the Global Offering

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

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

The following table presents a summary of the utilization of the net proceeds from the Global Offering as of December 31, 2024 ($ in millions):

Purpose	Percentage to total amount	Net proceeds from the offering	Amount of net proceeds unutilized as of January 1, 2024	Amount of net proceeds utilized during the Reporting Period	Actual use of proceeds up to December 31, 2024	Unutilized amount as of December 31, 2024	Expected timeline for use of unutilized proceeds
For ZEJULA to seek indication expansion and hire high-caliber R&D staff dedicated to its development, and to develop and improve the Company's manufacturing facilities to bring ZEJULA to commercialization	7.2 %	61.6	—	—	61.6	—	Not Applicable
Fund ongoing and planned clinical trials and preparation for registration filings of Tumor Treating Fields in multiple solid tumor cancer indications	6.2 %	52.7	31.6	2.9	24.0	28.7	By December 2027
For ZEJULA to enhance the Company's commercialization capabilities through increasing its sales and marketing headcounts, among other efforts	16.0 %	136.1	17.6	17.6	136.1	—	Not Applicable
Strengthen commercialization efforts for Tumor Treating Fields through recruiting key talents in relevant indications to drive sales and future potential product launch	8.0 %	68.1	14.8	7.5	60.8	7.3	By December 2025
Fund the Company's ongoing and planned clinical trials and preparation for registration filings of other drug candidates in the pipeline, especially late-stage drug candidates	20.6 %	174.9	74.5	74.5	174.9	—	Not applicable
Explore new global licensing and collaboration opportunities and bring in potentially global best-in-class/ first-in-class assets with clinical validation, synergistic with the Company's current pipeline and aligned to its expertise	25.0 %	212.7	25.1	23.0	210.6	2.1	By December 2025

Continue investing in and expanding the Company's internal discovery pipeline and recruit and train talent globally	7.0 %	59.6	—	—	59.6	—	Not applicable
Fund working capital and other general corporate purposes	10.0 %	85.1	30.7	—	54.4	30.7	By December 2027
Total	100.0 %	850.8	194.3	125.5	782.0	68.8	

As disclosed in the announcement of Zai Lab Limited dated March 28, 2024, since we do not currently plan to seek indication expansion or hire high-caliber R&D staff dedicated to the development of ZEJULA, and our manufacturing facilities are expected to be sufficient to support our commercial needs for ZEJULA in the near future, the Company considered that it may no longer be necessary to continue to use the funds designated for ZEJULA for the initial intended purpose (i.e. the first purpose set out in the table above). As a result, we reallocated such remaining funds, being $74.5 million, 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 (i.e. the fifth purpose set out in the table above).

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

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

Use of Net Proceeds from the November 2024 Offering

In order to raise additional capital for the Group's business and operations, broaden the Company's shareholder base and capital base and enhance further liquidity of the securities of the Company, on November 14, 2024 (U.S. Eastern time), the Company and the Underwriters entered into the underwriting agreement, pursuant to which the Company (i) agreed to issue and sell to the Underwriters an aggregate of 7,843,137 ADSs (representing 78,431,370 underlying ordinary shares with the aggregate nominal value of $470.59) at the Offer Price; and (ii) granted to the Underwriters the Option to purchase up to an additional 1,176,470 ADSs (representing 11,764,700 underlying ordinary shares with the aggregate nominal value of $70.59) at the Offer Price less the underwriting discounts and commissions. The Offer Price represents (i) a discount of approximately 4.39% to the closing price per ADS of US$26.67 as quoted on Nasdaq on November 14, 2024 (U.S. Eastern time), being the last trading day immediately prior to the date of the underwriting agreement and the pricing date; and (ii) a discount (calculated based on the ten-to-one share-to-ADS ratio) of approximately 10.64% to the closing price per ordinary share of HK$22.20 as quoted on the Hong Kong Stock Exchange on November 14, 2024 (Hong Kong time).

Closing of the November 2024 Offering took place on November 18, 2024 (U.S. Eastern time). In addition, since the Underwriters fully exercised their Option, the additional closing took place on November 19, 2024 (U.S. Eastern time). A total of 9,019,607 ADSs were issued.

Based on the information currently available to the Company, the net proceeds of the November 2024 Offering, after deduction of the underwriting fees and other expenses relating to the November 2024 Offering, were approximately US$215.0 million (equivalent to approximately HK$1,673.1 million), and the net Offer Price amounted to approximately US$23.84 per ADS (equivalent to approximately HK$18.55 per ordinary share calculated based on the ten-to-one share-to-ADS ratio).

As previously disclosed in "Use of Proceeds" in the Final Prospectus Supplement and as supplemented per the Closing Announcement, the Company intends to apply the net proceeds of the November 2024 Offering for general corporate purposes, more specifically, to continue its research and development of its global pipeline, advance its product candidates

and drive commercialization of its products, and pursue strategic business and corporate development and licensing opportunities, details of which are further discussed in the Company's press release associated with its third quarter 2024 earnings dated November 12, 2024.

During the Reporting Period, the Company utilized $19.7 million of the net proceeds from the November 2024 Offering for general corporate purposes, mainly in the area of advancing its product candidates and driving commercialization of its products, and the unutilized amount of net proceeds as of December 31, 2024 is $195.3 million.

During the Reporting Period, there was no change in the intended use of net proceeds as previously disclosed in the section "Use of Proceeds" in the Final Prospectus Supplement and the Closing Announcement.

The Company plans to gradually utilize the remaining net proceeds from the November 2024 Offering in accordance with such intended purposes depending on actual business, which is expected to be fully utilized by the end of 2028. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

Audit Committee Review of Financial Statements

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

The Audit Committee has reviewed the consolidated financial statements and annual results of the Company for the year ended December 31, 2024. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal controls with members of senior management and the external auditor of the Company. The consolidated financial statements included in this announcement have been audited by the external auditor of the Company.

Important Events after the Reporting Period

Except as disclosed in *Note 22*, there were no important events after the Reporting Period.

Annual General Meeting and Record Date

The AGM is scheduled to be held on June 18, 2025.

Zai Lab Limited announces that the Ordinary Share Record Date for the purpose of determining the eligibility of the holders of the Ordinary Shares of Zai Lab Limited to attend and vote at the forthcoming AGM. In order to be eligible to attend and vote at the AGM, all valid documents for the transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on the Ordinary Share Record Date. All persons who are registered holders of the Ordinary Shares on the Ordinary Share Record Date will be entitled to attend and vote at the AGM.

Holders of ADSs issued by Citibank, N.A., as depositary of the ADSs, and representing the right to receive the Ordinary Shares will not be entitled to attend the AGM and cannot vote their ADSs directly. Holders of record of ADSs as of 4:30 p.m. on the ADS Record Date may exercise the voting rights with respect to the Ordinary Shares underlying his, her or its ADSs in accordance with the provisions of the deposit agreement among the Company, Citibank, N.A. and the holders and beneficial owners of ADSs. Holders of record of ADSs as of the ADS Record Date who wish to exercise their voting rights for the underlying Ordinary Shares must act through Citibank, N.A. The deposit agreement permits registered holders of

ADSs as of the ADS Record Date to instruct Citibank, N.A. to exercise the voting rights for the Ordinary Shares underlying his, her or its ADSs. Citibank, N.A. has agreed that it will endeavor, insofar as practicable and permitted under and in accordance with applicable law and the provisions of the deposit agreement, to vote the securities (in person or by proxy) represented by the holder's ADSs in accordance with such voting instruction. If a holder of ADSs cancels his, her or its ADSs in exchange for Ordinary Shares on or prior to the ADS Record Date, such holder of ADSs will not be able to instruct Citibank, N.A., as depositary of the ADSs, as to how to vote the Ordinary Shares represented by the cancelled ADSs as described above. Holders of ADSs who wish to cancel their ADSs in exchange for Ordinary Shares for the purpose of voting the Ordinary Shares directly will need to make arrangements to deliver their ADSs to Citibank, N.A., as depositary of the ADSs, for cancellation with sufficient time to allow for the completion of the delivery and, if applicable, the re-registration of the Ordinary Shares on the Company's register of members in Hong Kong prior to the Ordinary Share Record Date, together with (a) delivery instructions for the corresponding Ordinary Shares (including, if applicable, the name and address of the person(s) who will be the registered holder(s) of such Ordinary Shares) and (b) payment of the ADS depositary fees associated with such ADS cancellation ($0.05 per ADS to be cancelled) and any applicable taxes. If ADSs are held in a brokerage firm, bank or other financial institution, please contact the broker, bank or other financial institution to find out what actions need to be taken to instruct the broker, bank or other financial institution to present the ADSs for cancellation. Please be aware that there are no guarantees of timely delivery or re-registration of Ordinary Shares prior to the Ordinary Share Record Date due to the time differences between U.S. Eastern Time and Shanghai and Hong Kong Time, as well as the time required for processing the ADS cancellations, the delivery of Ordinary Shares and, if applicable, the re-registration of Ordinary Shares on the Company's register of members in Hong Kong.

Details including the date and location of the AGM will be set out in the notice of AGM to be issued and provided to holders of our Ordinary Shares and ADSs as of the respective Record Date together with the proxy materials in due course.

Publication of Annual Results and Annual Report

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

By order of the Board
Zai Lab Limited
Samantha Du
Director, Chairperson and Chief Executive Officer

Hong Kong, March 28, 2025

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

** For identification only*

GLOSSARY

This Glossary includes acronyms and defined terms that are used throughout this announcement.

ABC:	*Acinetobacter baumannii-calcoaceticus* complex
ABSSSI:	Acute bacterial skin and skin structure infections
ADC:	Antibody-drug conjugate
ADP:	Psychosis associated with Alzheimer's Disease
ADS:	American Depositary Share, each representing ten of the Company's ordinary shares
ADS Record Date:	Thursday, April 17, 2025 (U.S. Eastern Time)
AGM:	The annual general meeting of Zai Lab Limited
Amgen:	Amgen Inc.
argenx:	argenx BV
ASC:	Accounting Standard Codification
ASC 606:	ASC Topic 606, *Revenue from Contracts with Customers*
ASC 718:	ASC 718, *Compensation-Stock Compensation*
ASC 808:	ASC Topic 808, *Collaborative Arrangements*
ASC 820:	ASC Topic 820, *Fair Value Measurements and Disclosures*
ASC 842:	ASC 842, *Leases*
Audit Committee:	The Audit Committee of the Board of Directors
AUGTYRO (Repotrectinib):	A next-generation TKI of ROS proto-oncogene 1 (ROS1) tyrosine-protein kinase and of the tropomyosin receptor tyrosine kinases (TRKs) TRKA, TRKB, and TRKC
Bemarituzumab:	A humanized anti-FGFR2b IgG1 monoclonal antibody
Bemarituzumab FPA144-004 Study:	A global Phase III registrational trial of bemarituzumab (FPA144) in combination with FOLFOX in front-line gastric and gastroesophageal cancer
BMS:	Bristol-Myers Squibb Company
Board of Directors (or Board):	The Board of Directors of Zai Lab Limited
BOC HK:	Bank of China (Hong Kong) Limited
BOCOM:	Bank of Communications Co., Ltd. Shanghai Zhangjiang Sub-Branch
BOC Pudong Branch:	Bank of China Pudong Development Zone Sub-Branch
CABP:	Community-acquired bacterial pneumonia
CG Code:	The Corporate Governance Code as set forth in Appendix C1 to the HK Listing Rules
Chief Executive:	Has the meaning ascribed to it in the HK Listing Rules
CIDP:	Chronic inflammatory demyelinating polyneuropathy
Closing Announcement:	The voluntary announcement of Zai Lab Limited dated November 22, 2024 with respect to the closing of the November 2024 Offering
CMB:	China Merchants Bank Co., Ltd. Shanghai Branch
CMO:	Contract Manufacturing Organization
CODM:	Chief Operating Decision Maker
Company:	Zai Lab Limited and its subsidiaries, collectively
CRO:	Contract Research Organization
Deciphera:	Deciphera Pharmaceuticals, LLC, a subsidiary of Deciphera Pharmaceuticals, Inc.
DLL3:	An inhibitor of the Notch ligand that is overexpressed in SCLC and other neuroendocrine neoplasmas
Efgartigimod (efgartigimod alfa fcab or efgartigimod alfa injection):	A human IgG1 antibody fragment that binds to FcRn

EIT:	Enterprise income tax
EIT Law:	The Enterprise Income Tax Law of the People's Republic of China
Entasis:	Entasis Therapeutics Holdings Inc.
FASB:	Financial Accounting Standards Board
FcRn:	The neonatal fragment crystallizable receptor
FGFR2b:	Human fibroblast growth factor receptor 2 isoform IIb
Final Prospectus Supplement:	The Final Prospectus Supplement of the Company dated November 15, 2024
Five Prime:	Five Prime Therapeutics, Inc.
GBM:	Glioblastoma multiforme, an aggressive form of brain tumor
gMG:	Generalized myasthenia gravis
Global Offering:	The global offering of the Company as described in the Prospectus
Greater China:	Mainland China, Hong Kong, Macau, and Taiwan, collectively
GSK:	GlaxoSmithKline plc
HABP:	Hospital-acquired bacterial pneumonia
HK Listing Rules:	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended
HKMA:	Hong Kong Monetary Authority
HNTE:	High and new technology enterprise
Hong Kong (or HK):	Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Stock Exchange (or HKEx):	The Stock Exchange of Hong Kong Limited
IFRS:	International Financial Reporting Standards
IL:	Interleukin
Innoviva:	Innoviva, Inc.
IPO:	Initial public offering
IV:	Intravenous
Karuna:	Karuna Therapeutics, Inc.
KarXT:	Xanomeline and trospium chloride, a combination of an oral M1/M4-preferring muscarinic acetylcholine receptor agonist and an antimuscarinic agent
LRRC15:	Leucine-rich repeat-containing protein 15, a type 1 transmembrane protein involved in cell-cell and cell-extracellular matrix interactions that is overexpressed in various mesenchymal tumors where it promotes tumor metastases
Macau:	Macau Special Administrative Region of the People's Republic of China
MacroGenics:	MacroGenics, Inc.
MediLink:	MediLink Therapeutics (Suzhou) Co., Ltd.
MMAE:	Microtubule-disrupting agent monomethyl auristatin E
Model Code:	The Model Code for Securities Transactions as set forth in Appendix C3 to the HK Listing Rules
Nasdaq:	Nasdaq Global Market
Ningbo Bank:	Bank of Ningbo Co., Ltd. Suzhou Sub-Branch
Ningbo Bank Agreements:	Maximum Credit Contract, Electronic Commercial Draft Discounting Master Agreement and Online Working Capital Loan Master Agreement between Zai Lab Suzhou and Ningbo Bank, collectively
November 2024 Offering:	The underwritten public offering of 7,843,137 ADSs (representing 78,431,370 underlying ordinary shares) at the Offer Price and the full exercise of the Option by the Underwriters
NovoCure:	NovoCure Ltd.

Novo Holdings:	Novo Holdings A/S
NRDL:	China's National Reimbursement Drug List
NSCLC:	Non-small cell lung cancer
NUZYRA (Omadacycline):	A novel tetracycline-class antibacterial with both oral and IV formulations that is a broad-spectrum antibiotic
Offer Price:	The offer price of the November 2024 Offering at US$25.50 per ADS (equivalent to approximately HK$19.84 per ordinary share calculated based on the ten-to-one share-to-ADS ratio)
Option:	With respect to the November 2024 Offering, a 30-day option to purchase up to an additional 1,176,470 ADSs (representing 11,764,700 underlying ordinary shares with the aggregate nominal value of $70.59) at the Offer Price
OPTUNE:	Tumor Treating Fields (or TTFields) devices marketed under various brand names, including OPTUNE GIO® for GBM
Ordinary Share(s):	Ordinary share(s) in the authorized share capital of the Company with a par value of $0.000006 per share after the Share Subdivision (or $0.00006 per share before the Share Subdivision)
Ordinary Share Record Date:	Thursday, April 17, 2025 (Shanghai and Hong Kong Time)
Our commercial products / programs:	ZEJULA, VYVGART / VYVGART Hytrulo, NUZYRA, OPTUNE, QINLOCK, XACDURO, and AUGTYRO, collectively
Ovarian cancer:	Epithelial ovarian, fallopian tube, and primary peritoneal cancer, collectively
Paratek:	Paratek Bermuda Ltd., a subsidiary of Paratek Pharmaceuticals, Inc.
PARP / PARP Inhibitor:	PARP (poly (ADP-ribose) polymerase) is a protein that helps repair DNA damage in cells; PARP inhibitors block PARP from repairing DNA damage, such as may be caused by radiation and/or certain chemotherapies, which may lead to cancer cell death and slow the return or progression of cancer
PBOC:	People's Bank of China
PDGFRα:	Platelet-derived growth factor receptor alpha
Pfizer:	Pfizer Inc.
Prospectus:	The prospectus of the Company dated September 17, 2020
QINLOCK (Ripretinib):	An orally administered switch-control TKI that broadly inhibits KIT and PDGFRα tyrosine kinases, including wild-type and forms with multiple primary mutations or secondary mutations
Record Date:	The ADS Record Date and the Ordinary Share Record Date, collectively
Reporting Period:	the year ended December 31, 2024
RMB:	Chinese Renminbi
ROU:	Right-of-use
SC:	Subcutaneous
SCLC:	Small cell lung cancer
Seagen:	Seagen Inc.
Share Subdivision:	The subdivision of each of the issued and unissued ordinary shares of Zai Lab Limited into ten ordinary shares effective as of March 30, 2022
SPD Bank:	Shanghai Pudong Development Bank Co., Ltd. Zhangjiang Hi-Tech Park Sub-Branch
Tesaro:	Tesaro, Inc.
TIVDAK (Tisotumab Vedotin):	An ADC composed of Genmab's human monoclonal antibody directed against cell surface tissue factor and Seagen's ADC technology that utilizes a protease-cleavable linker that covalently attaches MMAE to the antibody
TKI:	Tyrosine kinase inhibitor

Trust for Life:	Our sustainability strategy, which includes three pillars: improve human health, create better outcomes, and act right now with ethical business practices and strong governance
Turning Point:	Turning Point Therapeutics, Inc.
TWD:	New Taiwan Dollar
Underwriters:	Goldman Sachs (Asia) L.L.C., Jefferies LLC and Leerink Partners LLC, collectively
U.S.:	United States
U.S. GAAP:	Generally Accepted Accounting Principles in the United States
VABP:	Ventilator-associated bacterial pneumonia
Vertex:	Vertex Pharmaceuticals Inc.
VYVGART:	The brand name for the IV formulation of efgartigimod
VYVGART Hytrulo:	The brand name for the SC formulation of efgartigimod
XACDURO (SUL-DUR):	A combination of a beta-lactam antibiotic (sulbactam) and beta-lactamase inhibitor (durlobactam)
Zai Lab:	Zai Lab Limited, holding company, and its subsidiaries on a consolidated basis
Zai Lab Limited:	Zai Lab Limited, a holding company
Zai Lab Shanghai:	Zai Lab (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company
Zai Lab Suzhou:	Zai Lab (Suzhou) Co., Ltd., a wholly-owned subsidiary of the Company
ZEJULA (Niraparib):	An orally administered PARP 1/2 inhibitor
ZL-1310:	An early-stage next generation DLL3 ADC
ZL-1503:	A pre-clinical IL-13 / IL-31 bi-specific antibody
2015 Plan:	Zai Lab Limited 2015 Omnibus Equity Incentive Plan, as amended
2017 Plan:	Zai Lab Limited 2017 Equity Incentive Plan
2022 Plan:	Zai Lab Limited 2022 Equity Incentive Plan
2024 Plan:	Zai Lab Limited 2024 Equity Incentive Plan
$:	U.S. Dollar
A$:	Australian Dollar
HK$:	Hong Kong Dollar